

# **TAX MATTERS CERTIFICATE AND COMPLIANCE DOCUMENTATION**

THIS TAX MATTERS CERTIFICATE (this "Certificate") is made and executed as of January 15, 2024, by Nexus Industrial Intelligence, Inc., a Delaware corporation (the "Company").

WHEREAS, the Company is required to document and certify its tax status, obligations, and compliance matters for various business and regulatory purposes; and

WHEREAS, the Company desires to make certain representations and warranties regarding its tax matters and compliance status;

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

## **1.0 TAX MATTERS CERTIFICATE**

1.1 Entity Classification. The Company hereby certifies that it is classified as a C-corporation for U.S. federal income tax purposes and has not made any entity classification elections under Treasury Regulations Section 301.7701-3. The Company further acknowledges its obligations to file Form 1120, U.S. Corporation Income Tax Return, and all applicable state corporate tax returns on an annual basis.

1.2 Tax Residency. The Company is a tax resident of the United States and is incorporated under the laws of the State of Delaware. The Company maintains its principal place of business at 2500 Innovation Drive, Suite 400, Wilmington, Delaware 19801. The Company confirms that it has not established permanent establishments in foreign jurisdictions that would subject it to foreign tax residency requirements.

1.3 FATCA Status. The Company certifies that it is 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. The Company maintains appropriate documentation, including Form W-9, to substantiate its FATCA status in all financial relationships.

1.4 Sales Tax Nexus. The Company maintains sales tax nexus in the following jurisdictions based on its SaaS platform deployment and customer support activities: (a) Delaware (incorporation state) (b) California (c) Texas (d) Massachusetts (e) Illinois

1.5 SaaS Tax Treatment. The Company acknowledges that its software-as-a-service offerings may be subject to varying tax treatment across jurisdictions. The Company maintains compliance with state-specific regulations regarding the taxation of cloud computing services, including: (a) Separate billing for software licenses and services (b) Collection and remittance

of applicable sales taxes on SaaS subscriptions (c) Documentation of tax-exempt transactions (d) Maintenance of resale and exemption certificates

1.6 Tax Compliance Procedures. The Company maintains comprehensive internal procedures for tax compliance, including: (a) Regular review of nexus thresholds (b) Monthly sales tax filing and remittance (c) Annual state income tax assessments (d) Documentation retention policies (e) Regular tax position reviews by qualified professionals

## **2.0 TAX COMPLIANCE REPRESENTATIONS**

2.1 Federal Tax Compliance. (a) The Company has timely filed all required federal income tax returns (Forms 1120) for all tax years since incorporation, including all necessary schedules and supporting documentation. (b) All federal payroll tax deposits and information returns, including Forms 941, 940, W-2, and 1099, have been timely made and filed in accordance with applicable Treasury Regulations. (c) The Company qualifies for and has properly claimed R&D tax credits under Section 41 of the Code, maintaining contemporaneous documentation of qualified research expenses and activities. (d) The Company has conducted annual reviews of its tax positions and maintains adequate documentation supporting all material positions taken on federal returns. (e) All required estimated tax payments have been made in accordance with Section 6655 requirements.

2.2 State Tax Registration and Compliance. (a) The Company is registered for tax purposes in all required states where it maintains economic nexus or physical presence. (b) All state income tax, franchise tax, and annual reports have been filed and all related fees paid within prescribed deadlines. (c) The Company maintains active sales tax permits where required and has implemented systems to monitor changing nexus requirements. (d) All state unemployment tax registrations are current and experience ratings are properly maintained. (e) The Company has conducted nexus studies to ensure compliance with state tax obligations in all jurisdictions where it conducts business. (f) State tax apportionment calculations are performed in accordance with applicable state regulations and documented accordingly.

2.3 Sales and Use Tax Compliance. (a) The Company collects and remits sales tax on taxable sales of software and services as required by state law, including marketplace facilitator obligations where applicable. (b) Documentation of exempt sales is maintained pursuant to state requirements, including properly executed exemption certificates. (c) Use tax is properly accrued and paid on taxable purchases, with monthly review procedures in place. (d) The Company maintains automated systems for rate calculation and collection across all jurisdictions. (e) Regular audits of sales tax compliance procedures are conducted, including validation of tax calculation software. (f) Documentation of taxability determinations is maintained for all product and service offerings.

2.4 International Tax Reporting. (a) The Company files Forms 5471 for its foreign subsidiary operations, including all required schedules and information returns. (b) All transfer pricing

documentation is maintained per Treasury Regulations section 1.482-1 through 1.482-9. (c) Foreign bank account reporting (FBAR) obligations are met annually through timely FinCEN Form 114 filings. (d) The Company maintains compliance with FATCA reporting requirements where applicable. (e) Documentation supporting permanent establishment determinations is maintained for all foreign operations. (f) The Company conducts annual reviews of its global tax structure to ensure compliance with BEPS requirements. (g) Intercompany agreements and transfer pricing studies are updated annually to reflect changes in operations. (h) The Company maintains procedures for identifying and reporting specified foreign financial assets under Section 6038D.

