

TAX MATTERS DOCUMENT 31

THIS TAX MATTERS DOCUMENT (this "Document") is made and entered into as of January 15, 2024 (the "Effective Date"), by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 ("Company") (EIN: 81-3456789).

WHEREAS, the Company develops and licenses proprietary artificial intelligence and machine learning software solutions through its NexusCore™ Industrial AI Platform;

WHEREAS, the Company generates revenue through enterprise software-as-a-service licensing and related implementation services across multiple tax jurisdictions;

WHEREAS, the Company seeks to document its tax treatment methodologies and compliance obligations related to its business operations; and

WHEREAS, this Document shall serve as the definitive record of the Company's tax positions and methodologies for various aspects of its business operations.

NOW, THEREFORE, the Company hereby adopts and implements the following tax documentation:

1.0 PREAMBLE AND RECITALS

1.1 This Document constitutes Tax Matters Document 31 of the Company and establishes the framework for tax treatment of the Company's software licensing, international operations, and research activities, pursuant to Internal Revenue Code sections 41, 174, and 197, and applicable international tax treaties.

1.2 The Company, incorporated in Delaware on March 15, 2017 (File Number 6374219), maintains its headquarters and primary research facilities at 1200 North Market Street, Suite 800, Wilmington, Delaware 19801, with additional operations in various North American and European jurisdictions. The Company operates under Federal Employer Identification Number (FEIN) 81-3456789.

1.3 The Company's business activities primarily consist of: (a) Development and licensing of the NexusCore™ Industrial AI Platform; (b) Provision of implementation and integration services; (c) Ongoing software maintenance and support; and (d) Research and development of artificial intelligence and machine learning technologies.

1.4 This Document serves to memorialize and establish the Company's tax positions regarding: (a) Research and development tax credits under IRC Section 41; (b) Software development

expense treatment under IRC Section 174; (c) International transfer pricing methodologies; and (d) Revenue recognition for multi-jurisdictional software licenses.

1.5 The Company maintains significant operations in California, Massachusetts, Germany, and the United Kingdom, subject to respective state and national tax authorities, and operates through wholly-owned subsidiaries in each jurisdiction, as detailed in Schedule A of this Document.

1.6 This Document shall be interpreted in conjunction with the Company's Master Tax Planning Framework (Document 12) and International Operations Protocol (Document 24), as amended from time to time.

2.0 DEFINITIONS AND INTERPRETATIONS

2.1 "SaaS Revenue" means all revenue derived from subscription-based licensing of the NexusCore™ platform, including but not limited to: (a) Recurring subscription fees; (b) Usage-based charges; (c) Platform access fees; (d) API consumption charges; (e) Feature-specific licensing fees; and (f) Data processing fees.

2.2 "Implementation Revenue" means fees charged for professional services related to platform deployment, integration, and customer-specific customization, encompassing: (a) Initial setup and configuration services; (b) Data migration and integration services; (c) Custom development work; (d) Training and documentation; and (e) Project management services.

2.3 "Qualified Research Expenses" or "QREs" means expenses that qualify for research tax credits under IRC Section 41, including: (a) Wages for qualified services; (b) Supplies used in research; (c) Contract research expenses; (d) Cloud computing costs directly related to research activities; (e) Patent development expenses; and (f) Third-party testing and validation services.

2.4 "Transfer Pricing" means the methodology used to price transactions between Company affiliates in different tax jurisdictions, specifically addressing: (a) Intercompany software licensing; (b) Technical service fees; (c) Cost-sharing arrangements; (d) Research and development services; and (e) Management service charges.

2.5 "Digital Services Tax" or "DST" means any tax specifically targeted at digital service providers in applicable jurisdictions, including: (a) Platform-based service taxes; (b) Data transmission taxes; (c) Digital marketplace levies; and (d) Electronic service taxes.

2.6 "Artificial Intelligence Revenue" means income derived from AI-specific features and capabilities, including: (a) Machine learning model deployment; (b) AI-assisted analytics; (c) Predictive modeling services; and (d) Automated decision-making systems.

2.7 "Cross-Border Revenue" means revenue generated from customers located in jurisdictions other than the Company's primary tax residence, subject to: (a) International tax treaties; (b)

Permanent establishment considerations; (c) Value-added tax requirements; and (d) Foreign currency translation rules.

2.8 "Technical Debt" means accumulated development obligations that may affect future taxable income, including: (a) Legacy system maintenance; (b) Code refactoring requirements; (c) Platform modernization costs; and (d) Security compliance updates.

