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February 13, 2026

CONFIDENTIAL

POLAR TENSOR CORP.
Panama, Republic of Panama

To whom it may concern Polar Tensor Corp:

In response to your request, we proceed to issue our report regarding the implications of **POLAR TENSOR CORP.** (hereinafter, '**POLAR'**) carrying out cryptocurrency-related activities as a Panamanian Company.

I. Background

Based on the information provided by the company, the relevant facts for purposes of this analysis are the following:

- **POLAR** is a company incorporated in the Republic of Panama established for the purpose of commercializing access to a proprietary digital platform developed in-house by its corporate group.

- **POLAR** does not maintain any employees or operational employees, physical offices, infrastructure, technological systems or servers within Panamanian territory. Invoices issued by **POLAR** will reflect its Panamanian registered address, such reference is limited to its place of incorporation and does not imply local business operations.

- The platform is designed for retail users outside the Republic of Panama and is not intended to operate in sanctioned jurisdictions or to onboard politically exposed persons (PEPs). Through the platform, users may register an account and deposit various cryptocurrencies. Regardless of the type of cryptocurrency deposited, the system automatically converts all deposits into USDT for internal accounting and operational purposes. Users may then allocate their balances to a trading account that enables automated execution of trading strategies through the technology provided by the platform. Trading currently occurs through Binance, although other exchanges may be integrated in the future.

- **POLAR's** platform users retain control over their digital assets. While users interact with the platform through accounts that they manage and access directly, the wallets are hosted

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by regulated third-party custody providers contracted by POLAR, including entities such as Polar Tensor™ Europe SP ZOO, Polar Tensor US LLC, Polar MSB LLC, among others. POLAR does not hold private keys, receive custody of user funds in Panama, nor operate wallet infrastructure from Panamanian territory.

- **POLAR's** income arises exclusively from the consideration it receives for enabling access to the platform. **POLAR** does not provide brokerage, advisory, custodial, or financial intermediation services, nor does it manually execute trades for users. Rather, the company enables users to access automated technological tools that they use on a self-directed basis.

- **POLAR** will not carry out technology management, operational execution, customer servicing, onboarding, compliance monitoring, or any related activity from Panamanian territory. No services will be offered to clients domiciled in Panama, and all platform usage and consumption of services will occur exclusively abroad.

Based on the above background, we shall proceed to carry out our analysis for this particular business model.

II. Applicable Legal and Tax framework.

This section summarizes the key Panamanian legal and tax provisions applicable to the analysis of whether **POLAR** is required to comply with any regulatory or tax obligations under Panamanian Laws:

1. Compliance and corporate presence obligations

As provided by Law No. 5 of 2007, obtaining a **"Notice of Operation"** is the process required to begin a commercial or industrial activity **within** the territory of the Republic. Any individual or company may carry out commercial or industrial activities **within** the national territory, subject to the provisions of this Law and its regulations, and with the limitations established by the Political Constitution.

Even if **POLAR** is a company incorporated in the Republic of Panama, the company would not be obliged to obtain a "Notice of Operation", since **POLAR** will not maintain any employees or operational employees, physical offices, infrastructure, technological systems or servers within Panamanian territory. Otherwise, if the company is considered to be conducting a commercial activity from Panama, this would mean that the company is required to comply with all legal and regulatory provisions applicable to Panamanian companies.

Compliance obligations under **Law 23 of 2015 (Anti Money Laundering/Combating the Financing of Terrorism framework)** apply solely to persons and entities engaged in activities classified as regulated or "obligated." **POLAR's** business model does **not** fall within the categories of obligated subjects.

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In addition to the foregoing, **POLAR** is subject to the requirements established under **Law 52 of 2016**, which applies to all Panamanian legal entities regardless of whether their activities are conducted onshore or offshore. Pursuant to this law, all Panamanian corporations must maintain **accounting records and supporting documentation** sufficient to evidence their operations, assets, and financial position, even when such operations occur entirely outside Panama. The company must also provide its registered resident agent with:

- the location where the accounting records and supporting documents are maintained;
- the identity and contact information of the custodian of such records; and
- timely updates regarding any changes in the location or custodian.

