FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES

THIS FINANCIAL AND ACCOUNTING POLICIES AND PROCEDURES DOCUMENT (this "Document") is adopted and made effective as of January 15, 2024 (the "Effective Date"), by NEXUS INDUSTRIAL INTELLIGENCE, INC., a Delaware corporation (the "Company").

WHEREAS, the Company develops and provides artificial intelligence-powered software solutions for industrial process optimization;

WHEREAS, the Company desires to establish comprehensive financial and accounting policies that address its unique business model and technological offerings;

NOW, THEREFORE, the Company hereby adopts the following policies and procedures:

1.0 FINANCIAL REPORTING AND ACCOUNTING STANDARDS

1.1 Generally Accepted Accounting Principles

The Company shall prepare all financial statements and reports in accordance with United States Generally Accepted Accounting Principles ("GAAP") as established by the Financial Accounting Standards Board ("FASB"). All financial reporting shall conform to the hierarchy of accounting principles as defined in FASB Accounting Standards Codification Topic 105.

(a) Reporting Framework. The Company shall maintain a comprehensive internal control framework that ensures: (i) Reliability of financial reporting (ii) Effectiveness and efficiency of operations (iii) Compliance with applicable laws and regulations (iv) Safeguarding of assets

(b) Materiality Considerations. The Company shall assess materiality in accordance with Staff Accounting Bulletin No. 99, considering both quantitative and qualitative factors in financial statement presentation.

1.2 Revenue Recognition

(a) SaaS Subscription Revenue. The Company shall recognize revenue from its NexusCore™ Industrial AI Platform subscriptions in accordance with ASC 606, over the term of the subscription agreement. Performance obligations shall be identified and allocated based on standalone selling prices.

(b) Implementation Services. Revenue from implementation services shall be recognized over time as services are performed, measured by total hours incurred relative to estimated total hours.

(c) Professional Services. Revenue from professional services shall be recognized as services are delivered, based on time and materials or fixed fee arrangements as specified in customer contracts.

(d) Contract Modifications. Changes to existing customer contracts shall be evaluated to determine whether they create new performance obligations or modify existing ones, with corresponding adjustments to revenue recognition timing.

(e) Variable Consideration. The Company shall estimate variable consideration using either: (i) Expected value method (ii) Most likely amount method Such estimates shall be constrained to amounts that are not likely to result in significant revenue reversals.

1.3 Multi-Element Arrangements

(a) The Company shall identify distinct performance obligations within multi-element arrangements, including: (i) Software subscription licenses (ii) Implementation services (iii) Professional services (iv) Training services (v) Support and maintenance

(b) Transaction price allocation shall be based on relative standalone selling prices determined through: (i) Observable prices when sold separately (ii) Market assessment approach (iii) Expected cost plus margin approach

(c) Contract Combination. Multiple contracts entered into at or near the same time with the same customer shall be combined when: (i) Contracts are negotiated as a package (ii) Payment in one contract depends on another contract (iii) Goods or services promised constitute a single performance obligation

1.4 Software Development Costs

(a) Capitalization Criteria. The Company shall capitalize software development costs in accordance with ASC 350-40 when technological feasibility is established.

(b) Amortization. Capitalized costs shall be amortized over the estimated useful life of the software, not to exceed 3 years.

(c) Impairment Assessment. The Company shall evaluate capitalized software costs for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

1.5 Financial Statement Presentation

(a) Balance Sheet Classification. The Company shall classify assets and liabilities as current or non-current based on: (i) Operating cycle considerations (ii) Expected realization or settlement timing (iii) Contractual terms and conditions

(b) Income Statement Presentation. The Company shall present revenues and expenses in a manner that: (i) Distinguishes recurring from non-recurring items (ii) Separates operating from non-operating activities (iii) Clearly identifies cost of revenues versus operating expenses

1.6 Disclosures

(a) Revenue Recognition Disclosures. The Company shall disclose: (i) Nature, amount, timing, and uncertainty of revenue (ii) Significant judgments in applying ASC 606 (iii) Contract assets and liabilities (iv) Performance obligations, including timing of satisfaction

(b) Segment Reporting. The Company shall disclose segment information in accordance with ASC 280, including: (i) Factors used to identify reportable segments (ii) Types of products and services by segment (iii) Geographic information (iv) Major customer information

1.7 Internal Controls

The Company shall maintain and regularly evaluate the effectiveness of internal controls over financial reporting in accordance with Sarbanes-Oxley Act requirements and COSO Framework principles.

