

EDUCATION AND EXAMINATION COMMITTEE
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CP311 STRATEGIC MANAGEMENT

CASE STUDY

List of Excel Functions That May Be Useful on the CP 311 Assessment

Below, find a list of Excel functions that may be useful when taking the CP 311 Strategic Management assessment. Questions for this assessment have been developed assuming that candidates are familiar with these Excel functions. Candidates may also use other functions. Many times, Excel offers multiple functions and tools that can be used to perform the same task.

In the descriptions below, an array is one-dimensional, while a range can be two-dimensional (multiple rows and columns). Logical values are either True or False. Some Excel functions require that the arrays be in the same direction (SUMPRODUCT), but most do not. Other function inputs are variables. Some variables have limitations (a value between 0 and 1); others do not.

This document will be available to candidates when taking the assessment, as part of the case study document. An Excel file, accessible on the course home page, provides examples of most of the functions below. The Excel file will not be available to candidates during the assessment.

AVERAGE(range1, [range2], ...) – returns the arithmetic mean of the cells in a range (ignores blank cells)

range1 is the first range, cell reference, or number for which you want in the average

range2, ... are additional ranges, cell references, or numbers for which you want to include in the average

BINOM.DIST(number_s, trials, probability_s, cumulative_logical_value) – returns the individual term binomial distribution probability when there are a fixed number of tests or trials, when the outcomes of any trial are only success or failure, when trials are independent, and when the probability of success is constant throughout the experiment

number_s is the number of successes

trials is the number of trials

probability_s is the probability of success for each trial

cumulative_logical_value is the logical value that determines the form of the function. If TRUE, the cumulative distribution function is returned, which is the probability that there are at most number_s successes; if FALSE, the probability mass function is returned, which is the probability that there are number_s successes

BINOM.INV(trials, probability_s, alpha) – returns the smallest value for which the cumulative binomial distribution is greater than the criterion value (or the number of successful trials for a cumulative binomial distribution based on a criterion value)

trials is the number of trials

probability_s is the probability of success for each trial

alpha is a criterion value from 0 to 1 that determines the number of successful trials

CORREL(array1, array2) – returns the correlation coefficient of two data sets

array1 is an array of cell values

array2 is a second array of cell values

COUNTIF(range1, criteria) – returns the number of cells in a given range that meet the criteria

range1 is a range of cells that could include values or formula results

criteria is the criteria to be met such as ">0" or "=15"

COVARIANCE.P(array1, array2) – returns the population covariance, the average of the products of deviations for each data point pair in two data sets (for a complete population, uses N in the denominator)

array1 is the first array of cell values

array2 is the second array of cell values

COVARIANCE.S(array1, array2) – returns the sample covariance, the average of the products of deviations for each data point pair in two data sets (for a sample, uses N-1 in the denominator)

array1 is the first array of cell values

array2 is the second array of cell values

LOGNORM.DIST (x, mean, standard_dev, cumulative_logical_value) – returns the lognormal distribution of x where $\ln(x)$ is normally distributed with the specified mean and standard deviation.

x is the value for which you want the distribution

mean is the arithmetic mean of the distribution (the mean of $\ln(x)$)

standard_dev is the standard deviation of the distribution (the standard deviation of $\ln(x)$)

cumulative_logical_value is the logical value that determines the form of the function. If TRUE, the cumulative distribution function is returned; if FALSE, the probability density function is returned

LOGNORM.INV(probability, mean, standard_dev) – returns the inverse of the lognormal cumulative distribution for the specified mean and standard deviation of $\ln(x)$

probability is a probability corresponding to the lognormal distribution (a number between zero and one inclusive)

mean is the arithmetic mean of the distribution (the mean of $\ln(x)$)

standard_dev is the standard deviation of the distribution (the standard deviation of $\ln(x)$)

MMULT(range1, range2) – returns the matrix product of arrays into a range with the same number of rows as range1 and the same number of columns as range2

range1 and **range2** contain the arrays to be multiplied. The number of columns in range1 must be the same as the number of rows in range2, and both ranges must contain only numbers. As an example, if both ranges are 2x2, the top left cell in the output will equal the sumproduct of the array in the top row in the first range and the array in the left column of the second range. To produce the output, the range of the output table must be highlighted, then the formula entered, and then ctrl/shift/enter hit

NORM.DIST(x, mean, standard_dev, cumulative_logical_value) – returns the normal distribution for the specified mean and standard deviation

x is the value for which you want the distribution

mean is the arithmetic mean of the distribution

standard_dev is the standard deviation of the distribution

cumulative_logical_value is the logical value that determines the form of the function. If TRUE, the cumulative distribution function is returned; if FALSE, the probability density function is returned

NORM.INV(probability, mean, standard_dev) – returns the inverse of the normal cumulative distribution for the specified mean and standard deviation

probability is a probability corresponding to the normal distribution (a number between zero and one inclusive)

mean is the arithmetic mean of the distribution

standard_dev is the standard deviation of the distribution

NORM.S.DIST(z, cumulative_logical_value) – returns the standard normal distribution (has a mean of zero and a standard deviation of one)

z is the value for which you want the distribution.

cumulative_logical_value is the logical value that determines the form of the function. If TRUE, the cumulative distribution function is returned; if FALSE, the probability mass function is returned

NORM.S.INV(probability) – returns the inverse of the standard normal cumulative distribution (has a mean of zero and a standard deviation of one)

probability is a probability corresponding to the normal distribution (a number between zero and one inclusive).

PERCENTILE.INC(range, k) – returns the k^{th} percentile of the values in a range, interpolating if necessary.
range is the array or range of data from which the percentile should be found; the data does not need to be sorted
k is the percentile value in the range 0 to 1 inclusive. 0 returns the lowest value; 1 returns the highest value.

RANK(number, range, [order]) – returns the rank of a number in a list of numbers.
number is the number whose rank you want to find
range is the range that includes the list of numbers from which to find the rank of the number
order (optional) is ascending when the value is 1 and descending when the value is 0

SMALL(array, k) – returns the k^{th} smallest value in a data set.
array is an array or a range of numerical data for which you want to determine the k^{th} smallest value.
k is the position (from the smallest) in the array or range of data to return.

SQRT(number) – returns a positive square root
number is the number for which a square root is desired.

STDEV.P(range1, [range2], ...) – calculates standard deviation based on the entire population given as arguments (ignores logical values and text; uses N in the denominator)
range1 is the first range, cell reference, or number corresponding to the population for which you want the standard deviation
range2, ... are additional ranges, cell references, or numbers corresponding to the population for which you want to include in the standard deviation

STDEV.S(range1, [range2], ...) – estimates standard deviation based on a sample (ignores logical values and text in the sample; uses N-1 in the denominator)
range1 – is the first range, cell reference, or number corresponding to the population for which you want the standard deviation
range2, ... are additional ranges, cell references, or numbers corresponding to the population for which you want to include in the standard deviation

SUM(range1, [range2]) – adds all the numbers in a range of cells
range1 is the first range, cell reference, or number for which you want to include in the sum
range2, ... are the additional ranges, cell references, or numbers for which you want to include in the sum

SUMPRODUCT(array1, [array2], [array3], ...) – returns the sum of the products of corresponding arrays
arrays1, array2, array3,... are 2 to 255 arrays which the user wants to multiply and then add components. All arrays must have the same dimensions, vertical or horizontal

TRANSPOSE(array) – converts a vertical range of cells to a horizontal range, or vice versa

array is a range of cells on a worksheet or an array of value that the user wants to transpose (for example, to use in the SUMPRODUCT function). When using the TRANSPOSE function in another function, the formula must be entered and then ctrl/shift/enter hit. When using the TRANSPOSE function to produce output, the range of the output table must be highlighted, then the formula entered, and then ctrl/shift/enter hit

VLOOKUP(lookup value, table_range, column_index_number, logical_value) – looks for a value in the leftmost column of a table and then returns a value in the same row from a column specified by the user

lookup_value is the value to be found in the first column of the table. It can be a value, a reference, or a text string

table_range is a table of text, numbers, or logical values in which data is retrieved. It can be a reference to a range or a range name

column_index_number is the column number in table_range from which the matching value should be returned

logical_value is a logical value to find the next lowest match in the first column (must be sorted in ascending order) when equal to TRUE or omitted; or an exact match when equal to FALSE

List of Other Excel Tools (Besides Functions) That May Be Useful on CP 311 Assessment

GOAL SEEK – used when a user knows the desired result from a formula but is not sure what input value the formula needs to get that result. The steps to use Goal Seek are as follows:

1. Select the cell that contains the output you want to change.
2. On the Data tab, select What-If Analysis.
3. Select Goal Seek.
4. In the “Set cell” box, enter the reference for the cell that contains the formula you want to resolve.
5. In the “To value” box, type the formula result you want.
6. In the “By changing cell” section, select the reference for the cell that contains the value that you want to change.
7. Click “OK”. Goal Seek runs and produces a result.

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Disclaimer

The companies and events depicted in this Case Study are fictitious. Any similarity to any event, corporation, organization, or person living or dead is merely coincidental. Some narrative material utilizes real locations and real news organizations to make the Case Study seem real. The Associated Press, Wall Street Journal, Standard & Poor's, A.M. Best, and other organizations used in this context have never actually commented on any of the fictitious companies.

The industry profiles included within each company are intended to be accepted as factual information for those industries, to provide context when you are evaluating the case study companies.

The case study should be read critically, with the understanding that it is meant to represent hypothetical organizations with some good policies and some flaws; it is not a representation of best practices.

Assumptions

The companies that are part of the Case Study are assumed to be operating in the following economic environment:

After a major financial crisis in 2008, interest rates dropped to historically low levels and remained at those levels for many years. Approximately 4 years ago, the inflation rate began increasing due to economic disruptions. One year ago inflation was at 8%, but it has since been moderating, and is now at approximately 3%.

RPPC Dynasty Corporation: A BOX FULL OF GROWTH

1 RPPC Dynasty Corporation

1.1 Introduction

RPPC Dynasty Corporation History

RPPC Dynasty was established in 2007 when Jose Ruiz and three other entrepreneurs, Meiyang Chan, Sanjay Patel, and Yelena Petrov formed a private equity corporation, RPPC, in Luxembourg. Luxembourg was chosen due to its being a European low tax jurisdiction. RPPC established a vision then to expand its brand globally by acquiring sustainable businesses with growth potential across diverse industries.

The following year, in order to increase access to capital in support of the company's expansion, RPPC made the decision to incorporate as a public company.

In 2009, with the guidance of Sanjay Patel, Big Ben Bank was acquired.

In 2015, Blue Jay Air was bought to appeal to the growing global mobility of the group's clientele. The airline was put through a restructuring initiative to better fit into the group's vision. The purchase included Blue Jay Tire, which the airline had acquired in 2011, to create a synergy with its airline business.

In 2017, RPPC acquired Darwin Life Insurance Company to expand the wealth management capabilities of the bank operations.

More information on these companies can be found in this case study.

Executive Team

The Executive Team includes:

CEO –Gilroy Clyde (since inception)

CFO –Lamar Smith (5 years)

CRO – Julia Reich (recently appointed)

COO – Jane Mulroney (since incorporation, previously performed CRO functions)

1.2 Investment and Risk Management Overview

RPPC Risk Management Framework

Investment Philosophy

Our goal is to invest in well-managed businesses that are sustainable with good growth potential. We define sustainable to mean businesses that have relatively stable increasing profitability with minimal liquidity risk exposure and that maintain an investment grade credit rating (above BBB).

Challenge

Continued volatility in global economic conditions, causing heightened marketplace uncertainty. This is both a risk and an opportunity.

Our Priority

Broaden and strengthen value, performance, and risk measures, to deliver better insights to our strategy and business groups.

Risk Management

Risk Appetite

Risk appetite is at the center of our value-based enterprise risk management approach. The clear communication of risk appetite at all levels within each line of business is critical to effective risk-taking in decision making.

Incentive Compensation and Risk Appetite

The business management of RPPC is governed by Key Performance Indicators (KPI) and Key Risk Indicators (KRI). All officers of the company will have their compensation dependent on the following:

- For any risk, the return on its economic capital must exceed the cost of the capital acquired to fund that risk. The CEO of each business operating group must identify and report KPI to indicate that this requirement is being met.
- The payback period on capital invested in a business operating group must not exceed 10 years from the date that capital is first employed. Each operating group CEO must report KRI that indicate for the aggregate of all risk underwritten, that if the business group were to suffer a 1-in-100 year tail event that the capital thereafter would still be able to withstand another 1-in-100 year event. This is referred to as redundant capital. This is critical to RPPC's market discipline because client relationship management and sustainability is promoted over price leadership.

1.3 Strategy Overview

Over the past years, we have used an aggressive acquisition strategy to expand the company. Unfortunately, we have found that the acquired companies do not have a cohesive culture, strategy, and operation, which may eventually lead to a sustainable growth issue. Thus, the RPPC Executive Team plans to do a thorough review of all the acquired companies' operations, values and fit. Decisions for possible divestiture will be based on the results of this review. In addition, further acquisitions will be evaluated based on their ability to increase the growth potential of the company.

