

## **TAX MATTERS DOCUMENT 20**

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).

### **1.0 PREAMBLE AND RECITALS**

WHEREAS, the Company is engaged in the business of developing and commercializing proprietary machine learning and computer vision solutions for industrial process optimization and predictive maintenance through its NexusCore™ Industrial AI Platform;

WHEREAS, the Company was duly incorporated under the laws of the State of Delaware on March 15, 2017, and maintains good standing in all jurisdictions where it conducts business, with Delaware Entity File Number 6374291 and Federal Employer Identification Number 82-1234567;

WHEREAS, the Company maintains its principal place of business at 2500 Innovation Drive, Suite 400, Cambridge, Massachusetts 02142, and operates additional research and development facilities in California and Texas;

WHEREAS, the Company generates revenue through enterprise SaaS licensing and implementation services across multiple tax jurisdictions, including both domestic and international markets, with significant operations in the European Union, United Kingdom, and Asia-Pacific regions;

WHEREAS, the Company has developed substantial intellectual property assets, including but not limited to patents, trademarks, copyrights, and trade secrets, which require specific tax consideration and treatment across various international jurisdictions;

WHEREAS, the Company seeks to document and establish standardized tax treatment protocols for its various revenue streams, intellectual property assets, and international operations in accordance with applicable domestic and international tax regulations, treaties, and conventions;

WHEREAS, the Company maintains compliance with transfer pricing regulations and maintains appropriate documentation for all inter-company transactions across its global operations;

NOW, THEREFORE, the Company hereby establishes and adopts the following tax matters provisions:

## **2.0 DEFINITIONS AND INTERPRETATIONS**

2.1 Defined Terms. For purposes of this Document, the following terms shall have the meanings specified below:

(a) "SaaS Revenue" means all subscription fees generated from the licensing of the NexusCore™ platform, including recurring revenue from software access, maintenance, and standard support services. This encompasses monthly or annual subscription payments, user-based licensing fees, and platform access charges, but excludes one-time setup fees and custom development work.

(b) "Implementation Services Revenue" means fees generated from professional services related to platform deployment, configuration, and customer-specific customization. This includes consulting services, integration development, data migration services, training services, and any other professional services directly related to platform implementation.

(c) "Qualified Research Expenses" or "QREs" means expenses that qualify for R&D tax credits under IRC Section 41, specifically related to the development of artificial intelligence and machine learning algorithms. This includes: (i) Wages paid to employees conducting qualified research activities (ii) Supplies used in the research process (iii) Contract research expenses for third-party AI development (iv) Cloud computing costs directly attributable to algorithm development (v) Data acquisition and processing costs for machine learning models

(d) "International Revenue" means revenue generated from customers located outside the United States, subject to foreign tax jurisdiction. This includes: (i) Direct sales to foreign entities (ii) Revenue through international subsidiaries (iii) Royalties from foreign licensing arrangements (iv) Revenue subject to international tax treaties

(e) "Intellectual Property Revenue" means income derived from the licensing, sale, or transfer of proprietary technology, including: (i) Patent licensing fees (ii) Algorithm licensing revenue (iii) Technical know-how transfer fees (iv) Software code licensing

(f) "Transfer Pricing Adjustments" means modifications to inter-company pricing structures to comply with arm's length principles under international tax regulations.

2.2 Interpretation. In this Document: (a) References to sections and exhibits are to those contained in this Document (b) Headings are for convenience only (c) Words importing the singular include the plural and vice versa (d) References to any law include amendments and successor provisions (e) References to tax regulations include: (i) Federal, state, and local tax codes (ii) International tax treaties (iii) OECD guidelines and recommendations (iv) Transfer pricing regulations (f) Currency references shall be to United States Dollars unless explicitly stated otherwise (g) Time periods shall be calculated according to the jurisdiction where the revenue is recognized (h) Technical terms related to artificial intelligence and machine learning shall be interpreted according to prevailing industry standards (i) Accounting terms shall have

the meanings assigned to them under Generally Accepted Accounting Principles (GAAP) (j) References to revenue recognition shall align with ASC 606 guidelines

2.3 Precedence. In the event of any conflict between definitions in this section and: (a) Applicable tax laws, the tax laws shall prevail (b) International treaties, the treaty provisions shall govern (c) Other sections of this Document, this section's definitions shall control

## **3.0 TAX CLASSIFICATIONS AND TREATMENTS**

### **3.1 Software Revenue Classification**

(a) NexusCore™ Platform Revenue (i) SaaS subscription revenue shall be recognized ratably over the subscription term, with recognition commencing upon customer activation (ii) Performance obligations shall be identified and allocated according to ASC 606, including distinct platform components, support services, and usage-based features (iii) Sales tax nexus shall be determined based on customer location and usage patterns, incorporating economic nexus thresholds established by Wayfair precedent (iv) Multi-jurisdictional deployments shall require apportionment based on user location data and access metrics (v) Platform customization fees shall be evaluated separately for revenue recognition timing