2.0 INTERNAL CONTROLS AND COMPLIANCE FRAMEWORK

2.1 Control Environment

(a) The Company shall maintain comprehensive documentation of internal controls, including: (i) Organizational structure and reporting lines, with clearly defined hierarchies and accountability matrices (ii) Assignment of authority and responsibility, including delegation protocols and approval thresholds (iii) Human resources policies and procedures, encompassing recruitment, training, performance evaluation, and succession planning (iv) Documentation retention schedules and archival procedures (v) Regular review and updating of control documentation at intervals not exceeding twelve (12) months

(b) AI System Controls. The Company shall implement specific controls for: (i) Algorithm version control and deployment, including: - Mandatory code review procedures - Version tracking and rollback capabilities - Documentation of deployment decisions and approvals (ii) Model validation and testing, incorporating: - Statistical validation protocols - Performance benchmarking requirements - Independent verification procedures (iii) Data quality assurance, including: - Data cleansing and validation protocols - Source verification procedures - Data lineage documentation (iv) Access controls and security protocols, encompassing: - Role-based access control (RBAC) implementation - Multi-factor authentication requirements - Audit logging of system access and modifications

2.2 Risk Assessment

(a) The Company shall conduct quarterly risk assessments addressing: (i) Financial reporting risks, including: - Revenue recognition accuracy - Cost allocation methodology - Financial statement preparation procedures (ii) Operational risks, encompassing: - Process efficiency and effectiveness - Resource allocation and utilization - Business continuity planning (iii) Technology risks, including: - System availability and reliability - Cybersecurity threats and vulnerabilities - Technical debt management (iv) Compliance risks, addressing: - Regulatory requirements and changes - Industry standards adherence - Internal policy compliance

(b) Documentation Requirements. Risk assessments shall be: (i) Documented using standardized templates and methodologies (ii) Reviewed by the Audit Committee within thirty (30) days of completion (iii) Maintained in a centralized repository for a minimum of seven (7) years (iv) Updated to reflect changing business conditions and regulatory requirements

2.3 Information System Controls

(a) The Company shall maintain controls over: (i) Data integrity and security, including: - Encryption standards for data at rest and in transit - Regular backup procedures and verification - Data classification and handling procedures (ii) System access and authentication, incorporating: - Password complexity requirements - Session timeout protocols - Regular access review procedures (iii) Change management procedures, including: - Change request documentation requirements - Testing and validation protocols - Rollback procedures and contingency planning (iv) Disaster recovery protocols, encompassing: - Recovery time objectives (RTO) - Recovery point objectives (RPO) - Regular testing and documentation requirements

(b) Monitoring and Reporting Requirements: (i) Monthly system control effectiveness reports (ii) Quarterly compliance attestations (iii) Annual control framework review and updates (iv) Immediate notification of control breaches or failures

(c) Third-Party Integration Controls: (i) Vendor assessment and due diligence requirements (ii) Service level agreement monitoring (iii) Integration testing and validation procedures (iv) Regular security assessment requirements

3.0 FINANCIAL PLANNING AND BUDGETING PROCEDURES

3.1 Annual Budget Development

(a) Timeline. The annual budget process shall commence no later than October 1 of each year, with final approval required by December 15.