1A RPPC Dynasty Corporation Exhibits

Exhibit 1 Global Market Outlook

Key factors for the global market outlook are summarized as follows:

1. Change in demographics
 - a. World population is projected to grow by about 1 billion every 15 years. About 95% of this growth is accounted for by developing countries and about 5% by developed countries.
 - b. The world population is also aging, mainly due to greater life expectancy and to declining birth rates. Life expectancy has more than doubled since the beginning of the 20th century and is now over 70.
 - c. Global migration flows, whereby people are migrating from south to north and between developed countries, are increasing. Industrialized countries are reliant on immigrants to maintain their economies and compete with one another for resources.
2. Increasing complexity and accelerating globalization
 - a. In today's global economic system, countries exchange not only final products, but also intermediate inputs. This creates an intricate network of economic interactions that cover the whole world.
 - b. Global travel is expanding, increasing potential health risks.
 - c. Political interference is increasing in the global exchange network, causing issues with supply chains.
3. Growing demand in micro-insurance
 - a. About 3 billion of the world population are in the target group for micro-insurance, mostly in the South Asia, East Asia, Africa and Pacific regions.
 - b. Micro-insurance is strongly supported by the governments of developing countries and emerging countries, aid agencies and NGOs as a means to tackle poverty.
4. Advancing climate change
 - a. Rising number of weather-related natural catastrophes
 - b. Higher losses from weather-related natural catastrophes
 - c. Changes in the availability of fresh water
 - d. Accelerated climate change could lead to a significant decline in the global GDP level.

Exhibit 2

Earnings Multiples

RPPC maintains current information on average industry multiples for those sectors in which it is currently engaged or potentially interested.

Industry	Mean Multiples	
	Price/Earnings*	Value/EBITA
Banking - US	6.0	18.4
Banking – Europe	9.0	6.0
Life Insurance - US	9.0	11.1
Airlines (major) - US	7.5	11.0
Regional Airlines – Canadian	9.0	6.7
Aircraft Manufacturing – US	20.5	8.9
Tire Manufacturing - US	7.6	7.1
Tire Manufacturing – Canada	23.6	11.8

*Earnings are based on one-year forward earnings.

2 Blue Jay Air

Services in other industries are customer-oriented. The airline industry is increasingly anti-consumer. It's become a real hassle to travel. That is our opportunity.

Susan Feather, CEO of Blue Jay Air, was pondering the future strategic direction of her company. Blue Jay Air had undergone a major corporate reorganization two years ago. With a newly appointed Board and a total replacement of senior management, the company had a completely new face. It was time to rebuild its image, re-position itself in the highly competitive local airline market, and reconsider expanding into the international arena.

Blue Jay Air had made substantial investments that included major infrastructure improvements. Change couldn't come fast enough for Susan. Every aspect of service and operations needed to get better. It was the only way. Changing infrastructure was hard up to a point. Changing attitudes and behavior and winning customers – that was really hard. How fast and how hard should she push? Some wanted reams of data to move forward. Stay local? Go international? Which routes? Which planes? Remodel or new? Did they have enough capital? Access the capital markets? Sell Blue Jay Tire? She had a good team. Susan was establishing a new reputation for Blue Jay Air. She was confident her team would meet the challenge.

2.1 Commercial Airline Industry Profile

Operations

The commercial airline industry provides air transportation for passengers and cargo. The United States (U.S.) has an extensive commercial air transportation network. Its passenger air transportation market is a thriving industry, taking individuals around the North American continent and around the globe. All U.S. passenger airline companies are privately owned.

Airports, on the other hand, are usually constructed and operated by local governments. Thus, most government air travel subsidies go to airport operations rather than to the passenger airline industry.

There is currently no government regulation on ticket pricing, although the federal government retains jurisdiction over aircraft safety, pilot training, and accident investigations through the Federal Aviation Administration and the National Transportation Safety Board.

Most airlines operate using a “hub and spoke” model such that passengers go through a centralized location, the hub, to transfer to their downline destination, i.e., the spoke city. This system gives the predominant airline in a given airport a strong competitive position as it maximizes the number of passengers on each flight. The model offers a very efficient means of relating supply to demand through a centralized distribution hub.

Most commercial airlines operate on a scheduled basis, flying regular routes even if the planes are not full. Airlines that operate on a non-scheduled basis usually fly during off peak hours and have more flexibility in the choice of airport, flight times and load factors. Non-scheduled carriers typically offer charter passenger flights, cargo/freight transport, and other flying services such as crop dusting and rescue operations.

Based on U.S. Passenger Airline Employment data published by the U.S. Department of Transportation, the annual full-time equivalent (FTE) employees working for all scheduled passenger airlines dropped significantly to 485,063 FTEs in 2021, which was 10% lower than the 2019 level due to the pandemic disruption in 2020. As of mid-2025, this decline had fully reversed, with FTEs 12% higher than pre-pandemic levels.

Risk/Success Factors

The airline industry faces the following significant risks:

(1) Economic and Geopolitical Volatility

As most airline companies now operate in a global market, exposures to political relationships and tensions as well as economic and business cycle changes are increasingly significant. These external factors could have a major impact on the sustainable long-term growth of the airline industry.

Trade disputes and economic slowdowns pose a major threat to the usage of commercial airline transportation.

Business travelers are not price-sensitive and book tickets based on their schedules due to business needs. But leisure passengers are very price-sensitive, and bookings may fluctuate based on economic cycles, which has a big financial impact.

Stagflation or hyperinflation could pose serious disruptions to the industry.

(2) Supply Chain Risk

The number of manufacturers of commercial aircraft is limited. Thus, timely aircraft deliveries could become a major issue for airline companies wishing to renew their fleets. In addition, as supply is limited, cost increases are very possible.

Continually advancing technology may result in airplanes not being tested thoroughly before delivery by suppliers, leading to possible lower quality control.

(3) Oil Price Increases

Profit margins for airline companies could be negatively impacted by increases and volatility in oil prices.

(4) Unpredictable and Malicious Acts

Three areas of unpredictable and malicious threats are:

- Cyber incidents and data breaches – concerns over privacy and safety
- Insider threats – workplace violence, exfiltration of information, physical security compromise, sabotage, terrorism, physical property theft
- Supply chain disruption – outsourcing can further increase risk of supply-chain disruption.

(5) Increased Regulation

The airline industry currently must comply with regulations on aircraft design, maintenance, pilot training activities, and safety requirements. These regulations are crucial in setting safety standards but can result in significant costs for the airline industry.

Airline companies own significant amounts of intellectual property (IP), consisting of patents, unpatented know-how data, software, and trademarks. These are valuable assets to companies but may be complicated to manage as they can be subject to different regulations in different countries.

(6) Accidents/Fatalities

When a plane crash event occurs, the airline industry could suffer severe reputational risks, especially if the event is not properly handled in the areas of communication, investigations, and recoveries.

(7) Foreign currency and commodity price fluctuations

As many airline companies operate on an international basis, currency fluctuations could cause undue financial strains when the earned revenue and expenses are in different currencies.

In addition, financial performance of the airline companies could be impacted by price fluctuations in key commodities or raw materials, such as aluminum, titanium and composites that affect the airline industry's supply chain profitability.

(8) Capacity to Innovate

As new technologies are being introduced, it becomes more costly for airlines to keep up with the necessary technological changes that their customers demand.

(9) Unforeseen Catastrophic Events

The COVID-19 pandemic significantly disrupted business operations in most industries, particularly the airline industry. Due to the rapid spread of the disease, governments around the world prohibited cross-country transportation. Domestic travel was also significantly impacted due to social distancing and sporadic lockdown requirements. As a result, demand for airline transportation dropped substantially, leading to shrinking market value of the airline business and increased liquidity risks, particularly for highly leveraged airline companies.

Key success factors for the airline industry include:

(1) Business Success Factors:

- Company's market position, including its route and hub network
- Business alliances and partnerships
- Company's market share
- Service standard/quality and reputation
- Fleet profiles – quality, age, and capacity
- Company's operating management including human resource management/labor relations

(2) Financial Success Factors:

- Management philosophy, strategy, and financial risk policies
- Hedging and other risk mitigation policies
- Capital structure and liability management
- Shareholder support and commitment

Competitive Environment

Over two thirds of the U.S. domestic market share was controlled by the “Big Four” (American, Delta, United, and Southwest) at the beginning of 2020. In early 2020, the COVID-19 pandemic prompted a worldwide drop in air travel. Government financial assistance to most U.S. airlines was needed to avoid a collapse of the industry. The Transportation Security Administration (TSA) estimated a 96% drop in passenger traffic at most airports in the U.S. in early April 2020 compared to the prior year, but traffic had returned to pre-pandemic levels by April 2023.

To win the business of price-sensitive leisure travelers, many low-cost carriers have been created. Even one of the large carriers, Southwest, uses a business model that emphasizes minimizing operating costs. Passengers using low-cost carriers sacrifice certain traditional airline luxuries for cheaper fares. To make up for revenue lost in decreased ticket prices, low-cost carriers charge extra fees for carry-on baggage, assigned seating, catering, Wi-Fi internet, and in-flight audio and video entertainment.

2.2 Company Profile

Blue Jay Air was originally incorporated in the United States in the mid-1980s. It was a small local commercial passenger carrier, operating only in the Eastern region of the United States. Its target market was high-end business clientele located in major cities along the east coast of the United States. Since then, Blue Jay Air has gone through three mergers and two significant acquisitions. The company has been transformed from a focused high-end regional company to an expanded price-competitive commercial carrier, covering the entire United States as well as major cities in Canada.

Blue Jay Air has been resilient in surfing the destructive waves of the industry by means of various reorganization and restructuring efforts. Blue Jay Air was acquired by RPPC in 2015. Susan Feather, who has over 20 years of airline experience, is viewed as a “turnaround” CEO.

Blue Jay Air also owns a subsidiary company, Blue Jay Tire, which supplies tires for some of the Blue Jay Air plane fleet. The two companies have integrated some of their operations. For example, a single IT department oversees systems development and operations for both companies. The overhead cost of this department is distributed across the two companies.

2.3 Strategies

Blue Jay Air’s new strategic vision is to become the most customer-oriented airline company in the world, providing the best services to the marketplace. Comfort, punctuality and safety are the three important virtues that the company adheres to in order to create value. Thus, the number one priority for Blue Jay Air is to rebrand the company and image. In order to do so successfully, an extensive study of the company’s customer base was completed. Susan believes that understanding and knowing the customers is an important step to improving profitability for the company in the long run.

Based on the customer base study, the company found that more than 55% of its customers are travelling for business reasons, which is significantly higher than the industry average of 12%. The 12% of business travelers provide, on average across the industry, 75% of an airline’s revenue.

Blue Jay Air’s high percentage of business travelers could stem from the fact that the company was originally a commercial passenger carrier catering to business travelers; thus, its relationship with the business community is deep-rooted and unique compared to its competitors. In fact, the expansion to leisure travel over the last 15 years did not increase its market share and profit margin as the number of business travelers declined from over 80% to 55% due to reduced services. The rebranding and the change of business model may regain the company’s marketability and improve profitability over time.

Expansion Options

The company reconsidered its market operations, including potential expansion to international operations due to increased demand for international travel caused by globalization of the business world. In order to make this strategy possible, the company has been negotiating with international airport authorities in several European and Asian financial centers and major cities over the last two years to secure boarding gates. Some of these negotiations are close to fruition. Despite its experience with the pandemic, the company still believes in the future of international travel.

Another expansion option available today is to serve more customers through a code-share agreement (CSA) and/or by joining an airline alliance, options which have been widely used by many airlines. Blue Jay Air's executive team is actively looking into the option. More details about the CSA are described in Section 2A Exhibit 5.

In addition to CSAs, several airlines have also found success with other types of strategic alliances. Blue Jay Air wants to explore using strategic alliances as another opportunity to grow.

Expense Control

Cost control is a key element in this industry. Labor relationship management is a key cost control element for Blue Jay Air as the labor force is not currently unionized, which is very rare in the industry. In order to maintain this niche, Blue Jay Air requires an effective management team to foster a cultural change without damaging the relationship with the employees and to ensure that their needs are addressed to reduce the desire to unionize. In the past few decades, the company has implemented profit sharing schemes, regular salary scale and benefit reviews, frequent employee networking events, employee suggestion boxes and an employee diversity team to foster communication and pay equity between management and regular staff. These efforts have been working as unionization has not materialized. Thus, the company would like to maintain its current employee relationship strategy.

The only caveat is that in order to stay competitive, the company has to continue taking further significant expense control measures particularly in the areas of staff count, staff expenses and information technology expenditures. As a result, the company has started to cut back on most training programs, other than the current pilot and safety training programs needed to foster its vision of being the "safest" airline in the industry. The company also imposes tougher standards to qualify for the "top-scaled commercial pilot" category in order to ensure Blue Jay Air pilots are of the highest quality.

