

# TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION

THIS TAX MATTERS CERTIFICATE AND COMPLIANCE DECLARATION (this "Certificate") 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 (the "Company").

WHEREAS, the Company is engaged in the development and commercialization of artificial intelligence software solutions for industrial applications;

WHEREAS, the Company desires to certify certain matters relating to its tax status, compliance, and obligations;

NOW, THEREFORE, the Company hereby certifies, represents, and declares as follows:

## 1.0 TAX MATTERS CERTIFICATE

**1.1 Entity Classification.** The Company hereby certifies that it (i) is a corporation duly organized under the laws of the State of Delaware, (ii) has not made any entity classification election under Treasury Regulations Section 301.7701-3, and (iii) is treated as a C-corporation for U.S. federal income tax purposes. The Company further confirms that it has maintained continuous C-corporation status since its date of incorporation and has not previously elected S-corporation status or any other alternative tax classification.

**1.2 Tax Residency.** The Company confirms its status as a U.S. tax resident and certifies that it maintains its principal place of business at the address set forth above. The Company conducts substantial business operations in multiple U.S. states through its remote workforce and cloud-based service delivery model. The Company maintains contemporaneous documentation of its operational presence and employee locations to support state income tax filing obligations.

**1.3 FATCA Status.** The Company certifies its status as a U.S. Person as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not subject to FATCA withholding as a foreign financial institution. The Company maintains appropriate documentation to substantiate its FATCA status, including Form W-9 certifications provided to payors.

**1.4 Sales Tax Nexus.** The Company acknowledges economic nexus for sales tax purposes in jurisdictions where its SaaS revenue exceeds applicable thresholds pursuant to post-Wayfair economic nexus standards. The Company maintains sales tax registrations in all required

jurisdictions and collects and remits sales tax on taxable software services as required by applicable law. The Company specifically maintains compliance with state-specific SaaS taxability determinations and maintains detailed records of revenue allocation methodologies for multi-state transactions.

**1.5 Tax Compliance Procedures.** The Company maintains comprehensive internal procedures for monitoring and ensuring compliance with federal, state, and local tax obligations, including (i) quarterly nexus review processes, (ii) regular verification of tax registration requirements, (iii) maintenance of contemporaneous documentation supporting tax positions, and (iv) engagement of qualified tax professionals for complex compliance matters.

## **2.0 TAX REPRESENTATIONS AND WARRANTIES**

### **2.1 Federal Income Tax Compliance**

- (a) The Company represents that it has timely filed all required federal income tax returns and information returns for all tax years since its incorporation in 2018.
- (b) All federal income taxes shown as due on such returns have been paid in full or adequately reserved against in accordance with GAAP.
- (c) The Company qualifies for and has properly claimed federal R&D tax credits under Section 41 of the Code for qualifying research activities related to its artificial intelligence and software development activities.
- (d) The Company maintains comprehensive documentation of all tax positions taken, including supporting calculations, worksheets, and third-party validations where applicable.
- (e) No federal tax audits, investigations, or examinations are currently pending or, to the Company's knowledge, threatened by the Internal Revenue Service.

### **2.2 State and Local Tax Compliance**

- (a) The Company has filed all required state and local tax returns in jurisdictions where it has nexus or reporting obligations.
- (b) The Company properly sources its SaaS revenue for state income tax purposes based on user location in accordance with market-based sourcing rules.
- (c) The Company maintains exemption certificates for enterprise customers claiming applicable software or cloud computing service exemptions.
- (d) Sales and use tax compliance procedures are documented and regularly reviewed, including threshold monitoring for economic nexus in all jurisdictions.
- (e) The Company maintains detailed records of all state apportionment calculations and supporting documentation for income tax filing positions.

### **2.3 International Tax Obligations**

- (a) The Company complies with all cross-border tax obligations related to its international customers and operations.
- (b) Transfer pricing policies for intercompany transactions comply with Section 482 of the Code and OECD guidelines.
- (c) The Company maintains documentation supporting permanent establishment determinations and foreign tax credit calculations.
- (d) Value-added tax (VAT) and goods and services tax (GST) obligations are monitored and complied with in all applicable jurisdictions.

### **2.4 R&D Activities**

- (a) The Company maintains contemporaneous documentation supporting the qualification of its AI and software development activities for R&D tax credits.
- (b) All claimed R&D expenses meet the requirements of Section 174 of the Code as amended by the Tax Cuts and Jobs Act of 2017.
- (c) Documentation includes detailed records of: (i) Technical uncertainty analysis for each qualifying project (ii) Process of experimentation documentation (iii) Discovery of technological information (iv) Qualified research expenses allocation methodologies

### **2.5 Tax Governance and Controls**

- (a) The Company maintains a comprehensive tax risk management framework, including: (i) Regular review of tax positions by qualified professionals (ii) Documentation of material tax decisions and positions (iii) Monitoring of tax law changes affecting the Company (iv) Regular updates to tax compliance procedures
- (b) The Company engages qualified third-party tax advisors for complex matters and maintains records of all formal tax opinions and advice received.
- (c) Internal controls over tax reporting are documented and tested annually for effectiveness.