2.5 Tax Governance and Risk Management. (a) The Company maintains a comprehensive tax risk management policy. (b) Regular internal audits of tax compliance procedures are conducted. (c) Tax provision calculations are documented in accordance with ASC 740 requirements. (d) The Company maintains appropriate staffing levels for tax compliance functions.

### **3.0 REVENUE RECOGNITION AND TAX TREATMENT**

3.1 SaaS Revenue Recognition. (a) The Company recognizes revenue in accordance with ASC 606, following the five-step model: (i) Identification of customer contracts (ii) Determination of performance obligations (iii) Establishment of transaction price (iv) Allocation of transaction price to obligations (v) Recognition of revenue upon satisfaction of obligations (b) Performance obligations are identified and allocated per contract terms, with consideration for: (i) Distinct goods or services (ii) Series of distinct goods or services (iii) Material rights and options (c) Revenue is recognized ratably over subscription periods, subject to: (i) Completion of implementation services (ii) Customer acceptance criteria (iii) Usage-based components measurement

3.2 State Tax Characterization. (a) The NexusCore™ platform is characterized as: (i) Prewritten software in certain states, requiring sales tax collection (ii) Digital automated service in other jurisdictions, subject to specific digital tax provisions (iii) Professional services where applicable, with separate tax treatment (b) Tax treatment follows state-specific guidance for SaaS, including: (i) Nexus determination based on economic thresholds (ii) Sourcing rules for multi-state transactions (iii) Bundled transaction treatment (c) Documentation requirements include: (i) Customer location verification (ii) Tax exemption certificates (iii) State-specific compliance records

3.3 International Revenue Sourcing. (a) Revenue is sourced based on customer location, considering: (i) Primary place of use (ii) Billing address verification (iii) IP address validation (b) Transfer pricing policies comply with OECD guidelines through: (i) Arm's length principle application (ii) Functional analysis documentation (iii) Intercompany agreement maintenance

(c) Permanent establishment risk is monitored and managed via: (i) Regular jurisdictional reviews (ii) Server location assessment (iii) Local presence evaluation

3.4 Deferred Revenue Treatment. (a) Tax treatment of advance payments follows: (i) IRC Section 451(c) requirements (ii) State-specific timing rules (iii) International prepayment regulations (b) Revenue deferral documentation includes: (i) Performance obligation scheduling (ii) Contract liability tracking (iii) Tax basis adjustments

## **4.0 TAX ATTRIBUTES AND CREDITS**

4.1 Net Operating Losses. (a) Federal NOL carryforward: \$12,500,000 expiring 2038 (b) State NOL carryforwards vary by jurisdiction, subject to the following limitations: (i) California: \$8,750,000 expiring 2033 (ii) Massachusetts: \$3,250,000 expiring 2035 (iii) Delaware: \$2,100,000 expiring 2037 (c) Section 382 limitations do not currently apply (d) Annual utilization restrictions: (i) Federal: Limited to 80% of taxable income (ii) State: Varying limitations as prescribed by local statute

4.2 Research & Development Credits. (a) Federal R&D credit carryforward: \$3,750,000 (i) Qualification period: 2019-2022 (ii) Documentation maintained pursuant to Treasury Regulation §1.41-4 (b) California R&D credit: \$850,000 (i) No expiration date (ii) Subject to annual verification requirements (c) Massachusetts R&D credit: \$425,000 (i) Expires 2027 (ii) Limited to qualifying research activities within state borders

4.3 State Incentives. (a) Delaware New Economy Jobs Credit (i) Annual benefit: \$275,000 (ii) Compliance requirements: Quarterly employment reporting (iii) Minimum wage requirements apply (b) California Competes Tax Credit (i) Total award: \$1,500,000 over five years (ii) Job creation milestones: 150 new positions by 2025 (iii) Capital investment requirements: \$5,000,000 minimum (c) Texas Enterprise Zone Benefits (i) Sales tax refund eligibility: \$2,500 per qualifying job (ii) Property tax abatement: 50% for five years (iii) Training grant eligibility: \$1,000 per employee

4.4 Foreign Tax Credits. (a) UK subsidiary accumulated credits: £750,000 (b) Canadian operations credit pool: CAD 425,000 (c) Transfer pricing implications documented (d) Foreign tax credit limitation calculations maintained

4.5 Alternative Minimum Tax Considerations. (a) Corporate AMT credit carryforward: \$225,000 (b) Clean energy credit eligibility verified (c) Annual AMT calculations and documentation maintained

[Certification and signature blocks follow as previously stated]