



**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHED STATEMENT.

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**18** Can any resulting loss be recognized? ▶ SEE ATTACHED STATEMENT.

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**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ SEE ATTACHED STATEMENT.

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Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here** Signature ▶ Andrew Chan Date ▶ 2/27/2023

Print your name ▶ **ANDREW CHAN** Title ▶ **CFO**

<b>Paid Preparer Use Only</b>	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	<b>DANIEL TREMBLAY</b>	<i>Daniel Tremblay</i>	2/27/2023		<b>P01437240</b>
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**Part II, Line 14 - Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action:**

On October 26, 2022, Nextech AR Solutions Corp. ("NTAR"), a calendar year-end taxpayer, reorganized its share capital by renaming and redesignating all of the issued and unissued Common Shares as Class A Common Shares ("Old Shares") and creating a new class consisting of an unlimited number of new common shares in NTAR ("New Shares"). In addition, NTAR performed a spin out transaction of its Metaverse creation tool and mobile application ARWay ("Spinout Assets") into 1000259749 Ontario Inc. ("Spinco"). NTAR received 16,000,000 of Spinco shares ("Spinco Shares"), 3,000,000 of which were transferred to certain service providers of the Company in consideration of their past services to Nextech and other indebtedness immediately following completion of the spin out. An additional 4,000,000 of Spinco shares were distributed to the shareholders of NTAR as a stock dividend.

Each shareholder exchanged each Old Share held immediately prior to the reorganization for one New Share. In addition, each Shareholder received a pro rata share of the 4,000,000 of Spinco Shares.

No fractional New Shares or Spinco Shares were issued pursuant to the organizational action and Shareholders did not receive any compensation in lieu thereof.

**Part II, Line 15 - Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis**

The reorganization of share capital ("Recapitalization") of NTAR is intended to qualify, and NTAR intends to report such Recapitalization, as a non-taxable recapitalization under the Internal Revenue Code ("IRC") Section 368(a)(1)(E). Assuming this treatment is respected, under Section 358, a shareholder's aggregate basis in its New Shares received in the Recapitalization equals the aggregate basis of the Old Shares held by the shareholder immediately prior to the Recapitalization (as reduced by the fair market value of the Spinco shares, which is described below).

The pro rata distribution of Spinco shares to the shareholders of NTAR is expected to be treated as a distribution with respect to the Old Shares under (see Treas. Reg. § 1.301-1(j)). The amount of the distribution is equal to the fair market value of the Spinco Shares received by the shareholder.

NTAR estimates that its earnings and profits (as determined for U.S. federal income tax purposes) are insufficient to characterize any portion of the distribution of the Spinco shares as a dividend under Section 301(c)(1). As a result, NTAR expects that the distribution of Spinco shares will be characterized as non-dividend distribution treated as a return of capital under IRC Section 301(c)(2) to the extent of a shareholder's tax basis in its Old Shares (with a corresponding reduction in the tax basis of the Old Shares). Any remaining portion of the non-dividend distribution exceeding a shareholder's tax basis in its Old Shares treated as gain from the sale or exchange of the Old Shares.

The initial tax basis of the Spinco shares will be equal to their fair market value as of the date of the distribution of the Spinco shares under Section 301(d).

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or sell and both having a reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how shareholders should determine the fair market value of the Spinco shares received. Shareholders should consult their own tax advisors regarding the determination of the fair market value of the Spinco shares.

Pursuant to the applicable Treas. Reg. § 6045B, if these assumptions turn out to be incorrect, NTAR will file a corrected Form 8937 within 45 days of such determination.

**Part II, Line 16 - Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates**

As described above, the aggregate tax basis of a shareholder's New Shares received in the Recapitalization is the same as the aggregate tax basis of such shareholder's Old Shares immediately prior to the Recapitalization (as reduced by the fair market value of the Spinco shares, which is described above).

The calculation of the change in basis of the Old Shares under IRC Section 301(c)(2) relates to NTAR's estimate of current and accumulated earnings and profits for the tax year 2022 and the reasonable assumptions related thereto.

**Part II, Line 17 – List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based**

IRC Section 368(a)(1)(E), IRC Section 358, IRC Section 301(c), IRC Section 301(d), IRC Section 316(a), Treas. Reg. § 1.301-1(j)).

**Part II, Line 18 – Can any resulting loss be recognized?**

No loss can be recognized in connection with Recapitalization or the distribution of the Spinco shares.

**Part II, Line 19 – Provide any other information necessary to implement the adjustment, such as the reportable tax year**

The basis adjustments described above are taken into account in the tax year of a holder during which the Recapitalization and distribution of the Spinco shares occurred (e.g., 2022 for calendar year taxpayers).