(b) Implementation Services (i) Revenue shall be recognized as services are performed, measured by completed milestones (ii) Mixed service contracts shall be allocated between software and service components using objective criteria (iii) State tax treatment shall follow local service revenue guidelines for professional services (iv) Training services shall be classified separately from implementation for tax purposes (v) Travel-related expenses shall be evaluated for tax implications in relevant jurisdictions

### **3.2 Intellectual Property Tax Treatment**

(a) Patent Amortization (i) Capitalized patent costs shall be amortized over the legal life of 20 years from filing date (ii) R&D expenses leading to patents shall be evaluated for tax credit eligibility under IRC Section 41 (iii) Foreign patent filings shall be amortized according to local jurisdiction requirements (iv) Patent maintenance fees shall be expensed as incurred (v) Patent portfolio valuations shall be updated annually for tax basis purposes

(b) Software Development Costs (i) Internal-use software development costs shall be capitalized per IRC Section 167 (ii) Customer-facing platform development shall follow appropriate capitalization rules (iii) Agile development methodologies shall require specific documentation for tax treatment (iv) Cloud infrastructure costs shall be evaluated for capitalization eligibility (v) Third-party component integration costs shall be assessed separately

### **3.3 International Tax Considerations**

(a) Transfer Pricing (i) Intercompany transactions shall follow arm's length principles (ii) Cost-sharing arrangements for IP development shall be documented (iii) Platform licensing between affiliates shall require transfer pricing studies (iv) Service arrangements between jurisdictions shall be priced according to OECD guidelines

(b) VAT/GST Treatment (i) Digital service taxes shall be evaluated per jurisdiction (ii) B2B versus B2C classifications shall determine VAT/GST obligations (iii) Reverse charge mechanisms shall be implemented where applicable (iv) Electronic service provisions shall follow EU VAT directives

### 3.4 Special Tax Classifications

(a) AI Component Treatment (i) Machine learning algorithm development costs shall be evaluated for R&D credits (ii) AI training data acquisition costs shall be capitalized when appropriate (iii) Model deployment costs shall be classified based on intended use (iv) AI-specific tax incentives shall be monitored and pursued where available

(b) Data Processing Revenue (i) Computing resource consumption shall be classified separately (ii) Data storage revenue shall follow specific jurisdictional guidelines (iii) Analytics service revenue shall be evaluated for specialized tax treatment (iv) Cross-border data processing shall require specific documentation

### 3.5 Compliance and Documentation

(a) Record Keeping Requirements (i) Transaction records shall be maintained for minimum seven-year periods (ii) Development cost documentation shall include time tracking and resource allocation (iii) Revenue recognition calculations shall be preserved with supporting documentation (iv) Tax position documentation shall be maintained for all material determinations

(b) Audit Support (i) Technical documentation shall be maintained to support tax positions (ii) System logs shall be preserved for usage-based tax calculations (iii) Implementation milestone documentation shall support revenue recognition (iv) International transaction documentation shall meet local requirements

### 3.6 Tax Planning Considerations

(a) Structure Optimization (i) Entity structure shall be reviewed annually for tax efficiency (ii) IP holding company arrangements shall be evaluated regularly (iii) International expansion shall consider tax-efficient structures (iv) M&A activity shall include tax impact analysis

(b) Credit and Incentive Programs (i) Available tax incentives shall be evaluated quarterly (ii) Documentation requirements for credits shall be maintained (iii) State and local incentive programs shall be monitored (iv) International tax incentives shall be pursued where applicable

## **4.0 INTERNATIONAL TAX CONSIDERATIONS**

### **4.1 European Market Operations**

(a) Transfer Pricing (i) All intercompany transactions shall follow arm's length principles (ii) Transfer pricing documentation shall be maintained per OECD guidelines (iii) Annual transfer pricing studies must be conducted by qualified professionals (iv) Contemporaneous documentation shall include functional analysis, comparability studies, and economic justification (v) Advance Pricing Agreements shall be pursued where beneficial to tax certainty

(b) VAT Compliance (i) Digital service VAT shall be collected and remitted as required (ii) B2B and B2C transactions shall be properly categorized (iii) One-Stop-Shop (OSS) registration shall be maintained where applicable (iv) VAT returns must be filed according to local jurisdiction requirements (v) Invoice requirements shall comply with local VAT regulations (vi) Real-time reporting obligations shall be monitored and fulfilled

### **4.2 Revenue Attribution**

(a) Server Location Considerations (i) Revenue attribution shall consider server locations and customer access points (ii) Permanent establishment risk shall be monitored and documented (iii) Server configurations must be reviewed quarterly for tax implications (iv) Data center locations shall be evaluated for tax efficiency (v) Technical infrastructure changes require tax department review