2.9 For purposes of interpretation: (a) Terms defined herein shall have the same meaning in all related agreements; (b) References to laws and regulations include amendments and replacements; (c) Technical terms shall be interpreted according to industry standards; (d) Currency amounts are in United States dollars unless otherwise specified; and (e) Time periods shall be calculated according to the jurisdiction of primary tax residence.

2.10 Any terms not specifically defined herein shall have their ordinary meaning within the software industry and applicable tax regulations.

3.0 TAX TREATMENT OF SOFTWARE LICENSING

3.1 SaaS Revenue Classification (a) The Company's SaaS revenue shall be treated as service income for tax purposes. (b) Revenue recognition shall follow ASC 606 principles, with recognition occurring over the subscription term. (c) Multi-element arrangements shall be disaggregated based on standalone selling prices. (d) For tax classification purposes, the following components shall be evaluated separately: (i) Core subscription services; (ii) Usage-based fees; (iii) Premium support services; and (iv) Add-on functionality modules. (e) Bundled offerings shall be analyzed for tax purposes based on their predominant character, considering: (i) Primary value drivers; (ii) Customer utilization patterns; and (iii) Marketing and contractual representations.

3.2 Multi-jurisdiction Revenue Allocation (a) Revenue shall be allocated to jurisdictions based on: (i) Location of customer usage; (ii) Server locations; and (iii) Support service delivery locations. (b) The Company shall maintain detailed records of usage metrics to support allocation methodologies. (c) Jurisdiction-specific allocation factors shall include: (i) User access locations and quantities; (ii) Data storage distribution; (iii) Technical support delivery points; and (iv) Administrative service locations. (d) Documentation requirements for multi-jurisdiction allocation: (i) Monthly usage reports by jurisdiction; (ii) Server location and capacity records; (iii) Support ticket geographic distribution; and (iv) Customer location certificates.

3.3 Implementation Services Taxation (a) Implementation services shall be treated as separate performance obligations. (b) Revenue recognition shall occur as services are performed. (c) Service revenue shall be sourced to the jurisdiction where services are delivered. (d) Implementation service categories subject to distinct tax treatment: (i) Data migration services; (ii) Configuration and customization; (iii) Training services; and (iv) Project management

services. (e) Documentation requirements for implementation services: (i) Time and material records; (ii) Service delivery location logs; (iii) Personnel assignment records; and (iv) Completion certificates.

3.4 IP-Related Tax Considerations (a) Intellectual property rights shall be evaluated for tax purposes considering: (i) Development jurisdiction; (ii) Usage jurisdiction; and (iii) Revenue attribution methodology. (b) Transfer pricing implications for cross-border IP usage: (i) Arm's length pricing documentation; (ii) Economic ownership analysis; and (iii) Cost-sharing arrangements. (c) Research and development tax credits: (i) Qualification criteria; (ii) Documentation requirements; and (iii) Jurisdiction-specific calculations.

3.5 Tax Compliance and Reporting (a) The Company shall maintain comprehensive tax compliance procedures including: (i) Regular review of tax positions; (ii) Documentation of methodology changes; (iii) Periodic audits of allocation procedures; and (iv) Updates to reflect regulatory changes. (b) Required tax reporting documentation: (i) Revenue allocation worksheets; (ii) Jurisdiction-specific tax calculations; (iii) Supporting technical documentation; and (iv) Audit trail maintenance. (c) Tax position review requirements: (i) Quarterly internal reviews; (ii) Annual external validation; (iii) Documentation updates; and (iv) Compliance certifications.

3.6 Special Tax Considerations (a) Treatment of foreign currency transactions: (i) Exchange rate methodology; (ii) Timing of conversions; and (iii) Gain/loss recognition. (b) Digital services tax implications: (i) Jurisdiction-specific requirements; (ii) Revenue thresholds; and (iii) Compliance obligations. (c) Value-added tax considerations: (i) Place of supply rules; (ii) Registration requirements; and (iii) Invoice requirements. (d) State and local tax obligations: (i) Nexus determination; (ii) Revenue sourcing rules; and (iii) Filing obligations.

4.0 INTERNATIONAL TAX CONSIDERATIONS

4.1 European Operations (a) The Company shall comply with all applicable VAT requirements in EU jurisdictions. (i) Registration thresholds must be monitored across all member states; (ii) Real-time reporting requirements shall be implemented where mandated; (iii) Input VAT recovery procedures shall be established and maintained; and (iv) Local fiscal representative appointments shall be made where required. (b) Digital Services Tax obligations shall be monitored and fulfilled where applicable. (i) Revenue thresholds shall be tracked in all relevant jurisdictions; (ii) Quarterly assessments of digital service classifications shall be conducted; and (iii) Documentation supporting digital revenue allocation shall be maintained. (c) Permanent establishment analysis shall be conducted annually. (i) Physical presence tests shall be evaluated; (ii) Agency PE risk assessments shall be performed; and (iii) Digital PE considerations shall be reviewed in light of evolving regulations.

