

Subsidiary Management and Governance Structure

PREAMBLE

THIS DOCUMENT establishes the comprehensive governance framework for subsidiaries of Nexus Intelligent Systems, Inc. (hereinafter "Parent Company"), a Delaware corporation with principal offices located at 1200 Innovation Plaza, San Francisco, California 94105.

1. DEFINITIONS

1 "Subsidiary" shall mean any corporate entity in which the Parent Company maintains direct or indirect ownership exceeding fifty percent (50%) of voting equity.

2 "Governance Committee" shall refer to the designated executive oversight body responsible for subsidiary strategic alignment and performance management.

3 "Material Decision" means any corporate action requiring formal approval that potentially impacts financial performance, strategic direction, or legal compliance.

2. SUBSIDIARY GOVERNANCE PRINCIPLES

1 Strategic Alignment

The Parent Company shall maintain comprehensive oversight of all subsidiary operations, ensuring:

- a) Consistent strategic objectives
- b) Uniform compliance with corporate policies
- c) Integrated operational standards
- d) Centralized risk management protocols

2 Operational Independence

While maintaining strategic alignment, subsidiaries shall retain operational autonomy within predefined parameters, including:

- Independent budget management
- Localized decision-making authority
- Customized market-specific strategies
- Flexible organizational structures

3. GOVERNANCE STRUCTURE

1 Governance Committee Composition

The Governance Committee shall comprise:

- Chief Executive Officer
- Chief Strategy Officer
- Chief Financial Officer
- General Counsel
- Designated Subsidiary Executive Representatives

2 Decision-Making Protocols

- a) Material Decisions require majority approval from Governance Committee
- b) Voting rights proportional to organizational responsibility
- c) Mandatory quarterly review of subsidiary performance
- d) Documented decision rationale for all significant actions

4. FINANCIAL OVERSIGHT

1 Financial Reporting Requirements

Each subsidiary must submit:

- Quarterly financial statements
- Annual comprehensive performance reports
- Real-time access to financial management systems
- Detailed variance analysis against corporate benchmarks

2 Capital Allocation

- Centralized capital allocation strategy
- Performance-based funding mechanisms
- Transparent investment criteria
- Standardized financial review processes

5. COMPLIANCE AND RISK MANAGEMENT

1 Compliance Obligations

Subsidiaries must adhere to:

- Parent Company compliance framework
- Industry-specific regulatory requirements
- Comprehensive internal control standards
- Mandatory annual compliance certification

2 Risk Management Protocols

- Standardized enterprise risk assessment methodology
- Mandatory risk mitigation planning
- Continuous monitoring of potential legal and operational risks
- Integrated reporting mechanisms

6. SUBSIDIARY CREATION AND DIVESTMENT

1 Subsidiary Formation

Requires:

- Comprehensive business case
- Detailed financial projections
- Strategic alignment assessment
- Governance Committee approval

2 Divestment Criteria

Potential subsidiary divestment evaluated based on:

- Strategic misalignment
- Persistent financial underperformance
- Regulatory or compliance challenges
- Market transformation dynamics

7. DISPUTE RESOLUTION

1 Internal Mediation

- Mandatory initial dispute resolution through Governance Committee
- Structured mediation process
- Documented conflict resolution protocols

2 Arbitration

Unresolved disputes subject to binding arbitration under American Arbitration Association rules.

8. AMENDMENT PROVISIONS

1 This governance framework may be amended by majority vote of the Governance Committee, with written documentation of modifications.

9. EXECUTION

EXECUTED this 22nd day of January, 2024.

—

Dr. Elena Rodriguez

Chief Executive Officer

Nexus Intelligent Systems, Inc.