

CONFIDENTIAL REPORT

Company Profile

CLIENT (COMPANY)

RRT Manufacturing Inc.

ADVISOR

Marco Madon

DATE

2026-04-27

1. Corporate Information

COMPANY NAME

RRT Manufacturing Inc.

BN / NEQ NUMBER

0002121245

ADDRESS

2026 Down Street

CITY, PROVINCE, PC

Toronto, ON J9P 0H0

EMAIL

john@rrt.com

WEBSITE

www.rrt.com

PHONE

855 456-1234

INDUSTRY SECTOR

Manufacturing

2. Operational Details & Legal Structure

AUTHORIZED PERSON

John Mc Cornick

DATE OF INCORPORATION

2002-06-30

LAST REORG. / NATURE

2015-04-11 (Estate freeze)

FISCAL YEAR-END

2026-04-30

COMPANY TYPE

Operating

EMPLOYEES / HRS

20 employees / 41600 h

EVOLUTION

Growing (10 %)

MAIN LEGAL STRUCTURE: CORPORATION

Date of Inc: 2002-06-30 | Category: Private | QSBC: Yes

PROJECTS (SHORT/MEDIUM TERM):

Territorial expansion

3. Other Advisors on File

Type of Advisor	Name	Phone
Tax Specialist	Luc Waker	500 365-4125
Accountant	Julia Phiffer	500 584-000
Legal Counsel	Nick Honda	500 987-0001

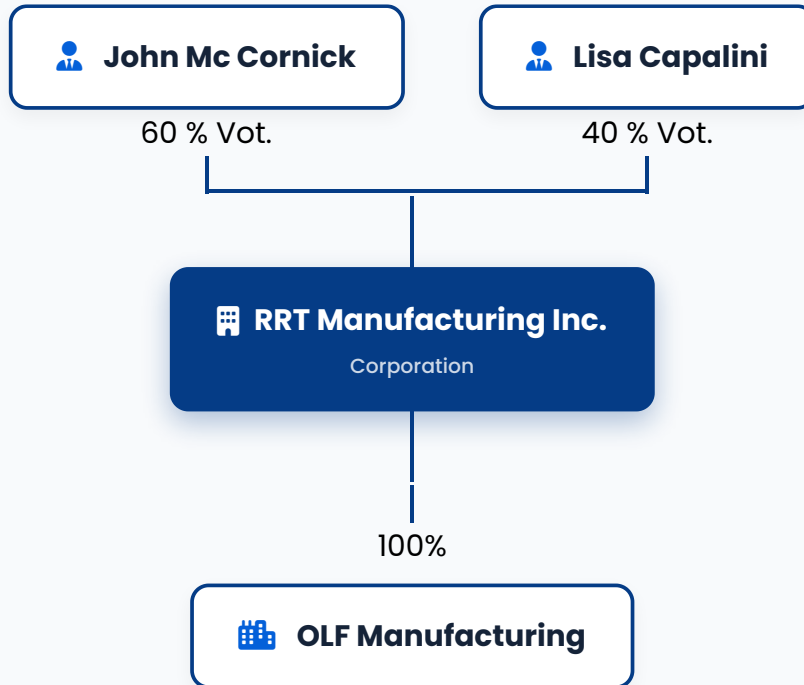
4. Subsidiaries

Subsidiary Name	Ownership Percentage	Estimated Value (\$)
OLF Manufacturing	100 %	\$5,000,000

5. Shareholders, Partners and Key Persons

Name	Role	Sex	Smok.	Health	Vot. %	Part. %	DOB	Since	Retire.	Salary	Dividends
John Mc Cornick	Shareholder (President)	M	No	Exc	60%	60%	1975-04-08	2002-06-30	65	\$90,000	\$600,000
Lisa Capalini	Shareholder (Vice-President)	F	No	Exc	40%	40%	2026-02-20	2002-06-30	65	\$90,000	\$400,000
Bob Wilson	Key Employee (Operations Director)	M	No	Exc	0%	0%	1985-04-17	2010-04-16	65	\$225,000	\$0

6. Corporate Structure Chart



7. Information on Share Capital

Global FMV	Part. Val.	Freeze Val.	Global ACB	Global PUC	CDA	RDTOH
\$40,000,000	\$25,000,000	\$15,000,000	\$12,000,000	\$5,000,000	\$450,000	\$88,000

Holding Details by Shareholder

Shareholder	Common Val.	Common ACB	Common PUC	Pref. Val.	Pref. ACB	Pref. PUC
John Mc Cornick	\$15,000,000	\$3,000,000	\$3,000,000	\$600,000	-	-
Lisa Capalini	\$10,000,000	\$2,000,000	\$2,000,000	\$400,000	-	-

8. Shareholders' Agreement

AGREEMENT SIGNED?