Creation of Low-Cost Carrier Business

Many low-cost carriers increased their market share of the leisure passenger market and maintained profit margin due to an emphasis on minimizing operating costs. Since Blue Jay Air's strategic vision is to become the most customer-oriented airline company in the world,

providing the best services to the marketplace, expanding into the low-cost carrier market would not be a good fit.

However, without losing its brand recognition as a premium airline, Blue Jay Air is exploring the options to expand its business to the low-cost carrier market by creating a subsidiary with a different name or entering a joint venture with another airline. This strategy will not compete against the current lucrative business traveler operation and ruin BJA's brand as a top customer service airline.

Blue Jay Air is considering the following low-cost carrier strategies:

- Routes to tourist destinations not currently served by Blue Jay Air
- Primarily point-to-point operations
- Short-haul routes, often between regional or secondary airports
- Strong focus on price-sensitive traffic, mostly leisure travelers
- Single service class, with no customer loyalty programs
- Limited free passenger services
- Low average fares, with a strong focus on price competition
- Very high proportion of bookings made through the Internet
- High aircraft utilization rates, with short turnaround between operations
- Fleet of just one or two aircraft types
- Simplified management and overhead with a lean strategic decision-making process
- Staff perform multiple jobs (check-in desk agents load bags; cabin crew check tickets at the gate)
- Charge for all services (including on-board services, reserved seating, and extra baggage)

Balanced Scorecard

In order to clarify Blue Jay Air's vision and strategies and to enhance execution of these strategies, the business operations team has established a balanced scorecard for Blue Jay Air. The intent of this balanced scorecard is to provide senior management with feedback on both the internal business processes and external outcomes, which will allow for continuous improvement of strategic performance and results. The balanced scorecard framework is shown in Section 2A Exhibit 4.

Due to recent events -- the pandemic, inflation, and interest rate volatility, Blue Jay Air is reconsidering all of its expansion strategies, but no updates have yet been made to the balanced scorecard.

Operating Model

Blue Jay Air is organized functionally, with Senior Vice Presidents in charge of the major divisions such as operations, maintenance, and marketing. The Senior VPs all report to the CEO, Susan Feather, and she focuses on strategy while also keeping a close eye on issues within each division. Susan believes in the use of ad hoc, cross-functional teams to address specific projects.

Recently, Susan has begun to feel that Blue Jay Air needs to transform its operating approach if it wants to make progress on its strategic initiatives. She has reviewed the 12 elements of the 'Organize to Value' operating system and is forming a task force to evaluate how Blue Jay Air's operating approach lines up with each element.

2.4 Risk Management

As a highly-leveraged capital-intensive company, the ability to raise and service debt is crucial to Blue Jay Air. The airline industry is plagued by high fixed costs due to labor, lease payments and plane maintenance. Thus, a key risk management objective is to maintain the credit rating of the company within the investment grade categories, i.e., BBB- or higher.

Blue Jay Air has significant pension liabilities for its existing labor force, and the ability to fund the pension liabilities is subject to interest rate volatility. Blue Jay Air also has increased exposure to interest rate volatility due to the entering into a significant amount of long-term debt and finance leases.

About five years ago, Blue Jay Air hired a hedge fund manager, Ruth Green. Ruth has put together a dynamically hedged portfolio to handle the interest rate risks and commodity exposures that the company has been facing.

In addition, Ruth has implemented a liquidity model and a credit model to monitor the company's ongoing liquidity and credit needs. These models are still in the process of refinement and adjustment. The staffing requirement to maintain these models is highly specialized, and it will take time to establish a full staff complement. As a result, the staff workload is currently intensive, and the turnover rate is higher than in other areas.

2.5 Operations

Planes

It has been fifteen years since Blue Jay Air purchased the current fleet of planes. The fleet is starting to age. Limited passenger capacity and range renders most of the fleet unsuitable for international flights. In order to implement an international expansion strategy, the company will have to order or lease some larger planes with updated features such as Wi-Fi, expanded business classes, flat beds, bars, and stronger engines with additional safety features, to be delivered over the next few years. The new planes are designed for added comfort, safety and shorter flight time. They are the ideal planes for international travel. However, the costs of these new planes and refurbishments are significant and increasing debt to finance these costs could jeopardize the credit rating of the company.

Even for the short haul planes, the current fleet requires updates such as Wi-Fi capability and individual TV screens to provide additional comfort for business travelers. The fleet also needs more fuel-efficient engines. This will also require additional funding.

Given the current business needs, the majority of aircraft owned by Blue Jay Air are X730 manufactured by Xolar Aircraft. The X730 is a twin-engine short- to medium-range wide body jet airliner which can typically seat 280 passengers in a two-class layout, with a maximum range of 8000 km when fully loaded. Other than Blue Jay Air, only five airlines possess this type of aircraft. Four of them use X730 as well for short to medium distances. The remaining ones use the S999 manufactured by Skylite Aircraft for medium distance. The S999 is a twin-engine medium-range wide body jet airliner which is comparable to the X730. Xolar Aircraft has a very long history and is more famous than Skylite Aircraft. As of today, the stock price for Skylite Aircraft is substantially depressed as measured by its high book-to-market value.

Blue Jay Air is considering acquiring one of the two aircraft manufacturers above in order to extend the company's presence into another stage of the industry chain. Gungwoo Kwon, VP of Operations, has submitted the following information for both aircraft manufacturers.

- Xolar Aircraft is a privately-held United States-based corporation with a very long history that designs, manufactures and sells fixed-wing aircraft. The company produces the X730, which has been among the most recognizable aircraft for many years. The X730 has been involved in 27 accidents in 40 years of service, including a very famous incident known as the 306 Air Disaster. Xolar had been profitable for over ten years until last year, when it lost a number of new orders to competitor Skylite Aircraft. Considering the results of the past ten years, Gungwoo believes that last year was just a one-off bad experience and Xolar will perform at its normal level again next year. In particular, Xolar Aircraft is having a cost-cutting campaign and expects to see positive trends in cost control. Gungwoo believes that the campaign will be effective. Therefore, he included some cost reduction in his forecast, the result being that Xolar Aircraft would turn a profit next year.
- Skylite Aircraft is an aircraft manufacturing subsidiary of a global aerospace and defense corporation. The company produces and markets the S999, which has been a direct competitor of the X730 in the last 20 years. The S999 was involved in only 11 accidents in this period. Gungwoo is in favor of Skylite for safety reasons since safety is very important to airlines. On the other hand, due to its substantial operations, Skylite has had significant cost overrun issues, and the company has not been profitable for a 5-year period. However, last year Skylite engineered a turnaround due to a new marketing strategy, which led to a number of new orders during the year. Using the latest data collected over the past year, Gungwoo has forecast a profitable position for Skylite Aircraft in the coming years.

Loyalty Program

As part of Blue Jay Air's rebranding strategy, a business travel loyalty program is being considered to encourage frequent business travel. Blue Jay Air is considering a progressive bonus point system as flight frequency increases. In addition, Blue Jay Air would like to expand its reward systems by partnering with other business partners. This will substantially increase the incentive for travel by business executives.

For example, Blue Jay Air is partnering the loyalty card with a bank's credit and debit cards to introduce a combined credit card with an "enhanced air points reward system." This partnership should further increase the value of the loyalty program.

Booking System enhancements

With the technological advancements over the last few decades, Blue Jay Air is considering revamping its booking system to enhance its internet booking capability as well as introducing mobile phone apps for the major mobile phone systems. The new system will automatically link up with the loyalty and credit cards for ease of use of loyalty points. It will include tracking of flight schedules, weather systems, time zones and other information. It will incorporate many added features that will make business travel enjoyable.

Business Travel Concierge Service

Blue Jay Air will renovate all of its business lounges in major cities to enhance the competitiveness of its business travel. New business lounges will offer free Wi-Fi, free internet access, and amenities such as gourmet coffee and specialty teas, snacks, massage chairs with music selections and flat beds. Concierge-level service agents will be available to assist business travelers with re-bookings, baggage issues, and any other travel needs. The goal is to make business travelers as comfortable as possible while waiting for their flights. Blue Jay Air is also considering offering lounge access to certain frequent fliers as part of an added "perk" of the loyalty program.

Basic Economy

Blue Jay Air will incorporate a new Basic Economy fare to align with its competitors' pricing and gain some market share from low-cost carriers. The new fare tier promises lower fares but increased fees for add-ons. Passengers booking this fare class will be charged for each piece of checked luggage and for seat assignments. Basic Economy passengers will also board the aircraft last and will not be able to accumulate loyalty points or use any frequent flier benefits. The fare is aimed at gaining market share in the "leisure" passenger market where price is the most important factor in booking a flight. Basic Economy fares will also be available for international flights. Since most business travelers are not expected to travel on this fare, Blue Jay Air does not expect a negative impact in its target market.

Other Cost Measures

Blue Jay Air has recognized that its travel agency programs have been just breaking even rather than contributing to profits. The company has decided to discontinue the travel agency programs as part of its efforts to keep the company as cost efficient as possible. Instead, Blue Jay Air will negotiate direct contractual arrangements with its business clients to customize client needs and leverage long-term relationships. Blue Jay Air is also considering ending its partnership with Online Travel Agencies (OTAs) to encourage passengers to book directly on its website. OTAs are online companies that allow consumers to book flights directly via Internet (e.g., Expedia, Priceline, etc.) in exchange for a commission. Blue Jay Air has noted that some major players in the travel industry have terminated their partnerships with OTAs.

A referral program will also be offered to business clients in order to expand its customer base in the most direct and efficient manner. This referral program will be combined with the loyalty program to optimize value for existing customers.

Financial Statements

Detailed financial statements are shown in Section 2A Exhibits 1 to 3. (These statements exclude any impact of Blue Jay Tire on Blue Jay Air's overall financial position.)

2A Blue Jay Air Exhibits

EXHIBIT 1

NON-CONSOLIDATED STATEMENTS OF OPERATIONS

(US Dollars in millions)

Fiscal Year Ended	Dec 31, 2025	Dec 31, 2024	Dec 31, 2023
Operating revenues:			
Passenger	969	873	698
Other	187	168	135
Total revenues	1,155	1,041	833
Operating expenses:			
Aircraft fuel	362	326	261
Wages, salaries and benefits	226	204	163
Capacity purchase agreements	108	98	78
Airport and navigation fees	99	89	72
Depreciation, amortization & impairment	60	54	44
Aircraft maintenance	69	63	50
Sales & Distribution costs	46	41	33
Aircraft rent	31	28	22
Food, beverages and supplies	26	24	19
Communications and Information technology	21	19	15
Other	12	11	8
Total operating expenses	1,061	956	764
Net Operating income	95	85	68
Non-operating income (expenses)			
Foreign exchange gain(loss)	15	15	15
Interest income	5	5	5
Interest expense	(42)	(41)	(41)
Interest capitalized	2	2	2
Net financing expense relating to employee benefits	(2)	(2)	(2)
Loss on financial instruments recorded at fair value	(1)	(3)	(3)
Other	(1)	(1)	(1)
Total non-operating Income	(24)	(25)	(25)
Income (loss) before income taxes	71	60	43
Income taxes	(15)	(13)	0
Net income (loss)	56	48	44
Earnings per share (Basic)	0.47	0.40	0.37
Earnings per share (Diluted)	0.44	0.38	0.35

EXHIBIT 2

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION (US Dollars in millions)

Fiscal Year Ended	Dec 31, 2025	Dec 31, 2024	Dec 31, 2023
ASSETS			
Current:			
Cash and Cash equivalents	247	186	56
Short-term investments	287	295	290
Total cash & Short-term investments	534	481	346
Restricted cash	15	15	15
Accounts receivable	267	260	265
Aircraft fuel inventory	139	138	141
Spare parts and supplies inventory	193	190	180
Prepaid expenses & other current assets	219	215	205
Total current assets	1,367	1,299	1,152
Property and equipment	790	719	641
Intangible assets	21	21	21
Deferred tax assets	22	22	22
Goodwill	31	31	31
Deposit and other assets	73	73	73
Total assets	2,304	2,164	1,940
LIABILITIES			
Current:			
Account payable & accrued liabilities	147	145	150
Advance ticket sales	342	340	310
Current portion of long-term debt & finance leases	366	304	146
Total current liabilities	855	789	606
Long-term debt and finance leases	862	849	858
Pension & other benefit liabilities	208	205	205
Maintenance provisions	62	60	60
Deferred tax liabilities	94	93	93
Other long-term liabilities	55	55	53
Total liabilities	2,136	2,052	1,875
EQUITY			
Shareholders' equity			
Share capital	200	200	200
Contributed surplus	30	30	30
Deficit	(61)	(117)	(165)
Total shareholders' equity	169	113	65
Total liabilities & equity	2,304	2,164	1,940

EXHIBIT 3

NON-CONSOLIDATED STATEMENT OF CASH FLOW (US Dollars in millions)