(b) Foreign Tax Credits (i) Available foreign tax credits shall be identified and claimed (ii) Foreign tax credit limitation calculations shall be maintained (iii) Foreign tax pools shall be tracked by jurisdiction (iv) Credit carryforward positions shall be documented

### **4.3 International Tax Compliance**

(a) Country-by-Country Reporting (i) Annual CbC reports shall be prepared in accordance with BEPS Action 13 (ii) Master file and local file documentation shall be maintained (iii) Reporting thresholds shall be monitored across jurisdictions (iv) Intercompany transaction reconciliations shall be performed quarterly

(b) Withholding Tax Obligations (i) Withholding tax rates shall be verified against applicable treaties (ii) Required forms and certifications shall be maintained (iii) Beneficial ownership documentation shall be updated annually (iv) Relief at source procedures shall be implemented where available

### **4.4 Digital Services Tax Compliance**

(a) DST Obligations (i) Digital Services Tax exposure shall be assessed by jurisdiction (ii) Revenue thresholds shall be monitored for DST applicability (iii) Technical solutions shall be implemented for tracking taxable digital services (iv) Compliance procedures shall be established for affected jurisdictions

### **4.5 Tax Treaty Applications**

(a) Treaty Benefits (i) Treaty eligibility shall be documented for all relevant entities (ii) Principal Purpose Test analysis shall be maintained (iii) Limitation on Benefits provisions shall be monitored (iv) Treaty elections shall be filed where advantageous

#### 4.6 International Tax Planning

(a) Structure Optimization (i) International structure shall be reviewed annually for tax efficiency (ii) Cross-border transactions shall be evaluated for tax impact (iii) Restructuring opportunities shall be assessed quarterly (iv) Tax rate arbitrage shall be considered within legal parameters

(b) Risk Management (i) Tax controversy exposure shall be assessed and documented (ii) Advance rulings shall be sought for material positions (iii) Documentation requirements shall be reviewed bi-annually (iv) Internal controls shall be maintained for international tax compliance

## 5.0 REPRESENTATIONS AND WARRANTIES

### 5.1 Tax Compliance Representations

The Company hereby represents and warrants that:

(a) All required tax returns have been timely filed in all jurisdictions, including federal, state, local, and international tax authorities, with all supporting schedules and documentation properly maintained (b) All tax payments have been made when due, including estimated tax payments, payroll taxes, sales and use taxes, value-added taxes, and any other applicable tax obligations (c) No material tax audits or investigations are pending, and no notices of assessment, deficiency, or examination have been received within the past three (3) fiscal years (d) R&D tax credit claims are supported by contemporaneous documentation, including detailed records of qualifying research activities, associated expenses, and technical justifications

### 5.2 Ongoing Compliance

The Company commits to:

(a) Maintaining necessary records for tax compliance, including but not limited to: (i) Complete financial statements and underlying accounting records (ii) Supporting documentation for all tax positions taken (iii) Transfer pricing documentation where applicable (iv) Records of all intercompany transactions and arrangements (v) Documentation supporting tax treaty positions and benefits claimed

(b) Timely reporting of any material tax matters, including: (i) Changes in tax residence or permanent establishment status (ii) New or modified tax planning arrangements (iii) Significant changes in business operations affecting tax positions (iv) Receipt of tax notices or communications from authorities

(c) Regular review of tax positions and methodologies, encompassing: (i) Annual assessment of tax compliance procedures (ii) Quarterly review of tax provision calculations (iii) Periodic evaluation of tax risk management strategies (iv) Assessment of impact of new tax legislation or regulations

(d) Updates to this Document as required by law or circumstance, including: (i) Changes in applicable tax laws or regulations (ii) Modifications to business structure or operations (iii) New jurisdictional requirements or obligations (iv) Material changes in tax planning strategies

### 5.3 Additional Warranties

The Company further represents and warrants that:

(a) All tax-related software and technology systems are properly maintained and updated (b) Qualified tax personnel or advisors are engaged to oversee compliance (c) Internal controls for tax reporting are regularly evaluated and tested (d) Tax governance procedures are documented and followed (e) All material tax positions taken are supported by substantial authority or appropriate disclosure

## **SIGNATURE AND EXECUTION**

IN WITNESS WHEREOF, this Tax Matters Document has been executed by the duly authorized representative of the Company as of the Effective Date first above written.

NEXUS INDUSTRIAL INTELLIGENCE, INC.

By: \_\_\_\_\_ Name: James Wilson Title: Chief Financial Officer Date: January 15, 2024

## **EXHIBIT A: R&D TAX CREDIT DOCUMENTATION REQUIREMENTS**

1. Project Documentation Requirements
2. Time Tracking Protocols
3. Expense Allocation Methodology
4. Technical Uncertainty Documentation

## **APPENDIX 1: STATE TAX NEXUS DETERMINATION MATRIX**

[Detailed state-by-state nexus analysis matrix to be maintained and updated quarterly]