It is important to note that these obligations do **not** create a tax-filing requirement nor imply the existence of Panamanian-source income. Rather, they constitute corporate compliance duties applicable to all Panamanian entities, including those that operate exclusively offshore.

Corporate obligations such as maintaining a registered agent, paying annual franchise tax, and keeping corporate records remain applicable irrespective of whether the entity conducts local or foreign-only activities.

Invoicing obligations under Article 11 of Law 1976: Article 11 of Law 76 of 1976 establishes that the obligation to issue invoices or equivalent documentation applies exclusively to "persons resident in the territory of Panama." The provision is therefore subject-based, meaning that only operators considered residents for operational purposes fall within the invoicing regime. The law further states that such invoices must be issued through authorized fiscal equipment or through Panama's Electronic Invoicing System (SFEP).

In the case of **POLAR**, although incorporated in Panama, the company does not operate as a resident economic actor for purposes of Article 11. POLAR maintains no employees, offices, servers, technological systems, operational infrastructure, or substantive business functions in Panamanian territory. All value-generating components of its technological service, including platform operation, automated processes, system execution, system monitoring, and user interactions, take place entirely outside Panama. POLAR also does not onboard or serve clients located in Panama. Therefore, the company does not meet the residence-based criteria required for the invoicing obligation to apply.

While Article 11 does not condition invoicing obligations on the place where the service is performed, it clearly limits those obligations to resident operators. Given **POLAR's** exclusively offshore operating model and the absence of any activity that would give it an operational residence profile in Panama, no invoicing obligation arises under Article 11. Consequently, **POLAR** should not be required to issue invoices through the SFEP or through any fiscal equipment.

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2. Financial, Securities, and crypto assets regulatory framework.

The Republic of Panama currently lacks a statutory regime specifically governing crypto assets, virtual asset service providers, or digital platform business models. We must point out that the absence of this regulation does not imply prohibition.

The Superintendency of the Securities Market (SMV) has, through Administrative Opinions **7-2018**, **1-2023**, and **05-2023**, reiterated that crypto assets do not constitute securities or financial instruments under the Securities Market Law. Consequently:

- The SMV does not regulate crypto-asset trading platforms,
- the provision of non-custodial, non-intermediated digital services does **not** require a brokerage or investment adviser license or any authorization under the securities regulatory framework, and
- the SMV lacks jurisdiction over platforms that do not involve regulated securities.

2.1 Fintech Bill No.314 currently under debate in the National Assembly of Panama.

Although no binding framework is in force, the National Assembly of Panama is currently debating **Fintech Bill No. 314**, which proposes the creation of a unified regulatory regime for financial-technology activities, including certain business models involving digital assets.

The Bill would introduce:

- A Special Fintech Regime coordinated by financial regulators.
- Licensing categories for providers of innovative financial services, including certain digital-asset-related activities.
- Minimum capital, cybersecurity, and operational-risk standards.
- Enhanced transparency, data-protection, and consumer-protection requirements.
- A Regulatory Sandbox allowing supervised testing of innovation-based models.
- Initial provisions on Open Finance and AI governance.

Relevance of the project to **POLAR**:

While the project is still under discussion, which means that no regulatory obligations are stated at this stage, it may become relevant to **POLAR** depending on its final definitions and scope.

Certain provisions could potentially apply to business models involving access to automated trading technology or digital asset related tools. Accordingly, **POLAR** should continue monitoring legislative developments to anticipate any future licensing or compliance requirements.

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2.2. International tax transparency (CARF and CRS developments).

Panama signed the Crypto-Asset Reporting Framework Multilateral Competent Authority Agreement (CARF MCAA) and the CRS MCAA Addendum, signaling its commitment to adopt international standards for the automatic exchange of information on crypto-asset transactions.

Although these instruments have not yet been implemented domestically, their future incorporation into Panamanian law is expected to introduce reporting obligations, due-diligence procedures, and operational standards for entities involved in crypto-asset activities.