Fiscal Year Ended	Dec 31, 2025	Dec 31, 2024	Dec 31, 2023
Cash Flows from (used for)			
Operating			
Net income (loss)	56	48	44
Adjustments to reconcile to net cash from operations:	0	0	0
Adjust for non-cash items:	0	0	0
Deferred income tax	22	22	42
Depreciation, amortization & impairment	60	54	44
Fuel & other derivatives	(20)	(20)	(20)
Adjust for Changes in non-cash working capital items:			
Change in inventories	(4)	(7)	(68)
Change in account receivable	(7)	5	(40)
Change in Account Payable	2	(5)	43
Change in advance ticket sales	2	30	60
Change in pension & other benefit liabilities	3	0	(25)
Change in maintenance provisions	2	0	5
Other	(4)	(10)	(50)
Net cash flow from operating activities	112	117	34
Financing			
Proceeds from borrowings	110	250	250
Reduction of long-term debt obligations	0	(63)	(63)
Reduction of finance lease obligations	(35)	(35)	(35)
Contributed Surplus	0	0	5
Net cash flows used in financing activities	75	152	157
Investing			
Short-term investments	8	(5)	(28)
Additions to property, equipment & intangible assets	(136)	(136)	(136)
Proceeds from sale of assets	4	4	4
Foreign exchange gain(loss)	(4)	(4)	(4)
Other	2	2	2
Net cash flows used in investing activities	(126)	(139)	(162)
Increase in cash, cash equivalents, and restricted cash	61	130	29
Cash, cash equivalents, and restricted cash, beginning of year	201	71	41
Cash, cash equivalents, and restricted cash, end of year	262	201	71

EXHIBIT 4

Blue Jay Air Corporation's Balanced Scorecard Framework

	Objectives	Measures	Targets	Initiative
Financial	Revenue Growth Frequent Business Travels Expense Reduction Asset Utilization	Total Revenues Business Class Load Factor Total Operating Expense Higher Tangible Assets	35% Annual Growth 95% 2% Annual Decrease Increase Service Capacity	Refurbish/Purchase
Customer	Frequent Business Travel Enhance Loyalty Program Rebranding / Image Increase Direct Online Sales	% Business Traveler Number of Participants Business Traveler Ranking Website Visits	85% 25% Annual Growth #1 10% Increase	
Internal	Booking System Enhancements Enhance Comfort and Service Turnaround	Utilization Internet, Mobile Increase Business Class Capacity On Time Departure	50% Annual Growth 80% of Fleet 85%	
Innovation and Learning	Labor Relationship Management Labor Efficiencies Safety	Employee Satisfaction Decrease Staff Expenses Industry Safety Index Rank	Top 10% of Industry 10% Decline over next 5 years #1	

EXHIBIT 5

Code-Share Agreement

A code-share agreement is an aviation business arrangement where two or more airlines share the same flight. Sharing, in this sense, means that each airline publishes and markets the flight under its own airline designator and flight number as part of its published timetable or schedule. A seat can be purchased on each airline's designator and flight number, but the flight is operated by only one of these cooperating airlines, commonly called the operating carrier. The carrier marketing the flight under its own code is commonly called the marketing carrier. The number of marketing carriers for one flight technically is not limited.

In certain situations, an operating carrier does not also act as a marketing carrier. These types of carriers primarily consist of smaller, regional airlines doing business as another marketing carrier or subsidiary thereof. For instance, a flight may be listed as operated by Endeavor Air DBA Delta Connection. It is often the case that these carriers do not have a sound infrastructure in place to market and sell seats to the consumer directly. These flights may also involve more than one marketing carrier.

Airlines are motivated to enter into code-sharing agreements primarily to expand the number of flights an individual airline can offer its customers. These additional offerings may take the form of additional routes or additional flight timings. The marketing carrier is able to avoid the costs and difficulties of obtaining equipment and gate access necessary to add an additional flight on its own. Code-share agreements do involve significant costs, however, due to the initial setup and continuing negotiations, as well as ever-changing contracts between airlines in dealing with how seats are exchanged between them.

Furthermore, the marketing carrier must be confident that the operating carrier offers a safe and suitable product when the marketing carrier's passengers board the operating carrier's planes. Likewise, the operating carrier must rely upon the marketing carrier's service and systems to bring them to their planes in a reliable manner. Moreover, the systems of all associated parties must reliably interact and provide the appropriate information to each other.

Code-share agreements are also subject to further regulatory scrutiny. Governments are concerned if entering into the agreement creates an unfair market position for any of the airlines involved. For instance, in 1999, the Department of Transportation in the U.S. demanded that a CSA between Continental and Northwest could not include flights between each airline's hub airports. Additionally, regulatory authorities will closely watch airlines with existing CSAs to make sure no collusion or other anti-competitive practices exist as a result.

3 Blue Jay Tire Co

“How many major strategic issues can pile on at once?” thought Pierre Beaudry, CEO of Blue Jay Tire Co (BJT). “We have difficult labor issues in the U.S. operation at the same time that oil prices are increasing, the minimum wage is increasing, and materials for tire production are not being delivered on time due to a global supply chain issue.

Increasing oil prices have proven to be a negative for tire sales as both consumer and commercial vehicle usage is on the rise. The industry is rife with growth, but global supply chain issues are impacting production times, and our production plants in the southern states are near capacity. BJT needs to overcome obstacles to expanding its production capacity soon to support its growth. This and other labor concerns need to be discussed with the union representatives as new contracts are negotiated.

3.1 Tire Industry Profile

The North American tire industry supplies tires for new vehicles and replacement tires for existing vehicles. Its market includes passenger vehicles and trucks, in all size ranges. Tire manufacturers need to source materials used in production, particularly natural or synthetic rubber and various types of plastics and metal components. Tire manufacturers sell to wholesalers, automobile manufacturers, and retail dealers.

Risks to the industry include:

- Volatile raw material prices
- Rising competition from low-cost imports
- Increasing minimum wage
- Global supply chain issues with respect to raw materials

Factors that can lead to success include:

- Maintaining strong industry relations (with suppliers and customers)
- Aggressive marketing
- Rising demand in the replacement tires market
- Rising demand for new vehicles due to rising income

The competitive environment for tire manufacturers has been characterized by several major established tire companies competing fairly evenly for the business available in North America. However, more recently new emerging companies from lower-cost regions of the world have been extending their reach into the lucrative North American markets. These new competitors may have more direct access to raw materials and lower labor costs, enabling them to compete effectively.

3.2 Company Profile

Early History

The Durable Tire Corporation had been operating in Canada since 1930. The company founders, the Eastern family, focused on providing the best quality tires. The company had a small and loyal customer base in rural areas. Their high-quality products proved to be very well suited to the rugged Canadian frontier. Durable built tires for farm vehicles and small planes. These tires were intended for dirt roads or off-road on farms and in small community towns. Durable also manufactured specialty tires sold in niche markets.

In 2011, the family decided to sell its interest in the company. The company was acquired by Blue Jay Air (BJA). BJA had been one of Durable's clients for specialty tires in small aircraft that flew in the northern reaches of Canada.

Under BJA Since 2011

The BJA group felt that it could leverage the capabilities of the manufacturing process to develop a broader range of tires. The tire company was re-branded within the BJA group to become Blue Jay Tire (BJT). In 2011, the BJA team put in place a 5-year plan to expand the sales and distribution reach into commercial vehicles across the U.S.

The BJA management team increased its focus on the BJT venture and its ever-improving financial results, particularly as Blue Jay Air's own struggles worsened due to increased competition and squeezed margins.

In 2016, having successfully met and surpassed the 5-year plan objectives set out in 2011, BJT was directed by the BJA board to pursue an ambitious growth strategy. Driven primarily by the influence of BJA, BJT set as its vision: *Become a preeminent tire manufacturer for the U.S. and Canada, serving both specialty and mass market tire customers.*

BJT purchased two manufacturing plants in the southern U.S. and re-fitted the operations with direction from the Canadian operation. An executive team under the banner of Blue Jay Tire USA (BJT-USA) was set up by the BJA Board. BJT-USA operated with oversight from its Canadian head office. BJT-USA engineers were asked to set targets at 50% higher than their pre-acquisition production levels or about double the level of the Canadian manufacturing plant.

At the same time, BJT introduced a tire warranty program that helped to enhance tire sales and establish the tire brand. With a premium of about 50% of the tire cost, the warranty program provides free tire replacement for seven years from the purchase date of every tire. Since inception, this tire warranty program has been well received. The warranty program is currently maintained on a pay-as-you-go basis.

BJT-USA surpassed its sale targets every year from 2016 - 2022. Despite its relatively modest size, the company achieved a 3rd place market position in tire sales for compact cars and small SUVs in the southern U.S.

By 2018, BJT dominated the earnings of the Blue Jay Air group. BJT management was heralded by the executive team, the board, and its shareholders as the “star” of the Airline group.

Financials

Detailed financial statements are shown in Section 3A Exhibits 1 to 3.

3.3 Risk Profile

BJT management has identified the following risks facing the company.

Company Culture

Although BJT has received continual scrutiny from BJA since acquisition, BJA has recently concluded that disconnects continue to exist between the two companies. BJT is expected to adopt and act in accordance with BJA’s corporate vision and risk culture. Consequently, BJA has prioritized additional oversight and communication toward BJT management and operations.

Commodity Risk

Although there is a large amount of synthetic rubber used in the manufacturing process, the company still depends a great deal on natural rubber sourced in countries that are less stable than the developed world. Natural rubber production is also subject to weather-related risks. In the tire industry, rubber represents about 50% of total manufacturing purchases. A \$0.10 per kilogram increase in natural rubber prices would lead to an estimated \$0.5 million increase in manufacturing costs.

Global Supply Chain Risk

As the pandemic subsides in the developed countries, demand for travel has increased dramatically. But part of the world is now experiencing disruption due to geo-political events, which have caused a global supply chain issue. As a result, the tire industry is having difficulty getting materials for tire production delivered on a planned schedule and is seeing volatility in raw material prices.

Manufacturing Risk

The process of making tires involves chemicals and flammable ingredients. This process poses safety concerns for the workers, and the risk of fire is large. In addition, the size of the finished product increases the risk of worker disabilities.

The manufacturing process has had proven success over many decades. The same process and standards are used in the Canadian and U.S. plants. The core competences for quality assurance have been developed by the managers, and the culture of quality management is passed on within the operations team from experienced staff to new associates. Quality management is considered by Executive Management to be a grass-roots competency of the company.

Manufacturing risk is currently considered to be medium for BJT. Management's recent focus has been to return to the historical Canadian LTIFR level of 1.92. A program recently implemented invites retired Canadian and former BJT plant operators to conduct quality management training for existing staff.

Labor Risk

Tire manufacturing plants typically have unionized labor forces, which can lead to contentious labor issues.

Historically, the Canadian operation has not had unionized labor. However, 50% of the employees working in the two U.S. plants are union members. The current union contract expires in 2026. After normalizing for standard of living differentials and exchange rates between geographical locations, the labor cost in the Canadian operation is 35% lower than similar operations in the U.S.

Related to the labor risk, management notes that right-to-work laws exist in many U.S. states. They are intended to provide employees the right to work without the obligation to join a union and without the obligation to pay for any portion of the cost of union representation.

BJT management has organized a task force to analyze the financial impact of right-to-work laws and explore potential strategic moves, which could include divestiture.

Legal Risk

The possibility of class-action lawsuits exists, particularly in the U.S. A large risk stems from the chance of paying out large claims or having wide-spread product recalls. BJT has not experienced any significant litigation action in its history.

Distributor Risk

BJT sells almost all its tires through independent distributors. BJT has long standing relationships with several Canadian car dealerships as their sole or primary tire supplier. The largest customer represents only 5% of BJT's total annual sales.

Product Liability

The key risks in a tire operation are product liability and product recall. Some companies use a captive insurance company to handle this exposure. Historically, BJT has retained its entire product liability and recall risks. A review of the company's tolerance for this risk is pending.

Environmental Risk

Tires are an easy target for environmental groups. Billions of tires are produced each year and billions are discarded. The materials to produce tires and the manufacturing process can be the subject of environmental concerns. BJT maintains a recycling plant for the rubber in its discarded tires and has established a program that reuses the rubber as equestrian mulch. Environmental risk is considered to be low due to operation size and overall market share.

Economic Risk

The number of miles driven has a large impact on the demand for tires. The state of the world economy has a direct impact on the company's ability to grow and expand. BJT has chosen to target compact cars and small SUVs. It was anticipated that increasing gasoline prices would continue the trend towards small vehicles. However, regulations and technology have made vehicles more fuel efficient. As a result, a trend is emerging as consumers are moving away from sedans to larger vehicles.

Overall, economic risk for BJT is considered medium.

Reputational Risk

One of the company's primary strengths is its brand name. BJT must constantly ensure that its products are of the highest quality and must invest in research and development to continually improve its products. BJT has growing brand awareness within the U.S. market. BJT uses social media monitoring tools to assess its brand awareness. Brand awareness is considered to be a critical determinant of BJT's growing presence in its chosen target market. BJT monitors mainstream and social media for positive and negative information about the company. Positive reports occur on average about twice as often as negative. Reputational risk is considered to be low.