Yes

DATE OF AGREEMENT

2015-04-11

DEATH BUY-SELL CLAUSE

Mandatory

VALUATION METHOD

Fair Market Value (by an independent evaluator)

MANDATORY LIFE INSURANCE?

Yes

CI/DISABILITY BUYOUT?

Yes

PAYMENT TERMS

Mixed

TERM / RATE

60 months / 4 %

9. Existing Individual Insurance Policies

Type	Coverage	Company	Insured	Owner	Beneficiary	Face Amount (\$)	Premium (\$)	CSV (\$)
Life	Term	Canada Life	John Mc Cornick	RRT Manufacturing Inc.	RRT Manufacturing Inc.	\$6,000,000	\$7,000	\$0
Life	Term	Assumption Life	Lisa Capalini	RRT Manufacturing Inc.	RRT Manufacturing Inc.	\$4,000,000	\$4,000	\$0

10. Share Distribution

Participating Shares



- John Mc Cornick
- Lisa Capalini

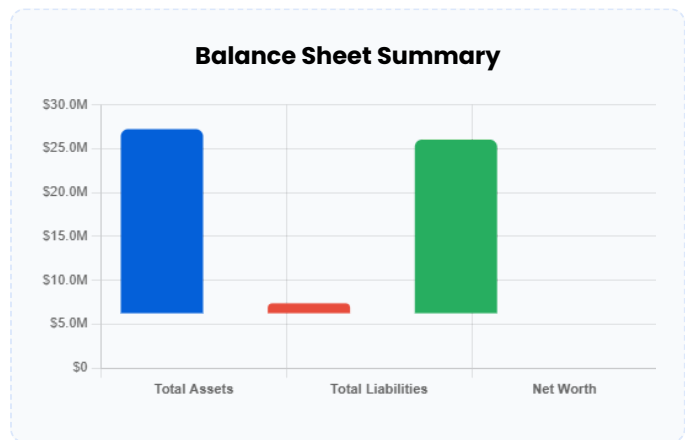
Voting Shares



- John Mc Cornick
- Lisa Capalini

11. Financial History & Balance Sheet

Year	Gross Revenues	Net Earnings	Dividends
Current Year	\$45,000,000	\$15,000,000	\$1,000,000
Previous Year	\$41,850,000	\$13,810,000	\$1,000,000
Prior Year	\$38,920,500	\$11,250,000	\$800,000



Assets and Liabilities Details

Assets

Cash	\$2,500,000
Investments	\$3,000,000
Accounts Receivable	\$2,000,000
Inventory	\$6,000,000
Fixed Assets	\$13,000,000

