TAX MATTERS DOCUMENT

Effective Date: January 15, 2024

WHEREAS, Nexus Industrial Intelligence, Inc., a Delaware corporation with its principal place of business at 2500 Innovation Drive, Wilmington, Delaware 19801 (the "Company"), develops and provides proprietary artificial intelligence and machine learning solutions for industrial applications;

WHEREAS, the Company seeks to establish comprehensive guidelines for the treatment of tax matters related to its technology operations, intellectual property, and revenue streams; and

WHEREAS, this Tax Matters Document sets forth the Company's policies and procedures regarding tax compliance, classifications, and risk management.

NOW, THEREFORE, the Company hereby adopts the following Tax Matters Document:

1.0 PURPOSE AND SCOPE

1.1 General Scope

This Tax Matters Document shall govern all tax-related matters concerning the Company's operations, including but not limited to: (a) revenue recognition for SaaS licensing arrangements; (b) treatment of artificial intelligence and machine learning technology development costs; (c) intellectual property valuation; (d) multi-jurisdictional tax obligations; (e) transfer pricing considerations; and (f) tax implications of data processing and storage activities across jurisdictions.

1.2 Jurisdictional Application

The provisions herein shall apply to all jurisdictions where the Company conducts business, including: (i) federal tax matters within the United States; (ii) state and local tax obligations; (iii) international tax considerations for operations in European markets; (iv) cross-border data transfer implications; and (v) permanent establishment determinations for cloud-based services. Special consideration shall be given to jurisdictions with specific AI/ML technology taxation frameworks.

1.3 SaaS Revenue Recognition

The Company shall recognize revenue from its NexusCore™ Industrial AI Platform and related SaaS offerings in accordance with ASC 606, with specific consideration for: (a)

Performance obligations related to software licensing; (b) Implementation services revenue allocation; (c) Multi-year contract treatment; (d) Variable consideration components; (e) Usage-based pricing models; (f) Contract modification implications; and (g) Subscription renewal terms.

1.4 Technology Development Cost Treatment

Development costs related to the Company's proprietary AI/ML technologies shall be: (a) Capitalized when meeting the criteria under ASC 350-40; (b) Allocated between research and development phases; (c) Documented to support R&D tax credit claims; (d) Tracked separately for each major technology component; (e) Segregated between qualifying and non-qualifying activities; (f) Monitored for potential transfer pricing implications; and (g) Evaluated for international tax treaty considerations.

1.5 Documentation Requirements

The Company shall maintain comprehensive documentation supporting: (a) Technical feasibility of development projects; (b) Economic and business justification for capitalization; (c) Allocation methodologies for mixed-use resources; (d) Revenue recognition timing decisions; (e) Transfer pricing studies and documentation; and (f) Cross-border transaction support.

2.0 TAX CLASSIFICATIONS AND ELECTIONS

2.1 R&D Tax Credit Qualification

The Company shall maintain documentation supporting R&D tax credit claims, including: (a) Contemporary documentation of qualified research activities, with detailed laboratory records, technical meeting minutes, and development milestone documentation; (b) Time tracking for technical personnel, including contemporaneous allocation of effort across qualifying projects and non-qualifying activities; (c) Project-specific expenditure allocation, supported by detailed cost accounting records and vendor invoices; and (d) Technical uncertainty documentation, including problem statements, alternative approaches considered, and systematic evaluation processes.

2.2 Software Development Treatment

Software development expenses shall be classified as follows: (a) Internal-use software under Section 167(f), with specific identification of qualifying development phases and associated costs; (b) Core AI/ML algorithm development costs, including model training, validation, and optimization expenses; (c) Platform enhancement expenditures, segregated between maintenance and substantial improvement activities; and (d) Customer-specific customization costs, with clear delineation between customization and configuration activities.

2.3 International Revenue Allocation

The Company shall employ the following methodology for international revenue allocation: (a) Transfer pricing documentation for cross-border transactions, including: (i) Functional analysis of each entity's role; (ii) Comparable company benchmarking; (iii) Intercompany agreement documentation; (iv) Cost-sharing arrangement documentation; (b) Permanent establishment considerations, including: (i) Server location analysis; (ii) Employee activity tracking; (iii) Contract execution locations; (c) IP holding structure optimization, addressing: (i) Patent and trademark ownership; (ii) Development cost allocation; (iii) Licensing arrangements; (d) Treaty-based return positions, supported by: (i) Residency certificates; (ii) Beneficial ownership documentation; (iii) Principal purpose test analysis.

2.4 State Nexus Determinations

For cloud-based services, state nexus shall be evaluated based on: (a) Server locations, including: (i) Primary and backup data centers; (ii) Content delivery networks; (iii) Edge computing facilities; (b) Customer locations, considering: (i) User access points; (ii) Billing addresses; (iii) Service delivery locations; (c) Implementation service delivery locations, documenting: (i) On-site personnel activities; (ii) Remote support services; (iii) Training and implementation activities; (d) Economic nexus thresholds, monitoring: (i) Revenue thresholds by state; (ii) Transaction volume metrics; (iii) Digital property utilization; (iv) Marketplace facilitator obligations.