Political Risk

The company is exposed to political risk through import/export quotas and price controls. The North American Free Trade Agreement (NAFTA) between the U.S., Canada and Mexico gave birth to the U.S. operations of BJT. NAFTA was replaced by a new US-Mexico-Canada agreement in 2020, but with minimal changes.

Recent and upcoming presidential elections in the U.S., along with global wars, have increased political instability. The supply chain is also exposed to political risk due to the geographical location of the suppliers, which are primarily in Malaysia.

Political risk is considered a high risk for BJT.

Currency Risk

Manufacturing costs and the revenue generated are in different currencies, resulting in a possible loss. BJT Canadian operations and sales are in Canadian dollars and the U.S. operations and sales are in U.S. dollars. 85% of the raw materials are sourced from Malaysia.

Risk Issue -- Tire Recall

Sales in 2024 and 2025 were impacted by a tire recall. Below are the headline news and a series of emails related to the recall uncovered by investigative journalists at that time.

Blue Jay Tire quality or quantity, you decide

By Jennifer Truth

Smallville, Arizona (Associated Press – August 2nd 2023): The Blue Jay Tire Co (BJT) reported in May 2023 that a tire defect that caused a single car accident was an isolated incident. Pierre Beaudry, CEO, issued a statement saying “Blue Jay Tire has a long history of manufacturing excellence. But on behalf of our employees, we extend our condolences to the Franklin family for their loss. We regret that a BJT tire was responsible for this accident. On behalf of our engineers, line managers and production team, I can assure the Franklins and any family in the USA that we do everything in our power to ensure our tires represent the highest quality on the road”.

The tire involved was the RU42WD model. Over 40 million of these tires have been sold in the USA. The official report on the accident disclosed that the defective tire exploded, causing a sudden loss of driver control.

In July, this reporter uncovered a number of email records related to RU42WD tires in BJT’s manufacturing process.

In an email dated Aug 8, 2021, the BJT (Canada) head engineer, Latanya Williams, expressed reservations with the speed of the production line, resulting in uneven rubber density, to a BJT (USA) executive, Jack Tavares. The follow-up responses indicate that some corrective action was taken to address the situation. When contacted, the BJT (USA) head engineer at the time, Chris Carpenter, reported to this paper: “The production process always ran within its design limits. But we did notice tire density variations. We never did test the possible impact of low density tires on automobiles travelling at high speed. Instead, we relied on the fact that the tire thread wear tests were always within the tolerances commonly used by all tire companies at the time”. Chris Carpenter now works for a rival firm.

BJT (USA) refused to comment on these internal memos and the comments of Carpenter.

Below are a series of emails that were uncovered by AP journalists:

From: Latanya Williams
To: Jack Tavares
Date: August 8, 2021
Subject: Sticky valves and rubber density on tires

Jack –

After visiting the BJT-USA plant, I do not feel that enough Quality Assurance is in place. I think production is too fast in order to match demand and not enough checks are being made. Specifically, I have noticed two items: sticky valves on model RU42WR and uneven rubber density on RU42WD. I recommend that the line managers monitor these issues more closely and tighten the allowed defects – even though this may slow production – so as to correct these issues. Although the valve is mostly a nuisance, the density is more of a safety issue. To

be clear, the low density areas are still within prescribed density limits – there are just some noticeable variations within the tires.

Latanya Williams
Head Engineer
Blue Jay Tire (Canada)

From: Jack Tavares
To: Latanya Williams
Date: August 12, 2021
Subject: RE: Sticky valves and rubber density on tires

Latanya,
Good catch – I will follow up with Chris regarding both RU42WR and RU42WD.
Hope you enjoyed your visit!

Jack Tavares
Chief Risk Officer
Blue Jay Tire (USA)

From: Chris Carpenter
To: Jack Tavares
Date: September 9, 2021
Subject: Tire production

Jack,

This is to summarize our calls over the past month.

I think we have both issues solved: as I mentioned on the phone, the sticky values on RU42WR were easily fixed by increasing the lubricant on the silicon machine. RU42WD required more effort and took longer. We discovered a small inconsistency on the centrifuge console. My staff recalibrated it and we have eliminated the density issue. We also increased our spec inspections from 1 in 200 to 1 in 20 until we were confident the fix took.

We are back up to regular production levels again. We are actually considering increasing the production line speed.

Thanks again,

Chris Carpenter
Head Engineer
Blue Jay Tire (USA)

3.4 Competitive Advantages

Raw Material Sourcing

A major component in the manufacturing of tires is rubber. BJT is heavily dependent on natural rubber sourced from Southeast Asia, primarily Malaysia. It competes with other tire manufacturers for this resource and is dependent on price fluctuations, coupled with currency risk.

BJT has maintained the same rubber supplier for over 30 years. The relationship is very strong and the two companies have integrated their systems to provide an automated ordering and payment system. BJT benefits from stable pricing. In the past decade, BJT has achieved the lowest prices on its commodity purchases because its growth strategy and operational excellence have also benefited the supplier. Volume discounts and IT system integration savings have been passed on to BJT in the form of better pricing. For BJT, rubber now represents only 48% of company purchases, down from 60% at the start of the millennium. Commodity risk is considered to be lower for BJT than its competitors. However, the global supply chain issues have impacted BJT in the form of delayed delivery and volatile transportation costs.

As an alternative, some tire producers have begun to use synthetic rubber or a mixture of synthetic and natural rubber.

3.5 Strategic Initiatives

Production Expansion Committee

The Production Expansion Committee was formed in 2016 by BJA as a part of its ambitious growth strategy for BJT. The committee has consisted of the same five members since inception, all of whom are employees of BJT-USA. Oversight of the Committee is the responsibility of the president of BJT. The reporting structure has not changed since inception, and there remains no direct tie between the Committee and BJA.

Following some early successes, the committee has had more of a monitoring type of role, meeting only occasionally. It has been responsible for observing, from a high level, whether the two plants have met the needs of BJT-USA as anticipated. More importantly, the Committee is responsible for monitoring potential plants available for purchase or lease that would be a good fit for BJT, should the need arise.

In October of 2025, the Production Expansion Committee received word that a third plant was to be purchased and re-fitted during 2026. This plant would be used by BJT-USA as well as other divisions within BJT. The committee quickly expanded the due diligence work on their top two prospective plants, one in Mobile, Alabama and one in Buffalo, New York.

CCC Tire Stores

In order to improve name recognition in Southwest U.S., BJT acquired CCC Tire Stores, a small chain of tire stores located in Arizona, U.S. Although held by BJT, CCC is managed as a separate line of business. CCC's main focus is increasing its level of sales through aggressive marketing.

In addition to selling tires to its core customers, BJT-USA sells its products internally to CCC. Since the acquisition, transfer pricing has been a divisive issue between BJT-USA and CCC.

Right-to-work task force

A task force has been formed to analyze the financial impact on enterprise value due to potential right-to-work laws in U.S. states and to provide senior management with strategic options including divestitures. Exhibit 5 presents the task force's breakdowns of current and revised financial information on BJT's Canada and U.S. business reflecting current and potential exchange rate move scenarios.

3A Blue Jay Tire Exhibits

EXHIBIT 1

Blue Jay Tire Corporation

NON-CONSOLIDATED STATEMENT OF OPERATIONS (US Dollars in millions)

FISCAL YEAR ending 12/31/YYYY	2025	2024	2023
Total Gross Sales	385	366	458
Total Costs of Sales	(214)	(226)	(272)
Net Revenue	171	140	186
Total Operating Expenses	114	117	172
Operating Income or Loss	57	24	14
Total Other Income/Expenses Net (Note 1)	21	36	45
Earnings Before Interest & Taxes	78	60	59
Interest Expense	41	40	38
Income Before Taxes	37	20	21
Income Taxes	8	4	4
Net Income from Continuing Ops	29	16	17

Notes:

(1) Performance of the tire warranty program and Sales from travel & restaurant guide books

EXHIBIT 2

Blue Jay Tire Corporation

NON-CONSOLIDATED STATEMENT OF FINANCIAL POSITION (US Dollars in millions)

FISCAL YEAR ending 12/31/YYYY	2025	2024	2023
ASSETS			
Current Assets	592	577	525
TOTAL ASSETS	1,420	1,370	1,334
LIABILITIES and EQUITY			
Total Current Liabilities	244	236	224
TOTAL LIABILITIES	1,038	1,002	967
Equity			
TOTAL EQUITY	382	367	367
TOTAL LIABILITIES and EQUITY	1,420	1,370	1,334

EXHIBIT 3

Blue Jay Tire Corporation

NON-CONSOLIDATED STATEMENT OF CASH FLOW (US Dollars in millions)

FISCAL YEAR ending 12/31/YYYY	2025	2024	2023
Net Income	29	16	17
Operating Activities, Misc Other	54	(9)	41
Total Cash Flow From Operating Activities	83	7	58
Total Cash Flow From Investing Activities	(88)	(35)	(33)
Total Cash Flow From Financing Activities	22	9	5
Cash & cash equivalents, beginning of year	139	158	128
Cash & cash equivalents, end of year	156	139	158
Change In Cash and Cash Equivalents	17	(19)	30

EXHIBIT 4

Blue Jay Tire Corporation

SELECT FINANCIAL INFORMATION BY COUNTRY (US Dollars in millions)

FISCAL YEAR ending 12/31/YYYY	2025	2024	2023
BJT - Canada	36	29	43
BJT-USA	135	111	143
Net Revenue	171	140	186
BJT - Canada	24	25	39
BJT-USA	90	92	133
Total Operating Expenses	114	117	172
BJT - Canada	405	391	382
BJT-USA	1,015	979	952
Total Assets	1,420	1,370	1,334
Cost of Capital			
BJT - Canada	12%	12%	12%
BJT-USA	10%	10%	10%
Tax Rates			
Canada	15%		
USA	21%		

ADDITIONAL INFORMATION BY COUNTRY

CALENDAR YEAR	2025
BJT - Canada	25,000
BJT-USA	75,000
Employees	100,000
BJT - Canada	1
BJT-USA	2
Manufacturing Plants	3

EXHIBIT 5

Blue Jay Tire Corporation

SELECT FINANCIAL INFORMATION BY COUNTRY (US Dollars in millions)

Revised Financial columns consider U.S. states right-to-work laws

	Current Financial		
FISCAL YEAR ending 12/31/2025	Canada	USA	BJT Total
Net Revenue	36	135	171
Total Operating Expenses	24	90	114
Total Operating income/loss	12	45	57
Total Other income/Expenses	5	16	21
EBITDA	17	61	78

Ratio of Net Enterprise Value / EBITDA	20	10	12
Net Enterprise Value	340	610	950

Revised Financial		
Canada	USA	BJT Total
36	135	171
24	102	126
12	33	45
5	16	21
17	49	66

20	7	10
340	343	683

	Current (Converted to US \$)		
Enterprise Value	Canada	USA	BJT Total
Exchange Rate = 1 CAD to 1 USD*	340	610	950
Exchange Rate = 1 CAD to 0.9 USD**	306	610	916

Revised (Converted to US \$)		
Canada	USA	BJT Total
340	343	683
306	343	649

*Current exchange rate

**Canadian \$ is depreciated (decreased in value) against US \$ by 10%

4 Big Ben Bank

4.1 Industry Profile

A commercial bank performs several financial functions for consumers and businesses, such as accepting deposits, offering checking accounts, making loans, and offering basic financial products like certificates of deposit (CDs) and savings accounts. Commercial banks make money by providing loans and earning interest income on those loans. The types of loans a commercial bank can issue include mortgages, auto loans, business loans, and personal loans.

Customer deposits, such as checking accounts, savings accounts, and CDs, provide banks with the capital to make loans. Customers who deposit money into these accounts effectively lend money to the bank and are paid interest. However, the interest rate paid by the bank on the money “borrowed” is usually less than the rate charged on money loaned. This interest spread is a source of profit for commercial banks.

Private banking consists of personalized financial services and products offered to high-net-worth-individuals. It includes a wide range of wealth management services including investing and portfolio management, tax services, insurance, trusts, and estate planning. Banks charge fees for managing clients’ assets and the other wealth management services provided.

Risks to the industry include the following:

Strategic/Business Risks

- Significant competition in the rapidly evolving global financial services industry
 - Rapid growth of neobanks (digital-only banks using leading-edge technology)
 - Downward pressure on asset management fees and net interest spread
- Reputational risk

Profitability and Liquidity Risks

- Risks relating to models and assumptions
- Credit risk from failure of customers or counterparties to meet their financial or contractual obligations when due
- Liquidity risk that the bank may be unable to raise funds on a timely basis or at a reasonable cost to fund asset growth or settle liabilities
- Risk of adverse changes in market risk factors such as interest rates, credit spreads, foreign exchange rates, equity prices, mortgage rates and mortgage liquidity
- Contagion risk that a problem in one financial institution will spread to other otherwise healthy institutions

Operational Risk

- Inadequate or failed internal processes and systems
- Compliance
- Regulatory capital risk due to increasing stringency of banking regulations

- Fraud or conduct risk due to detrimental practices
- Technology, including maintaining legacy systems
- Competition and disruption emerging from new financial technology firms using innovative technologies
- Competition from large financial institutions using AI enabled technology to streamline processes
- Cyber-security breaches

Factors that can lead to success include:

- Strong positive relationships with clients and adapting to changing customer expectations
- Significant Assets Under Management (AUM)
- Superior investment results, leading to high net investment spread
- Effective risk management function so that risk exposures are within acceptable limits

4.2 Big Ben Company Profile

Background

Big Ben is a mid-sized full-service bank domiciled in Luxembourg. It was an independent bank before it was purchased by RPPC in 2009. Big Ben does business in Europe and North America. Big Ben has a reputation for personal service, especially amongst its high-net-worth customers. Big Ben's Balanced Scorecard is shown in Exhibit 3.