TOTAL ASSETS

\$26,500,000

NET WORTH

\$25,000,000

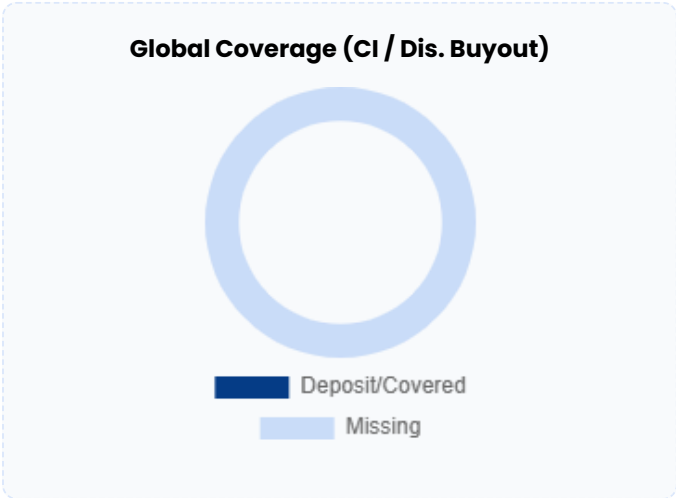
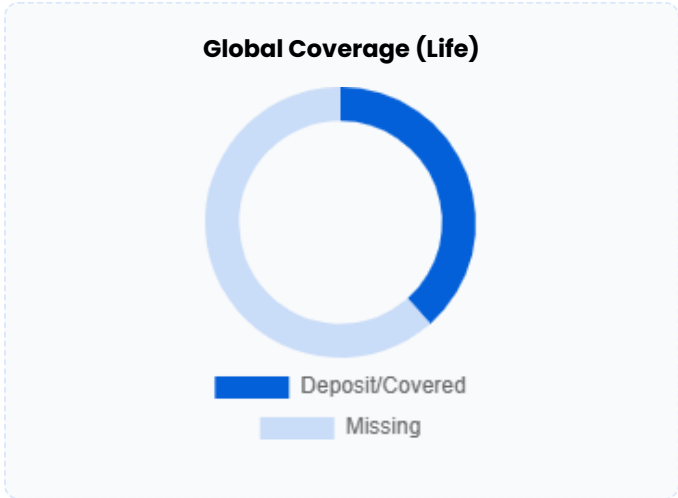
Liabilities

Mortgages	\$1,500,000
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TOTAL LIABILITIES

\$1,500,000

12. Summary of Needs (Detailed Analyses)



Global Current Needs

Key Person / Shareholder	Current Net Need (Life)	Current Net Need (CI / Dis. Buyout)
John Mc Cornick	\$11,600,000	\$17,600,000
Lisa Capalini	\$8,400,000	\$12,400,000
Bob Wilson	\$0	\$2,020,000

Calculation Details by Stakeholder

 **John Mc Cornick** (Shareholder - President)

 **LIFE INSURANCE**

Common Shares (Calculated)	\$15,000,000
Preferred / Freeze Shares	\$600,000
Loss of Revenue	\$2,000,000
Gross Subtotal	\$17,600,000
Existing Insurance	\$6,000,000
Deductions Subtotal	\$6,000,000
Current Net Need	\$11,600,000

 **CRITICAL ILLNESS & DIS. (BUYOUT)**

Common Shares (Calculated)	\$15,000,000
Preferred / Freeze Shares	\$600,000
Loss of Revenue	\$2,000,000
Gross Subtotal	\$17,600,000
No deductions	
Deductions Subtotal	\$0
Current Net Need	\$17,600,000

 **Lisa Capalini** (Shareholder - Vice-President)

 **LIFE INSURANCE**

Common Shares (Calculated)	\$10,000,000
Preferred / Freeze Shares	\$400,000
Loss of Revenue	\$2,000,000
Gross Subtotal	\$12,400,000
Existing Insurance	\$4,000,000
Deductions Subtotal	\$4,000,000
Current Net Need	\$8,400,000

 **CRITICAL ILLNESS & DIS. (BUYOUT)**

Common Shares (Calculated)	\$10,000,000
Preferred / Freeze Shares	\$400,000
Loss of Revenue	\$2,000,000
Gross Subtotal	\$12,400,000
No deductions	
Deductions Subtotal	\$0
Current Net Need	\$12,400,000

LIFE INSURANCE

Loss of Revenue	\$2,000,000
Recruitment Costs	\$20,000
Gross Subtotal	\$2,020,000
Applied Cash	\$2,500,000
Deductions Subtotal	\$2,500,000
Current Net Need	\$0

CRITICAL ILLNESS & DIS. (BUYOUT)

Loss of Revenue	\$2,000,000
Recruitment Costs	\$20,000
Gross Subtotal	\$2,020,000
No deductions	
Deductions Subtotal	\$0
Current Net Need	\$2,020,000

Projections of Net Needs (Rate: 10%)

Stakeholder / Type	In 5 years	In 10 years	In 15 years
John Mc Cornick			
Projected Net Need - Life	\$20,757,650	\$35,506,137	\$59,258,723
Projected Net Need - CI	\$26,757,650	\$41,506,137	\$65,258,723
Lisa Capalini			
Projected Net Need - Life	\$14,505,100	\$24,337,425	\$40,172,482
Projected Net Need - CI	\$18,505,100	\$28,337,425	\$44,172,482