POLAR should therefore monitor the regulatory developments associated with CARF and CRS to anticipate any future compliance obligations once local implementing regulations are enacted.

3. Tax Framework

Corporate Income Tax

Our Panamanian tax system is governed by the territoriality principle, pursuant to which only income that is generated, produced, or arising from activities carried out within Panamanian territory is subject to taxation. This principle is expressly established in Article 694 of the Tax Code, which provides that taxable income includes *income that is produced, from any source, within the territory of the Republic of Panama regardless of the place where it is received.* This specific rule establishes a strict territorial nexus, focusing exclusively on the place where the substantive activities that generate the income are carried out, rather than the residence of the taxpayer, the place of payment, or the contract execution site.

Also, we must reference Article 9 of Executive Decree No.170 of 1993 which regulates corporate income tax rules. Said provision clarifies that income shall be deemed Panamanian-source when the **material, operational, or substantive acts that give rise to the generation or perfection of such income** occur within the Republic of Panama. The decree explicitly notes that factors such as the payer's location, the origin of funds, or the place where contractual obligations are fulfilled are **irrelevant** for determining territorial source, if the underlying activity is performed in Panama.

Article 10(c) of Executive Decree 170, which establishes a specific exemption for income derived from "*services rendered outside the territory of the Republic that are not economically related to taxable activities carried out within Panama*." The exemption is applied restrictively and requires the taxpayer to demonstrate that the essential components of the service, such as technological infrastructure, operational processes, system monitoring, risk supervision, and other value generating activities, are **performed wholly outside Panama**. Additionally, the service rendered

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abroad must bear **no economic connection** to activities carried out in Panama, including managerial, technical, operational, or oversight functions.

Our Panamanian territorial tax system requires an examination of **where the substantive activities that give rise to the income are carried out**, in accordance with Article 694 of the Tax Code and Articles 9 and 10(c) of Executive Decree 170 of 1993. In the context of digital or automated technological services, determining the place where a service is effectively rendered entails identifying the **operational and technological components essential for the service to exist**, such as servers, processing systems, trading engines, technological infrastructure, and the mechanisms used to operate or monitor the system. These components constitute the material acts that "produce" the income for purposes of determining territorial source.

Only when these essential elements are located **entirely outside Panama**, and when Panama performs **no essential function** in the rendering of the service, may the resulting income qualify as **foreign-source** under Article 10(c), and therefore fall outside the scope of Panamanian income tax.

Panama does not currently have a specific tax regime applicable to digital services, automated platforms, or technologically-mediated activities. As a result, the determination of whether income derived from such services constitutes Panama-source income is governed entirely by the general territoriality rules described above, including Article 694 of the Tax Code and Articles 9 and 10(c) of Executive Decree 170 of 1993. Accordingly, in the absence of special rules for digital business models, the tax analysis must focus on identifying where the substantive, value-generating components of the service are carried out, as these determine whether the service is rendered inside or outside Panama for purposes of source-of-income classification.

2. Value Added Tax/VAT (ITBMS in Panama).

The VAT tax applicable to services in Panama, is the Tax on the Transfer of Movable Goods and the Provision of Services (ITBMS) which is primarily regulated by Executive Decree No. 84 of 2005, which implements the ITBMS provisions established in Articles 1057-V of the Tax Code. This regulatory framework defines both the **taxable events** and the **territorial scope** of the tax, establishing that ITBMS applies only when the underlying transaction is carried out **within Panamanian territory**.

Article 3 of Executive Decree No. 84 expressly provides that a service is subject to ITBMS when it is performed within the national territory. The provision further clarifies that the determination of whether a service is considered "performed in Panama" is independent of:

- the place where the contract is executed,
- the residence or location of the recipient, or
- the place from which payment is made.

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Accordingly, the decisive factor for ITBMS purposes is the place where the service is actually rendered, meaning the location where the essential operational, technical, or substantive activities that constitute the service take place.