Big Ben has lagged behind competitors on digitalization of its services. It also does not have an AI strategy.

Products / Services

Asset Management

Big Ben's asset management products cover a comprehensive list of asset classes including equities, fixed income, real estate, private equity, and sustainable investments. Big Ben offers exchange-traded funds, mutual funds, and separately managed accounts.

Advisory teams manage client relationships, provide advice, and enable clients to access Big Ben's asset management products and services. Service is individually tailored for Big Ben's high-net-worth clients through the Private Banking group. Big Ben also markets its asset management products through its Commercial Banking division.

Big Ben has a specified portfolio of financial instruments that it classifies as its trading book. The financial instruments in the trading book are purchased or sold for reasons including: facilitating trading for the institution's customers, earning profits from trading spreads between the bid and ask prices, or hedging against various types of risk.

Commercial Banking

The Commercial Banking division's clients are individuals (retail banking) and small businesses. Products offered are checking account services; business, personal, and mortgage loans; credit and debit cards; and basic financial products such as certificates of deposit (CDs) and savings accounts. Big Ben has branches throughout Europe and North America. Customers can also do business on-line or using an app.

Big Ben's Private Banking group provides a suite of services to high-net-worth individuals designed to grow wealth. In addition to traditional retail banking services, Big Ben provides custom-designed investment, tax, and estate planning solutions. The Private Banking group makes use of Big Ben's Asset Management products as part of its financial planning services.

Investment Banking

Big Ben has a small investment banking division, located in London, which provides services related to the creation of capital for companies, governments, and other entities. Big Ben underwrites new debt and equity securities, aids in the sale of securities, facilitates mergers and acquisitions, and provides guidance to issuers regarding the issue and placement of stock. This division operates independently of the other Big Ben divisions.

4.3 Risk Profile

Big Ben prides itself on a strong risk culture and has had a robust risk management function. Big Ben actively complies with the RPPC Risk Management Framework.

Capital Management

Big Ben is committed to maintaining a strong capital base to support the risks associated with its businesses. Strength in capital management contributes to safety for Big Ben's customers, fosters investor confidence and supports high credit ratings, while allowing the bank to take advantage of growth opportunities as they arise.

Big Ben's capital management framework includes a comprehensive Internal Capital Adequacy Assessment Process (ICAAP), aimed at ensuring that the bank's capital is adequate to meet current and future risks and achieve its strategic objectives. Key components of the bank's ICAAP include sound corporate governance; managing and monitoring capital, both currently and prospectively; and utilizing appropriate financial metrics which relate risk to capital, including economic and regulatory capital measures. The assessment of risks is updated annually.

4.4 Strategic Initiatives

Acquisition of an alternative asset manager

Big Ben is looking to increase the assets that it manages for its High Net Worth clients. This market segment has shown a growing appetite for semi-liquid alternative assets, such as private credit and private equity, with their superior returns. Some of Big Ben's competitors

have expanded their offerings in this space to capture higher, longer and more stable fee income.

Big Ben is also in discussion with its affiliate, Darwin Life Insurance Company, on managing a portion of Darwin's fixed income portfolio that would allow for a competitive new major product offering. This requires that 20-40% of the portfolio have investment grade assets with returns of 100 to 250 bps higher yield than similarly rated traditional fixed income assets. Darwin's private equity owned competitors have used alternative assets, private credit in particular, to achieve these returns.

To enable this strategic direction, Big Ben is acquiring an established alternative asset manager with significant assets under management in private credit.

Digital Banking

Big Ben management is concerned about the growth of FinTech firms that use new technology to improve and automate the delivery and use of financial services. FinTechs benefit from an absence of legacy systems, which allows them to invest in the latest technology without worrying about keeping existing systems working. Big Ben is especially concerned about competition from digital-only banks, known as neobanks. Big Ben has seen that neobanks are reaching "unbanked" customers as well as starting to take market share from traditional banks. See Exhibit 2 for Big Ben's Market Analysis on Neobanks.

Big Ben has a strategic initiative to expand its digital banking presence. It is considering three options:

- I. Build an in-house digital banking division to compete with neobanks
- II. Partner with a neobank that lacks a banking license
- III. Acquire an existing neobank

New Product – Cryptocurrency

A cryptocurrency is a digital currency used as a medium of exchange. Cryptocurrencies use cryptography to secure transactions, control the money supply and verify the transfer of funds.

Big Ben recently launched two new cryptocurrency related products:

Cryptocurrency Savings Account

- Personal banking customers will have the option to open a secondary savings account that holds cryptocurrencies.
- Customers can purchase, sell, or transfer cryptocurrencies within their accounts online or using the mobile app.
- Customers will pay monthly fees to maintain the accounts and a transaction fee when purchasing or selling cryptocurrencies.
- Big Ben will guarantee the storage of the cryptocurrencies.

Cryptocurrency Exchange Traded Fund (ETF)

- The ETF will allow investors to diversify within the cryptocurrency industry.
- The ETF will be managed to ensure a consistent mix of the largest cryptocurrencies.
- Due to the operating expenses of this strategy, the asset management fee is 2%, which is higher than most of Big Ben's other ETFs.

Cryptocurrency banking products are not currently offered by Big Ben's traditional banking competitors.

4A Big Ben Bank Exhibits

EXHIBIT 1

Big Ben Bank Financial Data

Annual Report – Big Ben

Statement of Income

in millions of euros

	Proj 2026	2025	2024	2023
Net interest income	445	304	327	336
Commissions and fee income	300	280	249	266
Net gains (losses) on financial assets	0	180	164	101
Total noninterest income	300	460	413	366
Compensation and benefits	320	317	301	290
General and administrative expenses	305	304	279	260
Impairment of goodwill and other intangible assets	0	0	6	2
Total noninterest expenses	625	621	586	551
Income (loss) before income taxes	120	143	153	151
Income tax expense	30	48	21	(2)
Net income (loss)	90	95	132	153

Balance Sheet

<i>in millions of euros</i>	Projected Dec 31,2026	Dec 31,2025	Dec 31,2024	Dec 31,2023
Assets:				
Cash and central bank balances	5,120	5,257	5,387	5,340
Total financial assets	19,805	18,653	16,662	17,121
Loans	13,000	12,944	12,803	13,073
Property and equipment	190	167	167	165
Goodwill and other intangible assets	184	209	198	192
Income tax assets	220	261	251	239
Total assets	38,519	37,491	35,468	36,129
Liabilities and equity:				
Deposits	18,225	18,007	16,812	16,796
Total financial liabilities	14,545	14,099	13,302	13,716
Tax liabilities	134	125	98	94
Long-term debt	3,240	3,113	3,235	3,568
Total liabilities	36,144	35,344	33,446	34,175
Total shareholder's equity	2,375	2,147	2,022	1,955
Total liabilities and equity	38,519	37,491	35,468	36,129

Statement of Changes in Equity									
<i>in millions of euros</i>	Common Shares	Additional Paid-In Capital	Retained Earnings	Common Shares in Treasury at cost	Other Comprehensive Income Net of Tax	Total Shareholders' Equity	Additional Equity Components	Non-controlling Interests	Total Equity
Balance as of Dec. 31, 2024	141	1,086	576	(13)	(48)	1,743	232	48	2,022
Total Comprehensive Income (loss) net of tax	-	-	91	-	14	105	-	5	110
Gains (losses) through OCI	-	-	-	-	-	-	-	-	-
Cash Dividends Paid	-	-	(24)	-	-	(24)	-	(7)	(31)
Share Repurchases	-	-	-	(30)	-	(30)	-	-	(30)
Other	(3)	(12)	(12)	24	0	(2)	81	(2)	76
Balance as of Dec. 31, 2025	138	1,074	632	(19)	(33)	1,791	312	43	2,147

Other Financial Information

Assets Under Management

<i>in millions of euros</i>	12/31/25	12/31/24	12/31/23
Assets under management	44,459	39,838	36,865

Trading Income and Assets

<i>in millions of euros</i>	2025	2024	2023
Trading Income	50	60	5
Net Trading Assets	1,289	1,719	1,995
Period End VaR	0.8	1.3	1.3

Big Ben and Industry Beta

	Beta
Big Ben	1.5
International Banking Average	1.3

Big Ben Common Tier 1 Equity Ratio 2025: 13.4%

Exhibit 2

Market Analysis – Neobanks

This report on neobanks was prepared for Mr. Patel and the senior management team as part of Big Ben's strategic initiative to expand its digital banking presence.

Neobanks are entirely digital, cloud-based businesses that use web platforms and mobile applications to reach customers. These companies emphasize technology and a superior customer experience, driven by excellent customer interface design and online chat systems using artificial intelligence to quickly and effectively resolve customer problems.

A recent study showed that in the U.S. 63% of neobank customers are satisfied vs 55% for traditional banks. On the other hand, another survey found that a majority of banking customers still prefer to get at least some of their banking services in-branch.

Because they are digital only, neobanks have lower overhead costs and lower costs of customer acquisition. They have attracted customers with the promise of lower fees and many free services such as no fees for foreign currency transactions.

Some neobanks' superior platforms allow an account to be opened in only five minutes. They are using their platforms to try to make banking cool.

Neobanks' innovative web and mobile applications are built on scalable IT infrastructures based on third-party code. This enables them to release product updates faster and to quickly respond to evolving consumer demands.

Neobanks are targeting niche markets or going after unbanked consumers, instead of trying to compete with traditional banks on all fronts. As they grow, they are likely to target a more complete set of financial products and services.

Some have banking licenses and others do not. With a banking license, neobanks can provide their own checking accounts, prepaid, debit or credit cards, currency exchanges, cryptocurrencies, money transfers, retail payments, savings accounts and loans. Without a banking license, neobanks can offer financial services, but in conjunction with another bank that has a license. A neobank can provide its own unique interface and tools for bank account operations for customers that already have an account at a bank that the neobank links to. The tools could be transaction analysis, budget management and automated notifications to help users achieve their financial goals. Other neobanks use the license of a partner bank to offer financial products.

Neobanks have been prioritizing growth over profitability and only a few have shown positive income. They have relied on external funding to fund their growth. Analysts predict that neobanks could grow at a compound annual growth rate of 54.8% from 2023 to 2030.

EXHIBIT 3

Big Ben Bank's Balanced Scorecard Framework

	Objectives	Measurements	Targets	Initiative
Financial	Revenue Growth	Total Revenues	> 10%	Digital Banking Cryptocurrency Acquisition of alternative asset manager
	ROE		> 9%	
Customer	% Customer Satisfaction	Customer Satisfaction Survey	> 80%	
	Customer Retention Rate		> 90%	
Internal	Loan Processing Time		< 3 days	
	# of Significant Legal, Ethical, Compliance, and Reputational Events		0	
Innovation and Learning	Employee Satisfaction	Employee Satisfaction Survey	> 85%	
	Employee Turnover Rate		< 10%	

5 Darwin Life Insurance Company

Darwin Life had tremendous top line growth in its Term, Universal Life (UL) and Variable Annuities (VA) over the past 5 years. Darwin's life sales had grown at a 30% rate in an industry with flat life sales. While industry VA sales had seen double-digit percentage drops each year for the last 5 years, Darwin increased its VA market share, taking advantage of the vacuum left by companies curtailing benefits or exiting the market entirely.

Since 2021 the executive team has been in overdrive working on a few large initiatives. 2025 seemed to pose even more challenges. The external environment created headwinds, from interest rate volatility to new regulations and accounting requirements, to less consumer disposable income, to fierce competition. Companies have been continuing to exit riskier product lines and markets and have been evolving distribution strategies. There are also significant tailwinds, with interest rates likely staying high for longer and strong equity market growth, which opens opportunities in more product lines.

Gabriela Martinez, the CEO, was pondering: Was Darwin doing enough? Did the front line have enough authority and resources to handle the little things? How could Darwin continue its extraordinary growth? What would be the limits of that growth? How could the company take advantage of its position to extend its reach?

Or, was Darwin doing too much, or focusing on the wrong things? Has capital planning been optimized to achieve the greatest value to Darwin? Are the front-line business managers able to see and grab opportunities, opportunities that weren't planned for as one of their objectives at the beginning of the year?