13. Objectives, Strategies and Recommendations

Targeted Objectives:

- Buy-sell funding
- Key person protection
- Loan guarantee
- Debt repayment
- Estate taxes payment
- Line of credit protection
- Planned corp reorg
- Income continuation

Additional Documentation Provided:

- Shareholders' Agreement
- Insurance Contract
- Financial Statements
- Current Org Chart
- Partnership Agreement

Professional Recommendations:

• Buy-Sell Funding via Insurance (Death)

Following the analysis of the shareholders' agreement, it is strongly recommended to fund the buyout clause using life insurance owned by the corporation. This will guarantee immediate liquidity to buy out the shares from the estate, without depleting the corporation's working capital or forcing commercial borrowing.

• Buy-Sell Funding via Insurance (Disability)

The shareholders' agreement provides for a mandatory buyout in the event of prolonged disability. It is recommended to implement a disability buyout insurance to provide the necessary capital for the company to buy out the disabled shareholder's shares in a tax-advantaged manner.

• Implementation of a Holding Company (Holdco)

In order to protect excess liquidity from the operational risks of the operating company (Opco), the creation of a holding company (Holdco) is recommended to transfer surpluses away from creditors and facilitate tax management.

• CDA Payment via Demand Note

Although a positive balance is available in the CDA, the company may lack immediate liquidity. It is recommended to declare the capital dividend now and pay it via a demand promissory note. This crystallizes the tax advantage, and the shareholder can cash the note tax-free as liquidity permits.

• **SBD Threshold Management (Passive Income)**

The company's passive investment income is approaching the \$50,000 threshold. Recall that every \$1 of excess passive income reduces access to the Small Business Deduction (SBD) by \$5. It is recommended to reallocate taxable assets to structures offering tax deferral (e.g., corporate life insurance) to restore the SBD limit.

• **Donation of publicly traded securities by the company**

For your philanthropic objectives, it is more tax-efficient to donate securities with unrealized capital gains. The company benefits from a tax deduction, the capital gain is taxed at 0%, and 100% of the realized capital gain is added to the CDA, allowing for a tax-free extraction of funds thereafter.

• **Capital Dividend Account Strategy (Insurance)**

To maximize wealth transfer, the life insurance proceeds will credit the CDA upon the shareholder's death, allowing the payment of a tax-free dividend to the estate or surviving shareholders.

• **Optimization of Surpluses (Participating Policy)**

It is suggested to reallocate a portion of the company's excess and highly taxed liquidity to a participating life insurance policy. This will allow for tax-sheltered growth and diversification of corporate assets.

• **Implementation of an IPP**

Considering the executive's age and T4 income, the implementation of an Individual Pension Plan (IPP) is recommended. This will increase tax-sheltered contribution limits compared to an RRSP, while creating a deductible expense for the company.

• **Shared Ownership (Critical Illness Insurance)**

A shared ownership structure is recommended: the company pays for the base coverage, while the shareholder personally pays for the Return of Premium (ROP) rider. If no illness occurs, the shareholder recovers 100% of the premiums paid by the company and themselves, creating a tax-free liquidity extraction.

• **Critical Illness Insurance - Key Employee**

Purchasing critical illness insurance for a key person is essential to protect the company against the unexpected loss of the key employee's expertise, offset potential revenue decline, and cover recruitment costs.

• **Business Overhead Expense Insurance (BOE)**

The implementation of business overhead expense insurance (BOE) is recommended to cover the company's fixed expenses (rent, salaries, utilities) in the event of the main executive's disability, thus ensuring the continuity of operations.

We hope this analysis provides you with a clear and structured view of your current business situation. The recommendations above are aimed at optimizing the sustainability of your business and protecting your financial interests as well as those of your loved ones. Do not hesitate to contact us with any questions or to begin the next steps for implementation.

14. Approval and Signatures

This business needs analysis report was completed based on the financial and corporate information provided by the company's representatives. By signing below, the parties acknowledge having reviewed the analysis, projections, and strategic recommendations contained herein, and confirm that the information provided for this evaluation is accurate to the best of their knowledge.

Signature

Marco Madon

Advisor

Date: _____

Signature

John Mc Cornick

RRT Manufacturing Inc.

Date: _____