2.5 Documentation Requirements

The Company shall maintain supporting documentation for all tax positions, including: (a) Annual review and certification of tax positions; (b) Quarterly updates to nexus determination matrices; (c) Real-time tracking of state-specific economic thresholds; (d) Periodic review of international structure efficiency; (e) Documentation retention for the greater of seven years or applicable statute of limitations.

3.0 COMPLIANCE AND REPORTING OBLIGATIONS

3.1 Revenue Recognition Timing

The Company shall implement the following revenue recognition procedures: (a) Contract inception documentation, including detailed execution timestamps and authorized signatory verification; (b) Performance obligation identification, with specific milestones and deliverables clearly delineated; (c) Transaction price allocation across multiple service components and jurisdictions; and (d) Recognition timing determination based on service delivery completion metrics.

The Company must maintain contemporaneous documentation demonstrating compliance with ASC 606 standards, including: (i) Technical service completion evidence; (ii) Customer acceptance documentation; (iii) Usage-based billing calculations; and (iv) Revenue allocation methodologies for bundled offerings.

3.2 Transfer Pricing Documentation

Required transfer pricing documentation shall include: (a) Functional analysis detailing value creation activities across jurisdictions; (b) Comparable company analysis with industry-specific benchmarking; (c) Intercompany agreement documentation with clear pricing methodologies; and (d) Annual updates to support positions taken, including market condition changes.

Transfer pricing documentation must specifically address: (i) Intellectual property development costs and ownership; (ii) Risk allocation between entities; (iii) Service delivery infrastructure costs; and (iv) Profit split methodologies for integrated operations.

3.3 State and Local Filing Requirements

The Company shall maintain compliance with: (a) Sales/use tax obligations for SaaS offerings, including: (i) Nexus determination documentation; (ii) Product taxability analysis; (iii) Customer location verification procedures; (b) State income tax filing requirements, incorporating: (i) Economic nexus thresholds; (ii) Market-based sourcing calculations; (iii) Unitary business considerations; (c) Local business license obligations, including: (i) Remote worker presence analysis; (ii) Service delivery location documentation; (iii) Revenue attribution methodologies; (d) Information return requirements, encompassing: (i) 1099 reporting for independent contractors; (ii) Sales tax information returns; (iii) Annual business activity reports.

3.4 Technology Service Categorization

The Company shall maintain documentation supporting the characterization of its technology services, including: (a) Artificial intelligence and machine learning service delivery models; (b) Cloud infrastructure service classifications; (c) Data processing service categorizations; (d) Software development and maintenance service definitions; (e) Technical support service classifications; and (f) Training and implementation service characterizations.

All documentation requirements specified herein shall be maintained for a minimum period of seven (7) years from the date of creation or last modification, whichever is later.

4.0 TAX RISK MANAGEMENT

4.1 IP Valuation Methodology

The Company shall employ the following IP valuation approaches: (a) Income approach for core AI/ML technologies, incorporating: (i) Discounted cash flow analysis of projected licensing revenues; (ii) Risk-adjusted return calculations for emerging technologies; and (iii) Consideration of technological obsolescence factors; (b) Market approach for comparable technology licenses, including: (i) Analysis of arm's length transactions in the AI/ML sector; (ii) Adjustments for market conditions and technological differentiation; and (iii) Regular benchmark updates against industry standards; (c) Cost approach for development expenditures, encompassing: (i) Direct and indirect development costs; (ii) Opportunity cost calculations; and (iii) Technological risk premium assessments; and (d) Regular revaluation procedures conducted semi-annually.

4.2 International Tax Exposure

Risk mitigation procedures shall include: (a) Quarterly review of international operations, addressing: (i) Permanent establishment risks; (ii) Digital service tax obligations; and (iii) Cross-border data transfer implications; (b) Treaty position documentation, maintaining: (i) Current analysis of applicable treaties; (ii) Documentation of qualification criteria; and (iii) Regular updates to reflect treaty modifications; (c) Foreign tax credit optimization through: (i) Strategic timing of income recognition; (ii) Allocation of expenses; and (iii) Documentation of foreign tax paid; and (d) Repatriation planning with consideration of: (i) Participation exemption regimes; (ii) Withholding tax implications; and (iii) Currency exchange impacts.

4.3 Documentation Requirements

The Company shall maintain: (a) Contemporaneous documentation of tax positions, including: (i) Technical analysis supporting positions taken; (ii) Risk assessment matrices; and (iii) Alternative position analyses; (b) Technical memoranda supporting material positions; (c) Annual review of documentation adequacy; and (d) Digital repository of supporting materials.

4.4 Audit Response Procedures

In the event of a tax authority audit, the Company shall: (a) Designate response team members with specific roles; (b) Implement document preservation protocols; (c) Engage appropriate external advisors; and (d) Maintain communication protocols, including: (i) Internal reporting procedures; (ii) External communication guidelines; and (iii) Confidentiality safeguards.