5.1 Industry Profile

The U.S. life insurance and annuity industry mainly provides three types of financial products to its clients:

- Insurance products that protect against mortality and morbidity, for example, term and disability insurance.
- Wealth accumulation products that help clients achieve their financial goals, for example, whole life, fixed universal life, indexed universal life, and deferred annuities.
- Income generating products that provide retirement income for clients, for example, payout annuities and Guaranteed Living Withdrawal Benefits (GLWB) on deferred annuities.

Current trends in the life insurance industry include:

1. As the large baby boomer generation retires, they have a need for products that provide lifetime income. The shift from protection and accumulation to retirement income and asset management will accelerate.

2. This shift presents opportunities for insurance companies across their value chain (product, distribution, and service), differentiating themselves from other financial services companies through protection and guarantees. For instance, variable deferred annuities have transformed from tax-deferred mutual fund investments to guaranteed retirement income vehicles.
3. To remain competitive in different interest rate environments, many insurers are allocating more to higher yielding assets. Over the industry's investment portfolios, private asset and structured asset allocations have grown four-fold over the last three years. These assets have generated yields on new investments 100 to 250 bps higher than similarly rated traditional fixed income assets.
4. The ability to achieve greater yields has driven strong opportunistic growth in spread dominant products such as multi-year guaranteed annuities (MYGAs) and indexed products on deferred fixed annuities chassis. MYGAs guarantee the credited rate on the annuity for a specified term, generally three to five years. Fixed indexed annuities (FIAs) have a credited rate based on a defined indexed strategy for a specified term, generally one year but could go as long as six years. The indexed strategy, generally based on some portion of equity component, can be appealing in strong equity markets, especially with the product's account value protection. 85% of FIAs have living benefit riders.

Greater yields have also fueled significant growth in Pension Risk Transfer (PRT) business. On PRT, the insurer charges a premium to take on the obligations of an organization's defined pension benefits. These benefits are then largely supported by group payout annuities.

Risk Factors

There are four primary types of risks associated with the insurance business:

1. Insurance Risk – an insurance company undertakes mortality, longevity, morbidity, lapse, and policyholder behavior risk on insurance policies.
2. Investment Risk and Market Risk – like many financial institutions, insurance companies are exposed to interest rate, credit, and foreign exchange risks. Also, since the liability is usually sensitive to interest rates, the asset portfolio needs to have similar interest rate sensitivity to avoid a mismatch that can cause losses.
3. Liquidity Risk – like all financial services companies, insurers may be unable to meet near-term obligations as they come due.
4. Operational Risk – like all businesses, insurers rely on various systems and processes to run their business. There are risks associated with their operations.

Competitive Environment

The insurance industry is highly competitive. Within the industry, there are large numbers of companies offering similar products. Differentiation comes from product features, pricing, service, and reputation. Regarding wealth management products, insurers also have to compete with banks and mutual fund companies, which could be advantaged or disadvantaged under different regulatory frameworks.

Success Factors

Successful companies will have

- well-positioned defensible market positions, pricing power;
- advanced technology and systems to enhance service and processes;
- lower costs, operational efficiencies, experienced management;
- high-quality financial reporting and corporate governance, strong asset-liability management, investment and risk management;
- a focused and balanced growth strategy, the ability to innovate product solutions and distribution strategies, and the ability to build customer relationships.

5.2 Company Profile

Darwin Life is a mid-size life insurer headquartered in Albuquerque, New Mexico with an increasing presence in the domestic U.S. market. Life sales are distributed primarily through an agency system, and annuity sales are distributed primarily through financial institutional channels (e.g., banks and broker-dealers). Darwin has experienced an era of success since embarking on a new strategic direction under new leadership twelve years ago, measured by growth in earnings, revenue, and distribution capacity. Recent growth has been fueled by core competencies - distribution relationships, product development, and client service.

Prior to the strategic change, Darwin lacked focus, with little to no differentiation, high costs and stagnant sales. Prior management's view was that the agent, rather than the policy holder, was the primary customer. Operations lacked discipline, granting frequent exceptions to administrative and underwriting standards. Products included traditional whole life, level term and current assumption Universal Life (UL). Although Darwin offered variable annuities, there was no focus on asset accumulation products or distribution capacity within the financial institutional markets.

Twelve years ago, new management shifted strategy to be focused on wealth management and a customer focus targeting middle to upper income individuals, professionals and small business owners with estate planning, tax-deferred accumulation, traditional income preservation and retirement income protection needs. This aligned with Darwin's vision statement: "Customers enjoy working with us to solve their life insurance and retirement income needs."

This strategic focus and management's solid execution caught the eye of RPPC. RPPC thought Darwin was a great strategic fit. In 2017, RPPC evaluated Darwin's business and paid a premium to acquire the life insurer. RPPC believed that as a majority shareholder with deep operational expertise across financial industries, there would be numerous opportunities to create synergy. Darwin, with the support of RPPC, is focused on continuing its growth strategy.

Lack of public market liquidity for Darwin means that RPPC should require a high return on this investment. Exhibit 1 shows various financial metrics of several comparable public life insurers.

Business Operation

Core product segments are non-indexed fixed universal life, high cash value traditional life, term life, and variable annuities. Non-core segments include group life and individual pay-out annuities. Darwin enhanced its universal life products to better suit the consumers' insurance, estate and business planning needs.

Darwin has pursued an aggressive organic growth strategy focusing on individual life and individual variable annuities through expanding and enhancing distribution channels. Today Darwin distributes life insurance primarily through career agents. The career agency channel utilizes a variable cost structure with compensation incentives that promote persistency. In 2016 the company expanded annuity distribution into financial institutions. Overall, it aims to add major new outlets, penetrate existing outlets, and expand the agency distribution by 2 - 3 regional offices per year. Both the agent and institutional distribution expansions required a significant investment.

Over the last 12 years, Darwin has become an innovator in service - providing wealth management solutions to individuals - including expertise in the design and distribution of tax-sheltered or tax-minimizing strategies such as estate planning and small business owner succession planning. Darwin has invested in technology and staff to service both the customer and distribution channels and has established a new business team so that a client service representative answers the phone within four rings 95% of the time. This attention to customer and distribution sets the company apart from its peer group in making it easy to get policies issued and supports an aggressive organic growth strategy.

Three years ago, Darwin launched a fast issue life platform that has allowed it to be the insurer of choice for the middle market segment. Darwin has been able to keep the issue rate at 95% or higher. Today, Darwin issues half of its life business through this platform. This platform combines the underlying accelerated underwriting technology with a simplified questionnaire, making it very easy for the agents and their clients. The platform uses machine learning to assess the mortality risk of the client with the use of this data and the most advanced electronic data on health and other underwriting factors. Darwin also added a triage process that includes AI to detect fraud or misrepresentation.

Darwin offers a broad array of competitive products with customization for specific distribution channels. Darwin has not pursued a first to market strategy but has developed competency to

be a fast follower and replicate new product designs in the market. It has invested heavily in front-end distributing, issuing, and processing of new business. The company has built strong relationships with the agency and institutional distribution channels. Part of the reason for Darwin's strong relationship with the agency channel is its ability to bring competitive products to market quickly.

Darwin has had high costs historically partly due to misaligned resources. Resources are devoted to new products and new business, and priority is placed on new business customer acquisition and growth in distribution channels. Dedicated resources to manage inforce business have been insufficient. Legacy products and systems have drained resources.

Due to Darwin's focus on bringing products to market quickly, it often has not had time to fully build systems to issue policies and handle the back-end administration prior to product launch. The company felt that it could initially administer a new product using manual processes while the inforce was relatively small. It was intended that Darwin would finish building the administrative systems after the product launch, before the inforce block became too large. However, time constraints and lack of expertise in some cutting-edge product areas resulted in less than effective back end operations, including risk mitigation and management, operational monitoring, and reporting. Some administrative processes continue to be handled manually.

Greater speed is needed to respond to inforce business problems, including more timely service and monitoring and quicker escalation. Operational areas are silo-based, resulting in less effective collaboration and cross-functional continuous improvement processes.

Financial Performance

Darwin has outperformed the industry over the past 10 years in terms of growth in life sales, annuity sales, equity, assets, and distribution capacity. Relative to the industry and similarly rated companies, Darwin unfavorably has higher leverage, higher expenses, lower interest coverage ratio, and lower liquidity. It favorably has higher return on capital. Relative to its peer group, Darwin has had a lower operating income margin and a lower net income margin, a lower investment yield, a higher expense ratio, higher growth in life insurance inforce, and average mortality and persistency. Darwin has solid ratings from every major U.S. rating agency

Risk Management

Darwin formalized its risk management function with the creation of an ERM Committee in 2017, followed by a new CRO position and establishment of a Risk Management department in 2018. The Committee meets quarterly. Its purpose is to build sustainable competitive advantages by fully integrating risk management into daily business activities and strategic planning.

Darwin's risk appetite statement is:

I. Capital The probability of a 15% loss of Statutory equity in one year is less than 0.5%.

- II. Earnings The probability of negative management earnings in one year is less than 5%.
- III. Ratings Maintain an AA financial strength rating. Maintain capital 10% above minimum AA capital requirements. Maintain an A rating on senior unsecured debt.

Market risk, credit risk, underwriting risk, operational risk, strategic and liquidity risks are quantified using a variety of metrics to capture multiple perspectives.

Investment Policy and Strategy

The investment department manages the general account investments. The company's general account is invested primarily in fixed-income assets. Within the general account there are separate investment portfolios for each of the main product lines. Variable annuity investment accounts are held in a separate (segregated) account and are managed by a third-party investment advisor.

5.3 Initiatives

Gabriela Martinez, CEO, was up late thinking about potential strategies to present at an upcoming Board meeting. She knew there were opportunities to win market share from competitors as well as to sell to markets no other companies were reaching. She knew the Board was looking for bold ideas that would ensure the company could grow for years to come. Gabriela decided to utilize Darwin's Corporate Strategy area to get a more rigorous financial analysis and better alignment and resource allocation throughout the company. She recognized there was too much noise in the system and that dashboards would be needed to monitor progress towards prioritized outcomes.

Digital Distribution

One idea that kept coming back to her was a direct marketing digital distribution channel. Many of Darwin's competitors have created their own platforms already. In order to compete, Darwin's website would offer a distinct experience compared to its rivals. It would have unique features like the ability to compare prices and features of Darwin's products against those of its competitors. Gabriela thought this would allow Darwin to reach millions of new customers, potentially reduce commission expenses, and allow for a sales process that could appeal to a large section of the population, especially amongst millennials whom she found were particularly disengaged in traditional channels.

Gabriela's direct reports warned her that Darwin doesn't have the technical expertise to develop a seamless direct marketing sales process. They also worried that the current agents could view a website as a threat to their jobs. Conflict could ruin the digital initiative if losses on the agency side outweighed the gains from online distribution. They also warned her that the top three insurance digital distribution platforms have just been pulled from the market, with major losses every year since inception. The general conclusion from their insurer owners is that digital distribution has failed to be the disruptive agent they had envisioned. These

platforms were the most successful in bringing in revenues, but it was not enough to cover the high costs of marketing and lead generation. Gabriela understood their apprehension, but she still felt it was time to start investigating direct marketing. She believed that Darwin just needed to find the right experts who could get to the right formula.

Gabriela decided to engage an external start-up company to discuss the development of a digital distribution platform for Darwin. In the initial discussions, the start-up showed Gabriela that they will be able to help Darwin connect to potential customers through data analytics, which will allow for more direct and frequent customer connection. This model is more tangible than traditional distribution channels, and the retention value from this effort can then be used to do cross-selling and target marketing in a way that will allow Darwin to sell more products over time. Gabriela thought, “Wow, this initiative could help to increase both top line and bottom line for Darwin.”

Operational Excellence Program

Darwin’s inforce operational issues have become service issues to customers and several key distribution relationships. This seemed like an opportune time to transform Darwin’s service and Information Technology (IT) operations to enhance service and reduce costs. An idea Gabriela thought would be worth pursuing is outsourcing the build and maintenance of the product administration platform to the experts. Another idea is to build online capabilities that will streamline services to both Distribution and customers and drop inforce turnaround times significantly.

Acquisitions and New Markets

Gabriela also thought that acquisitions would be a good way to accelerate growth. She had heard that several companies in the industry could be facing capital issues. Darwin’s strong capital position could solve those capital needs. She also noted that there is a distribution-led company, Snappy Life Insurance Company, with whom there are synergies possible on the distribution and operational service side.

Second, a number of companies have had fantastic premium and asset growth over the past three years, driven by retail MYGAs, indexed products, and PRT business. To become a prominent insurer, Gabriela felt that Darwin needed to participate in these markets.

Strategically, she felt that it was time to diversify from VA products and increase Darwin’s reach with its distribution partners. Banks in particular have been almost solely focused on MYGAs for their annuity sales. There is also a potential opportunity to collaborate with their affiliate, Big Ben, on MYGAs and leverage synergies in marketing and distribution. With a broader portfolio, Darwin could also pivot to the different products depending on the economic environment and market trends.

Gabriela has also learned that key to the success of the top companies in MYGAs, indexed annuities, and PRT is the restructuring of their investment portfolio to focus more on investment grade ABS. She knows that it will take a significant shift by many of her direct

reports to accept this move, especially as it is known that the higher yields of ABS are due to taking on more complexity and illiquidity.

