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 reporting standards and internal controls appropriate for its business; and

WHEREAS, the Company seeks to ensure compliance with applicable accounting standards, securities laws, and regulatory requirements.

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"). Compliance shall extend to all quarterly and annual financial statements, interim reports, and supplementary disclosures.

(a) Financial statements shall include, at minimum: (i) Balance Sheet (ii) Income Statement (iii) Statement of Cash Flows (iv) Statement of Changes in Stockholders' Equity (v) Comprehensive footnote disclosures

(b) Materiality assessments shall be conducted for all financial reporting decisions, with items deemed material being those that could influence the economic decisions of reasonable users of the financial statements.

1.2 Revenue Recognition

(a) Software as a Service ("SaaS") Subscription Revenue shall be recognized in accordance with ASC 606, Revenue from Contracts with Customers, based on the following criteria: (i) Identification of customer contracts (ii) Determination of performance obligations (iii) Measurement of transaction price (iv) Allocation of transaction price to performance obligations (v) Recognition of revenue when performance obligations are satisfied

(b) Multi-Year Contracts shall be accounted for as follows: (i) Total contract value shall be allocated across the service period (ii) Revenue shall be recognized ratably over the subscription term (iii) Non-refundable upfront payments shall be deferred and amortized (iv) Contract modifications shall be evaluated to determine whether they create new or modify existing performance obligations

(c) Usage-Based Revenue Components shall be recognized as follows: (i) Variable consideration shall be estimated using expected value or most likely amount method (ii) Usage-based fees shall be recognized when the usage occurs (iii) Minimum commitment levels shall be recognized ratably over the commitment period

1.3 Research and Development Costs

(a) Research costs shall be expensed as incurred, including: (i) Laboratory research aimed at discovery of new knowledge (ii) Searching for applications of new research findings (iii) Conceptual formulation and design of possible product alternatives (iv) Testing in search for or evaluation of product alternatives

(b) Development costs for the NexusCore™ platform shall be capitalized when technological feasibility is established in accordance with ASC 350-40, Internal-Use Software, provided that: (i) The project has been authorized by management (ii) Costs can be reliably measured (iii) Technical feasibility has been demonstrated (iv) Adequate resources exist to complete development (v) The Company intends to complete development and use the software

(c) Capitalized development costs shall include: (i) External direct costs of materials and services (ii) Payroll and payroll-related costs for employees directly associated with the project (iii) Interest costs incurred while developing internal-use software (iv) Costs of testing and deployment

1.4 Intellectual Property Accounting

(a) Internally developed intellectual property shall be capitalized only to the extent permitted under GAAP, subject to: (i) Demonstration of technical feasibility (ii) Intent and ability to complete development (iii) Probability of generating future economic benefits (iv) Availability of adequate technical, financial, and other resources

(b) Acquired intellectual property shall be recorded at fair value and amortized over its estimated useful life, with consideration for: (i) Purchase price allocation methodology (ii) Identification of intangible asset components (iii) Determination of useful life estimates (iv) Regular impairment assessments

1.5 Financial Control and Reporting Requirements

(a) The Company shall maintain adequate internal controls over financial reporting, including: (i) Documentation of all significant accounting policies and procedures (ii) Regular review and updating of accounting estimates (iii) Segregation of duties in financial processes (iv) Implementation of appropriate authorization levels (v) Regular reconciliation of accounts and subsidiary ledgers

(b) Quarterly and annual financial reporting shall include: (i) Management's Discussion and Analysis (ii) Segment reporting as applicable (iii) Related party transaction disclosures (iv) Subsequent event evaluations (v) Going concern assessments

2.0 INTERNAL CONTROLS AND COMPLIANCE FRAMEWORK

2.1 Control Environment

(a) The Company shall maintain a comprehensive system of internal controls including: (i) Written policies and procedures that are regularly reviewed, updated, and communicated to all relevant personnel (ii) Organizational structure with defined responsibilities, clear reporting lines, and appropriate delegation of authority (iii) Personnel policies and practices, including hiring standards, training requirements, and performance evaluation metrics (iv) Integrity and ethical values standards, documented in a Code of Conduct and enforced through regular training