Under this territorial framework, services executed entirely outside Panama, particularly those consumed or abroad, do not give rise to ITBMS. If, however, any component of the service is carried out from within Panama (whether technical, managerial, operational, or supervisory), such activity would constitute a taxable event, and ITBMS would apply.

In scenarios where the service is rendered locally to a Panamanian taxpayer by a provider domiciled abroad, Articles 17 and 19 of Executive Decree 84 introduce a withholding mechanism, requiring the Panamanian recipient to withhold the ITBMS attributable to the transaction. This mechanism is applicable only when the underlying transaction is deemed taxable in Panama based on the territoriality rule described above.

In the context of **POLAR's** business model, the services offered (granting technological access to a fully offshore platform) are executed, operated, and consumed entirely outside Panama. As long as no component of the service is rendered from Panamanian territory, no taxable event arises under the ITBMS regime.

3. Municipal Taxes

Municipal taxes apply only to activities carried out within a given municipality. Accordingly, entities with exclusively foreign-source income and no operational presence in Panama are **not subject** to municipal taxation.

III. Tax analysis, application of the legal and tax framework to POLAR's operations

1. Characterization of POLAR's activity

Based on the operational model described, **POLAR** provides access to a proprietary technology platform that enables users to deploy automated trading strategies on third-party exchanges. POLAR does not intermediate transactions, does not execute trades on behalf of users, does not hold or manage client assets, and does not provide brokerage, advisory, or custodial services. Users retain full control over their assets through self hosted wallets, and **POLAR's** remuneration derives exclusively from fees charged for access to the platform.

Under these characteristics, the activity is properly classified as a technology service rather than a financial or investment service.

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2. Source of income determination

Applying the territoriality principles previously outlined, the determination of the source of **POLAR's** income depends on **where the material and substantive acts that produce the income occur**. The facts indicate that:

- the platform's technological infrastructure and servers are located outside Panama,
- POLAR has no employees, operational personnel, or physical presence in Panama,
- no part of the platform's operation, monitoring, risk management, or technology management occurs in Panama, and
- the services are consumed exclusively by users located abroad.

Given these elements, the activities that generate **POLAR's** income are performed entirely outside Panamanian territory. Accordingly, the fees earned through access to the platform should qualify as **foreign-source income**, therefore not subject to Corporate Income Tax in Panama.

3. Performance and Consumption of Services Abroad

POLAR's services are not directed to, marketed to, or used by clients in Panama. User onboarding, automated trading execution, account management, and all interactions with the platform occur outside the country. The place where the service is **performed** and **consumed** is therefore fully abroad.

As a result, the service does not constitute an activity "carried out within Panama" and should not create a taxable event for Panamanian income tax purposes.

4. ITBMS (VAT) treatment.

ITBMS applies only when a service is **rendered within Panamanian territory**. Given that:

- no component of **POLAR's** technological service is executed from Panama,
- the platform is not accessible to Panamanian users, and
- **POLAR's** technological processes, infrastructure, and operational functions are entirely offshore.

Therefore, the fees charged for access to the platform should not trigger ITBMS.

5. Notice of Operation and Municipal Taxes.

A Notice of Operation is required only when a company conducts commercial or industrial activities **within Panama**. Since **POLAR** does not carry out any operational or income-generating activities in Panama, the company does not require a Notice of Operation.

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Consequently, **POLAR** is also not subject to municipal taxes, which apply only when a taxpayer performs taxable activities within a given municipality.

6. Dividend and Complementary Tax Implications.

If **POLAR's** income is fully classified as foreign-source and the company maintains an exclusively offshore operational profile, no Panamanian-source taxable profits would arise. In such case, **POLAR** would not be required to obtain a Notice of Operation, and therefore the dividend tax and complementary tax regime applicable to onshore activities would not apply.

If, at any point, **POLAR** were required to obtain a Notice of Operation or generated Panamanian-source income, the applicable dividend withholding tax would be 10% on Panamanian-source profits and 5% on foreign-source profits, with the corresponding complementary tax thresholds.