4.2 Transfer Pricing Compliance (a) All intercompany transactions shall be priced according to arm's length principles. (i) Comparable analysis shall be updated bi-annually; (ii) Profit level

indicators shall be reviewed quarterly; and (iii) Functional and risk analyses shall be documented for each entity. (b) Transfer pricing documentation shall be maintained in accordance with BEPS requirements. (i) Master file updates shall be completed annually; (ii) Local files shall be prepared for each material jurisdiction; and (iii) Country-by-Country reporting obligations shall be fulfilled where applicable. (c) Annual transfer pricing studies shall be conducted for material transactions. (i) Benchmarking studies shall be refreshed every three years; (ii) Intercompany agreements shall be reviewed annually; and (iii) Transfer pricing adjustments shall be implemented as necessary.

4.3 Revenue Sourcing Rules (a) The Company shall apply the following hierarchy for revenue sourcing: (i) Contract terms; (ii) Customer location; (iii) Service delivery location; and (iv) Usage location. (b) Documentation requirements for revenue sourcing shall include: (i) Customer master data maintenance; (ii) Delivery verification records; (iii) Usage tracking systems; and (iv) Supporting contractual documentation.

4.4 Asia-Pacific Tax Compliance (a) Regional tax requirements shall be monitored and fulfilled, including: (i) Goods and Services Tax (GST) obligations; (ii) Business presence registrations; and (iii) Local income tax compliance. (b) Regional reporting requirements shall be maintained for: (i) Related party transactions; (ii) Withholding tax obligations; and (iii) Economic substance requirements.

4.5 Tax Treaty Applications (a) The Company shall maintain procedures for: (i) Treaty benefit qualification assessment; (ii) Limitation on benefits analysis; and (iii) Principal purpose test documentation. (b) Treaty relief claims shall be supported by: (i) Tax residency certificates; (ii) Beneficial ownership documentation; and (iii) Commercial substance evidence.

4.6 Global Tax Reporting (a) The Company shall implement systems to track: (i) Global effective tax rate calculations; (ii) Tax provision preparations; and (iii) Uncertain tax position assessments. (b) Quarterly tax reporting shall include: (i) Cross-border transaction summaries; (ii) Tax authority inquiry status; and (iii) Material tax position updates.

5.0 R&D TAX CREDITS AND INCENTIVES

5.1 Qualifying Activities (a) AI/ML development activities that qualify for R&D credits include: (i) Algorithm development and optimization; (ii) Model training, validation, and testing protocols; (iii) Computer vision system development and enhancement; (iv) Edge computing optimization and deployment; (v) Neural network architecture design; and (vi) Natural language processing implementations.

5.2 Documentation Requirements (a) The Company shall maintain contemporaneous documentation of: (i) Research objectives and project scope; (ii) Technical uncertainty and challenges addressed; (iii) Systematic investigation methodologies; (iv) Technological advancement achieved; (v) Personnel time allocation records; and (vi) Development milestone

documentation. (b) Documentation must be: (i) Created and maintained in real-time; (ii) Stored in a secure, auditable system; (iii) Retained for a minimum of seven (7) years; and (iv) Available for immediate regulatory review.

5.3 Expense Categorization (a) Qualified research expenses shall be categorized as: (i) Direct labor costs; (ii) Supply expenses; (iii) Contract research expenses; and (iv) Basic research payments. (b) The Company shall implement a cost accounting system that: (i) Segregates qualifying expenses; (ii) Tracks project-specific allocations; and (iii) Maintains supporting documentation.

5.4 State-Level Incentives (a) The Company shall pursue available state R&D tax credits where qualified activities occur. (b) State-specific documentation requirements include: (i) Project location records; (ii) Employee work location tracking; (iii) State-specific forms and certifications; and (iv) Jurisdiction-specific compliance records.

5.5 Credit Calculation and Claims (a) The Company shall: (i) Calculate credits using prescribed methodologies; (ii) Apply appropriate base period calculations; (iii) Consider alternative simplified calculations where applicable; (iv) Document credit utilization and carryforwards; (v) Maintain audit-ready supporting schedules; and (vi) Review calculations with qualified tax professionals.

5.6 Compliance and Reporting (a) The Company shall: (i) File timely credit claims; (ii) Respond promptly to regulatory inquiries; (iii) Maintain required certifications; and (iv) Update documentation procedures as regulations change.