(b) The Board of Directors shall: (i) Review and approve all major control policies annually (ii) Establish independent oversight committees as necessary (iii) Maintain documentation of control environment assessments (iv) Ensure adequate resources for control implementation

2.2 Risk Assessment

(a) Management shall conduct periodic risk assessments addressing: (i) Financial reporting risks, including materiality thresholds and disclosure requirements (ii) Technology and cybersecurity risks, with particular attention to emerging threats (iii) Operational risks, including process inefficiencies and resource constraints (iv) Compliance risks, encompassing regulatory requirements and industry standards

(b) Risk assessment procedures shall: (i) Be conducted at least annually or upon significant organizational changes (ii) Utilize standardized risk measurement methodologies (iii) Include documentation of risk mitigation strategies (iv) Incorporate feedback from internal and external auditors

2.3 Control Activities

(a) The Company shall implement controls including: (i) Segregation of duties with clearly documented role assignments (ii) Authorization protocols requiring appropriate level of management approval (iii) Asset security measures, including physical and digital asset protection (iv) Documentation requirements for all significant transactions

(b) Control activities shall be: (i) Automated where feasible to reduce human error (ii) Regularly tested for operational effectiveness (iii) Modified as necessary based on risk assessment results (iv) Documented in standard operating procedures

2.4 Information Technology Controls

(a) IT controls shall address: (i) Access security, including multi-factor authentication and role-based access (ii) Change management procedures for all system modifications (iii) Data backup and recovery protocols with defined recovery time objectives (iv) System development lifecycle management and testing requirements

(b) Additional IT control requirements: (i) Regular vulnerability assessments and penetration testing (ii) Incident response procedures and reporting protocols (iii) Third-party vendor management and security assessment (iv) Continuous monitoring and logging of system activities

2.5 Monitoring and Reporting

(a) The Company shall establish: (i) Continuous monitoring procedures for control effectiveness (ii) Regular reporting mechanisms to senior management and the Board (iii) Independent assessment protocols by internal audit (iv) Remediation tracking for identified control deficiencies

(b) Monitoring activities shall include: (i) Key performance indicators for control effectiveness (ii) Quarterly control self-assessments by process owners (iii) Annual independent testing of critical controls (iv) Documentation of all monitoring results and follow-up actions

2.6 Documentation Requirements

(a) The Company shall maintain: (i) Complete documentation of all control policies and procedures (ii) Evidence of control execution and testing (iii) Risk assessment results and mitigation plans (iv) Training records and acknowledgments (v) Audit trails for all significant control activities

3.0 FINANCIAL PERFORMANCE METRICS AND KPIS

3.1 Revenue Metrics

(a) Annual Recurring Revenue ("ARR") shall be calculated as: (i) Monthly recurring revenue multiplied by 12 (ii) Excluding one-time and professional services revenue (iii) Including subscription-based service fees (iv) Adjusting for multi-year contracts on a straight-line basis

(b) Revenue Recognition Criteria shall follow: (i) Performance obligations satisfaction requirements (ii) Time-based recognition for subscription services (iii) Milestone-based recognition for implementation services (iv) Separate performance obligation identification for hybrid offerings

3.2 Customer Metrics

(a) Customer Acquisition Cost ("CAC") shall be computed as: (i) Total sales and marketing expenses (ii) Divided by number of new customers acquired (iii) Including allocated overhead costs (iv) Amortized over a twelve-month period

(b) Net Revenue Retention ("NRR") shall measure: (i) Recurring revenue from existing customers (ii) Including expansions and contractions (iii) Excluding churned customers (iv) Calculated on a trailing twelve-month basis