7. Risk and Documentation Considerations.

To sustain the foreign-source characterization, **POLAR** should maintain clear and consistent documentation demonstrating that:

- all core technological infrastructure is hosted abroad,
- no operational, administrative, or substantive business functions occur in Panama,
- no clients in Panama are allowed to use the platform,
- all technology management or security protocols occur offshore, and
- income streams relate exclusively to services performed and consumed outside Panama.

Maintaining this evidentiary record will be essential should the tax authority request proof of the foreign-source nature of **POLAR's** income.

IV. Conclusions.

Based on the facts provided and the legal and tax framework applicable in Panama, our conclusions regarding **POLAR's** intended business model are as follows:

- Business Model Under Panamanian Law: Under the current Panamanian legal regime, there is no prohibition on providing technology services related to crypto-assets for users located abroad. **POLAR's** proposed business model (limited to granting access to a proprietary technological platform, without engaging in brokerage, custody, intermediation, or discretionary trading) constitutes a lawful corporate activity under Panamanian law.

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- Regulatory perimeter under the Securities Market Law: Consistent with the criteria established by the Superintendency of the Securities Market (SMV) in Administrative Opinions No. 07-2018, 01-2023, and 05-2023, crypto-assets do not qualify as “securities” under Panamanian law. As **POLAR** does not intermediate trades, manage client assets, or conduct activities reserved for licensed securities intermediaries, no brokerage, investment adviser, or similar license is required.

- Tax Treatment of Platform Access Fees: Under Panama’s territorial tax system, and based on the operational structure described, the fees earned by **POLAR** for access to its platform qualify as foreign-source income, as the substantive, value-generating components of the service are performed and consumed entirely abroad.

- Consequently, such income should not be subject to Corporate Income Tax in Panama, provided the offshore operational profile is maintained.

- ITBMS (VAT): Because the service is performed entirely outside Panama, and **POLAR** does not render services to clients located within the country, no ITBMS taxable event may arise in connection with the platform access fees.

- Notice of Operation and Municipal Taxes: As **POLAR** does not carry out commercial, industrial, or income-generating activities within Panamanian territory, it is not required to obtain a Notice of Operation. In the absence of such local activity, municipal taxes do not apply.

- Dividend Tax and Complementary Tax: Provided **POLAR’s** operations remain exclusively offshore and no obligation to obtain a Notice of Operation arises, the Panamanian dividend tax regime and complementary tax mechanism do not apply to distributions of profits to shareholders.

- Only if **POLAR** were to carry on taxable activities in Panama in the future, or otherwise fall within the scope of the Notice of Operation regime, would dividend withholding rules (10% on Panamanian-source profits; 5% on foreign-source profits) and complementary tax thresholds become applicable.

- Future Regulatory Developments: Panama is currently discussing a comprehensive Fintech Bill that may introduce new licensing, compliance, or reporting requirements for certain digital-asset or technology-based financial activities. Although the bill is not yet in force, **POLAR** should monitor legislative developments to anticipate potential future impacts on its operations.

- International Tax Transparency (CARF/CRS): Panama’s recent signature of the CARF MCAA and the CRS MCAA Addendum indicates future expansion of reporting and due-diligence obligations relating to crypto-asset transactions. Although not yet implemented locally, **POLAR** should remain alert to forthcoming domestic regulations aligned with international standards.

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Our conclusions are based on the accuracy of the facts and assumptions described above. If such facts and assumptions are not entirely accurate, it is imperative that we be informed immediately, as the inaccuracy of the facts or assumptions could have a significant effect on our conclusions. We rely on relevant Panamanian legislation and judicial or administrative interpretations in tax matters, which is subject to subsequent changes of a legislative, regulatory, administrative or judicial decision. Any of these changes could have an effect on the validity of our conclusions. Unless specifically requested to do so, we will not update this opinion due to subsequent changes in the legislation and its regulations or due to judicial or administrative interpretations of the subject matter of this opinion.

Kind regards

Jaime Carrizo
Partner

JJC/ap/ar/yn

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