### **2.6 Tax Reserves and Contingencies**

- (a) The Company maintains appropriate reserves for uncertain tax positions in accordance with ASC 740.
- (b) All material tax exposures are properly disclosed in financial statements and regulatory filings.
- (c) The Company conducts quarterly reviews of tax positions and updates reserves as necessary based on new information or changes in tax law.

## **3.0 TAX COVENANTS**

### **3.1 Tax Return Filing Obligations**

- (a) The Company shall timely file all required federal, state, local and foreign tax returns.
- (b) The Company shall maintain appropriate procedures to identify new state tax filing obligations as business activities expand.
- (c) The Company shall implement automated tax compliance monitoring systems to track filing deadlines, extensions, and estimated tax payment obligations across all jurisdictions.
- (d) For international operations, the Company shall maintain country-specific compliance calendars and engage local tax professionals as necessary.

### **3.2 Record Retention**

- (a) The Company shall maintain all tax returns, work papers, and supporting documentation for a minimum of seven (7) years.
- (b) R&D tax credit documentation shall be preserved in accordance with Treasury Regulation §1.41-4(d).
- (c) Electronic records shall be maintained with appropriate backup systems and security protocols, ensuring accessibility and integrity throughout the retention period.
- (d) Documentation related to cross-border transactions shall be retained for a minimum of ten (10) years from the transaction date.

### **3.3 Tax Audit Cooperation**

- (a) The Company shall promptly notify appropriate parties of any tax audits or examinations.
- (b) The Company shall cooperate fully with any tax authority information requests or audits.
- (c) The Company shall maintain an audit response protocol, including designated personnel responsibilities and document production procedures.
- (d) All communications with tax authorities shall be documented and preserved in accordance with Section 3.2.

### **3.4 Transfer Pricing Compliance**

- (a) The Company shall maintain and update transfer pricing documentation annually for all intercompany transactions in accordance with Treasury Regulation §1.6662-6(d).
- (b) Contemporaneous documentation shall include functional analyses, economic studies, and benchmarking of comparable transactions.
- (c) The Company shall review and adjust transfer pricing methodologies in response to material changes in business operations or market conditions.

### **3.5 Tax Planning and Risk Management**

- (a) The Company shall conduct quarterly reviews of tax positions and maintain appropriate documentation supporting all material tax positions.
- (b) Uncertain tax positions shall be evaluated and documented in accordance with ASC 740-10.
- (c) The Company shall maintain a tax risk assessment matrix, updated annually, identifying and evaluating potential tax exposures.

### **3.6 Digital Economy Compliance**

- (a) The Company shall monitor and comply with emerging digital services tax obligations in all jurisdictions where digital services are provided.
- (b) Documentation of digital presence and revenue attribution methodologies shall be maintained for all jurisdictions with digital economy tax requirements.
- (c) The Company shall implement systems to track and report digital service revenues on a jurisdiction-specific basis.

## **4.0 SPECIAL TAX CONSIDERATIONS**

### **4.1 Intellectual Property Development**

- (a) The Company capitalizes software development costs in accordance with Rev. Proc. 2000-50 and ASC 350-40, including: (i) Direct labor costs associated with coding and testing (ii) Third-party contractor expenses for development activities (iii) Allocated overhead directly related to development activities
- (b) AI technology development costs are evaluated for proper tax treatment under applicable guidance, specifically: (i) Machine learning algorithm development expenses (ii) Training data acquisition and preparation costs (iii) Neural network architecture design and implementation (iv) Model validation and testing expenses

### **4.2 Software Revenue Treatment**

- (a) The Company's SaaS offerings are characterized as services for tax purposes, with consideration for: (i) Multi-jurisdictional service delivery (ii) Usage-based pricing models (iii) Bundled service arrangements (iv) International customer implications
- (b) Revenue from software licenses is recognized in accordance with ASC 606, addressing: (i) Performance obligation identification (ii) Variable consideration allocation (iii) Contract modification treatment (iv) Extended payment term arrangements

### **4.3 Cloud Computing Implications**

(a) The Company evaluates state tax treatment of cloud computing services in each jurisdiction, considering: (i) Data center location nexus requirements (ii) Server placement implications (iii) Remote access considerations (iv) Cross-border data transfer implications

(b) Infrastructure-as-a-Service expenses are treated in accordance with Rev. Proc. 2018-29, including: (i) Virtual server costs (ii) Storage allocation expenses (iii) Network bandwidth charges (iv) Security service fees

#### **4.4 Technology Incentives**

(a) The Company actively monitors and claims available state and federal tax incentives for technology companies, including: (i) State research and development tax credits (ii) Employment tax credits for high-technology jobs (iii) Property tax exemptions for computer equipment (iv) Sales tax exemptions for qualifying software and cloud services

(b) Documentation requirements for technology incentives include: (i) Contemporaneous development records (ii) Employee time tracking systems (iii) Project qualification analyses (iv) Technical uncertainty documentation

#### **4.5 International Tax Considerations**

(a) The Company maintains transfer pricing documentation for: (i) Intercompany technology licenses (ii) Development cost sharing arrangements (iii) Service level agreements (iv) Intellectual property transfers

(b) Cross-border transactions are structured to address: (i) Permanent establishment risks (ii) Digital service tax obligations (iii) Withholding tax requirements (iv) Treaty qualification criteria