(b) Components. The budget shall include: (i) Revenue projections by product line, including historical trend analysis (ii) Operating expenses, categorized by department and function (iii)

Capital expenditures, with detailed project justifications (iv) R&D investments, allocated by research domain (v) Headcount planning, including skills matrix and recruitment timeline (vi) Marketing and sales expenditure forecasts (vii) Administrative overhead allocations (viii) Contingency reserves of no less than 5% of projected revenue

(c) Stakeholder Review. Budget proposals shall undergo sequential review by: (i) Department heads (by October 15) (ii) Finance Committee (by November 1) (iii) Executive Leadership Team (by November 15) (iv) Board of Directors (by December 15)

3.2 Quarterly Forecasting

(a) Rolling Forecast. The Company shall maintain a rolling 4-quarter forecast updated monthly, incorporating: (i) Market condition adjustments (ii) Customer demand variations (iii) Supply chain impacts (iv) Currency fluctuations (v) Competitive landscape changes

(b) Variance Analysis. Material variances from budget shall be analyzed and reported to senior management, where: (i) Revenue variances exceeding 10% trigger mandatory review (ii) Expense variances exceeding 7% require written explanation (iii) Quarterly performance metrics must be reconciled (iv) Corrective action plans must be documented

3.3 Capital Allocation

(a) R&D Investment. The Company shall allocate no less than 20% of revenue to R&D activities, distributed as follows: (i) Core technology development: 40% (ii) Applied research: 30% (iii) Experimental projects: 20% (iv) Research partnerships: 10%

(b) Infrastructure Investment. Technology infrastructure investments shall be evaluated based on: (i) Expected return on investment, calculated over 3-5 years (ii) Strategic alignment with corporate objectives (iii) Risk assessment, including security and scalability factors (iv) Scalability requirements for projected growth (v) Integration capabilities with existing systems (vi) Vendor stability and support commitments

3.4 Financial Controls

(a) Authorization Levels. Expenditure approval requirements: (i) Up to $50,000: Department Head (ii) $50,001 - $250,000: Chief Financial Officer (iii) $250,001 - $1,000,000: Chief Executive Officer (iv) Above $1,000,000: Board approval required

(b) Performance Monitoring. Financial performance shall be monitored through: (i) Monthly departmental reviews (ii) Quarterly business unit assessments (iii) Semi-annual strategic reviews (iv) Annual comprehensive audits

(c) Reporting Requirements. Financial reports shall include: (i) Budget vs. actual analysis (ii) Key performance indicators (iii) Cash flow projections (iv) Risk assessment updates (v) Strategic initiative tracking

4.0 PERFORMANCE METRICS AND KPI REPORTING

4.1 SaaS Metrics

(a) Annual Recurring Revenue (ARR) shall be calculated as: (i) Monthly recurring revenue multiplied by 12 (ii) Excluding one-time fees and professional services (iii) Including all subscription-based revenue streams (iv) Adjusting for multi-year contract variations (v) Accounting for currency exchange fluctuations in international markets

(b) Customer Metrics (i) Customer Acquisition Cost (CAC), calculated quarterly as: - Total sales and marketing expenses - Divided by number of new customers acquired - Including allocated overhead costs (ii) Customer Lifetime Value (LTV), determined through: - Average revenue per customer - Historical retention patterns - Margin adjustments (iii) Net Revenue Retention Rate, measuring: - Expansion revenue - Contraction revenue - Churned revenue (iv) Gross Revenue Retention Rate, excluding upsells

4.2 Platform Analytics

(a) Usage Metrics (i) Active user counts, defined as: - Daily active users (DAU) - Monthly active users (MAU) - Quarterly active users (QAU) (ii) Feature adoption rates, measuring: - Core feature utilization - Premium feature engagement - New feature implementation success (iii) System uptime, calculated as: - Percentage of operational availability - Excluding scheduled maintenance - Weighted by peak usage periods (iv) API call volumes, monitored for: - Rate limiting compliance - Usage patterns - Performance optimization

(b) AI Performance Metrics (i) Model accuracy rates, including: - Precision measurements - Recall statistics - F1 scores (ii) Processing efficiency, measured through: - Response time metrics - Resource utilization - Cost per computation (iii) Prediction reliability, assessed via: - Confidence intervals - Error rate analysis - Drift detection (iv) Algorithm performance, evaluated by: - Training efficiency - Inference speed - Model convergence rates

4.3 Reporting Requirements

(a) Metrics shall be reported monthly, quarterly, and annually (b) Reports must include variance analysis and trending data (c) Performance dashboards shall be maintained in real-time (d) Automated alerts for metric deviations exceeding 15% (e) Quarterly review meetings for metric performance analysis