(c) Customer Lifetime Value ("CLV") shall be determined by: (i) Average revenue per customer (ii) Multiplied by gross margin percentage (iii) Divided by customer churn rate (iv) Adjusted for customer acquisition costs

3.3 Profitability Metrics

(a) Gross Margin shall be calculated as: (i) Revenue less direct costs (ii) Expressed as a percentage of revenue (iii) Including hosting and infrastructure costs (iv) Excluding non-recurring implementation costs

(b) EBITDA Calculations shall incorporate: (i) Operating income before depreciation (ii) Adjustment for stock-based compensation (iii) Exclusion of non-recurring items (iv) Standardized treatment of capitalized costs

3.4 Operational Efficiency Metrics

(a) Cash Conversion Cycle shall measure: (i) Days sales outstanding (DSO) (ii) Days payable outstanding (DPO) (iii) Working capital efficiency (iv) Cash flow optimization metrics

(b) Rule of 40 Compliance shall be monitored through: (i) Combined growth rate and profit margin (ii) Quarterly assessment and reporting (iii) Adjustment for market conditions (iv) Benchmark against industry standards

3.5 Reporting Requirements

(a) Metric Calculation Frequency: (i) Monthly calculation and reporting (ii) Quarterly board review (iii) Annual auditor verification (iv) Real-time dashboard updates

(b) Documentation Requirements: (i) Detailed calculation methodologies (ii) Source data verification (iii) Variance analysis and explanations (iv) Compliance certification

(c) Performance Threshold Monitoring: (i) Establishment of minimum thresholds (ii) Trigger events for remedial action (iii) Escalation procedures (iv) Stakeholder notification requirements

4.0 AUDIT AND REVIEW PROCEDURES

4.1 External Audit Requirements

(a) Annual independent audits shall be conducted in accordance with: (i) Generally Accepted Auditing Standards (ii) Public Company Accounting Oversight Board standards (iii) SEC requirements, as applicable (iv) International Financial Reporting Standards, where relevant (v) Industry-specific regulatory requirements

(b) External auditor engagement shall include: (i) Mandatory rotation every five (5) years (ii) Independence verification procedures (iii) Scope determination meetings with Audit Committee (iv) Pre-approval of non-audit services (v) Annual fee structure review

4.2 Internal Review Procedures

(a) Quarterly reviews shall include: (i) Analysis of significant accounts (ii) Variance analysis (iii) Key metric validation (iv) Control testing (v) Technology platform assessment (vi) AI algorithm performance validation (vii) Data integrity verification

(b) Monthly monitoring procedures shall encompass: (i) Revenue recognition compliance (ii) Cost allocation review (iii) Working capital analysis (iv) Operational efficiency metrics (v) Compliance checkpoint verification

4.3 Documentation Standards

(a) The Company shall maintain documentation including: (i) Transaction support (ii) Account reconciliations (iii) Technical accounting positions (iv) Control evidence (v) Digital asset verification records (vi) Blockchain transaction logs (vii) AI model validation reports

(b) Documentation retention requirements: (i) Financial records: minimum seven (7) years (ii) Tax-related documents: minimum ten (10) years (iii) Digital signatures: perpetual preservation (iv) Audit trails: minimum five (5) years

4.4 Special Considerations

(a) Technology-specific audit procedures: (i) AI revenue stream verification protocols (ii) Intellectual property valuation methodology (iii) Digital asset impairment testing (iv) Cybersecurity control assessment

(b) Risk-based audit planning shall consider: (i) Technological obsolescence (ii) Data privacy compliance (iii) Third-party integration risks (iv) Emerging regulatory requirements

4.5 Remediation Procedures

(a) Control deficiency resolution shall follow: (i) 30-day initial assessment period (ii) 60-day remediation timeline (iii) 90-day implementation verification (iv) Quarterly effectiveness testing

IN WITNESS WHEREOF, this Document has been executed as of the Effective Date.

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