Today, Darwin's investment strategy maintains a weighted credit quality score below 3.5 for each line of business. This is derived by converting each asset's external credit rating into a numerical score. Scores are a linear function of credit ratings (AAA = 1, AA = 2, etc.), ignoring subcategory ratings. ABS could easily fit within this strategy.

Gabriela has been warned that indexed annuities require very complex hedging, especially with innovative index strategies. Darwin had recently outsourced the VA hedging to an expert hedging firm and can do so for indexed annuities. Still, Darwin could be exposed to greater liquidity risks with potential collateral calls in tail scenarios that could coincide with the ABS risks.

Gabriela has asked the investment staff for an optimization analysis, increasing Darwin's yield on new business while staying within its risk appetite.

Gabriela decided to create a functional team to drive the strategy and execution on acquisition and new markets. Keeping in mind both cost reduction and staff buy-in, she thought that the team could be composed of existing experts throughout the company. This would also allow an objective analysis of the feasibility and value of the initiatives she has brought up.

Divestitures

At the last Risk Committee meeting, there was a discussion that over the past five years numerous insurers had stopped selling VAs, or they had sold or reinsured all or parts of those blocks of business to reduce their exposures to market-based risks and guarantee risks. It was suggested Darwin should explore doing the same.

Darwin's parent, RPPC, has also been pushing in this direction, given last year's surprising hit in VA income. Future VA growth forecasts are also lower given repricing needed to cover the increased hedging costs to maintain greater than 90% hedge effectiveness. RPPC's CFO, Lamar Smith, felt that the VA market risks and potential hit from the VA hedging breakage had not been communicated clearly.

However, Gabriela was reluctant to divest Darwin's VA business as Darwin's entrance and growth in these markets were among Darwin's top accomplishments under her leadership.

IPO Potential

Gabriela has been in discussion with Darwin's parent, RPPC, on the potential for an IPO. Gabriela, with the Board's support, is pushing for aggressive growth and transformation goals for Darwin. Capital for these initiatives will be needed.

5.4 Risks

Credit Risk

Darwin invests primarily in investment grade quality bonds (S&P BBB- or above). Fixed income securities in the general account have exposure limits at individual obligor (issuer) and sector levels. The investment department monitors compliance of the exposure limits.

For each portfolio, the company prefers to maintain a weighted average credit quality score below 3.5 for each line of business.

Interest Rate and Market Risk

Semi-annually within each block of business, Darwin measures the effective duration of the assets and liabilities. If the asset and liability durations are further apart than 1.5, the asset portfolio is rebalanced such that its new effective duration equals that of the liabilities.

This year, Darwin has begun outsourcing the hedging of its VA risks. The agreement with the hedging firm requires the hedge effectiveness to be greater than 90%.

Liquidity Risk

The liquidity policy requires Darwin to hold sufficient liquid assets to meet demands for cash in a liquidity crisis. One scenario considers a reputational liquidity crisis where markets continue to operate normally and the liquidity crunch affects only the company. The liquidity stress test anticipates situations where the company's ability to sell assets to meet cash needs from its liability products is hindered by the market taking advantage of the company during the crisis. Another scenario considers a crisis in which the entire market is not able to sell assets at a reasonable value.

Operational Risk

The CRO is responsible for collecting and disseminating operational risk information. A report is prepared monthly and distributed to executive management.

5A Darwin Life Insurance Company Exhibits

EXHIBIT 1: Industry Financial Information

	Beta	Volatility	Reinvestment Rate	Forward Price-to-Earnings Ratio (1)	Price-to-Book Ratio	Return on Equity	Dividend Yield
ABC Life	1.08	15%	20%	8.5	1.3	9%	5.5%
XYZ Life	1.12	18%	30%	10.3	1.1	8%	3.7%
Yolo Life	1.25	25%	50%	15.0	1.9	12%	2.5%
Industry Average	1.15	19%	33%	11.3	1.4	10%	3.9%

(1) Earnings equals Net Income

EXHIBIT 2**Financial Data: Management Accounting Income Statements (in 000s)**

Note: Years 2023-2025 are actual results and years 2026-2028 are forecasts.

Total	2023	2024	2025	2026	2027	2028
REVENUES						
Premium - First Year	784,780	911,720	1,077,880	1,021,050	1,082,167	1,146,752
Premium - Renewal	222,890	255,630	293,230	329,160	365,520	401,560
Total Premiums	1,007,670	1,167,350	1,371,110	1,350,210	1,447,687	1,548,312
Net Investment Income	597,270	585,615	585,428	573,493	574,311	578,887
Other income	67,898	86,212	108,623	136,430	154,084	173,433
Total Revenues	1,672,838	1,839,177	2,065,161	2,060,133	2,176,082	2,300,633
BENEFITS AND EXPENSES						
Claims	105,386	131,515	147,806	173,813	199,443	229,031
Surrender and other benefits	605,599	667,839	752,140	786,218	850,386	931,356
Incr in reserves & S/A Transfers	584,755	684,171	796,351	719,929	738,026	745,216
Total Benefits	1,295,740	1,483,525	1,696,297	1,679,961	1,787,855	1,905,603
Field Compensation	96,501	113,708	135,667	143,910	158,139	173,387
Change in DAC	-54,360	-64,192	-77,141	-75,210	-77,856	-80,172
Total Acquisition Costs	42,141	49,516	58,526	68,700	80,283	93,215
Total Administrative Expenses	75,425	81,775	88,434	94,287	100,415	106,061
Total Benefits and Expenses	1,413,306	1,614,815	1,843,258	1,842,948	1,968,553	2,104,879
EBIT	259,532	224,361	221,903	217,185	207,529	195,754
Interest	18,000	18,000	18,000	18,000	18,000	7,375
Tax	50,722	43,336	42,820	41,829	37,281	38,508
Net Income	190,810	163,025	161,083	157,356	152,248	149,871

Income Statements For Selected Products:

Variable Annuities	2023	2024	2025	2026	2027	2028
REVENUES						
Premium - First Year	561,000	669,800	812,600	731,340	767,907	806,302
Premium - Renewal	0	0	0	0	0	0
Total Premiums	561,000	669,800	812,600	731,340	767,907	806,302
Net Investment Income	73,700	75,285	76,978	68,063	68,541	68,647
Other income	51,648	68,252	88,073	113,740	129,834	145,993
Total Revenues	686,348	813,337	977,651	913,143	966,282	1,020,943
BENEFITS AND EXPENSES						
Claims	21,086	30,425	40,076	51,523	60,273	68,961
Surrender and other benefits	118,539	169,029	223,370	288,238	335,626	383,116
Incr in reserves & S/A Transfers	470,545	525,221	610,581	474,729	455,216	432,776
Total Benefits	610,170	724,675	874,027	814,491	851,115	884,853
Field Compensation	43,051	51,088	62,967	61,210	66,039	70,987
Change in DAC	-18,660	-21,822	-26,371	-16,620	-14,426	-12,122
Total Acquisition Costs	24,391	29,266	36,596	44,590	51,613	58,865
Total Administrative Expenses	20,445	21,955	24,544	26,687	28,875	31,111
Total Benefits and Expenses	655,006	775,895	935,168	885,768	931,603	974,829
EBIT	31,342	37,441	42,483	27,375	34,679	46,114
Interest	0	0	0	0	0	0
Tax	6,582	7,863	8,921	5,749	7,283	9,684
Net Income	24,760	29,579	33,562	21,626	27,396	36,430

Note: Management accounting results do not include net changes in fair value of VA guarantees and the related hedges

Universal Life	2023	2024	2025	2026	2027	2028
REVENUES						
Premium - First Year	58,780	72,420	89,480	106,810	125,360	145,650
Premium - Renewal	47,590	64,730	82,030	96,460	111,020	125,060
Total Premiums	106,370	137,150	171,510	203,270	236,380	270,710
Net Investment Income	110,770	106,530	105,850	109,730	114,170	121,040
Other income	5,850	6,760	8,450	9,490	9,750	11,440
Total Revenues	222,990	250,440	285,810	322,490	360,300	403,190
BENEFITS AND EXPENSES						
Claims	27,300	35,290	33,930	38,090	42,770	47,970
Surrender and other benefits	32,760	32,110	36,270	41,080	45,760	51,740
Increase in reserves	92,310	120,250	152,270	182,600	214,410	246,440
Total Benefits	152,370	187,650	222,470	261,770	302,940	346,150
Field Compensation	21,450	25,220	32,200	38,500	45,100	52,400
Change in DAC	-13,000	-16,770	-24,670	-31,790	-36,830	-41,350
Total Acquisition Costs	8,450	8,450	7,530	6,710	8,270	11,050
Total Administrative Expenses	13,780	14,820	15,990	16,900	17,940	18,850
Total Benefits and Expenses	174,600	210,920	245,990	285,380	329,150	376,050
EBIT	48,390	39,520	39,820	37,110	31,150	27,140
Interest	0	0	0	0	0	0
Tax	10,162	8,299	8,362	7,793	6,542	5,699
Net Income	38,228	31,221	31,458	29,317	24,609	21,441

Term	2023	2024	2025	2026	2027	2028
REVENUES						
Premium - First Year	14,300	17,500	19,400	21,400	22,700	24,100
Premium - Renewal	44,700	52,800	63,000	73,700	84,200	93,900
Total Premiums	59,000	70,300	82,400	95,100	106,900	118,000
Net Investment Income	20,400	20,500	22,000	24,100	26,800	30,100
Other income	0	0	0	0	0	0
Total Revenues	79,400	90,800	104,400	119,200	133,700	148,100
BENEFITS AND EXPENSES						
Claims	22,900	28,600	35,900	44,200	53,000	65,200
Surrender and other benefits	400	500	500	500	500	500
Increase in reserves	10,800	11,100	12,000	13,200	14,600	15,100
Total Benefits	34,100	40,200	48,400	57,900	68,100	80,800
Field Compensation	8,200	10,800	11,700	12,600	12,900	13,100
Change in DAC	-11,200	-12,300	-12,600	-12,600	-12,000	-11,500
Total Acquisition Costs	-3,000	-1,500	-900	0	900	1,600
Total Administrative Expenses	21,200	23,100	24,800	26,500	28,000	29,500
Total Benefits and Expenses	52,300	61,800	72,300	84,400	97,000	111,900
EBIT	27,100	29,000	32,100	34,800	36,700	36,200
Interest	0	0	0	0	0	0
Tax	5,691	6,090	6,741	7,308	7,707	7,602
Net Income	21,409	22,910	25,359	27,492	28,993	28,598

EXHIBIT 3

Financial Data: Statutory Balance Sheets (in 000s) and Debt

Note: Years 2023-2025 are actual results and years 2026-2028 are forecasts.

Total	2023	2024	2025	2026	2027	2028
Cash, Invested and Other Assets	10,222,300	10,413,564	10,662,421	10,974,892	11,339,390	11,630,325
Separate Account Assets	1,878,100	2,481,889	3,202,650	3,729,177	4,256,843	4,786,652
Total Assets	12,100,400	12,895,453	13,865,071	14,704,069	15,596,232	16,416,977
Statutory Reserves	11,173,348	11,970,354	12,936,742	13,779,688	14,679,390	15,640,384
Debt	225,000	225,000	225,000	225,000	225,000	75,000
Total Liabilities	11,398,348	12,195,354	13,161,742	14,004,688	14,904,390	15,715,384
Statutory Equity	702,052	700,100	703,329	699,380	691,842	701,593

RBC Ratio	338%	333%	324%	312%	306%	287%
Debt Ratio	35%	34%	34%	33%	33%	11%

Balance Sheets For Selected Products:

Variable Annuity	2023	2024	2025	2026	2027	2028
Cash, Invested and Other Assets	365,100	404,464	450,221	501,792	543,490	592,625
Separate Account Assets	1,878,100	2,481,889	3,202,650	3,729,177	4,256,843	4,786,652
Total Assets	2,243,200	2,886,353	3,652,871	4,230,969	4,800,332	5,379,277
Statutory Reserves	2,028,348	2,671,754	3,434,842	4,018,188	4,597,390	5,169,584
Total Liabilities	2,028,348	2,671,754	3,434,842	4,018,188	4,597,390	5,169,584
Statutory Equity	214,852	214,600	218,029	212,780	202,942	209,693

Universal Life	2023	2024	2025	2026	2027	2028
Cash, Invested and Other Assets	1,929,200	2,001,900	2,102,300	2,237,100	2,406,800	2,617,100
Total Assets	1,929,200	2,001,900	2,102,300	2,237,100	2,406,800	2,617,100
Statutory Reserves	1,820,000	1,897,500	2,002,200	2,140,700	2,314,200	2,528,600
Total Liabilities	1,820,000	1,897,500	2,002,200	2,140,700	2,314,200	2,528,600
Statutory Equity	109,200	104,400	100,100	96,400	92,600	88,500

Term	2023	2024	2025	2026	2027	2028
Cash, Invested and Other Assets	442,000	478,800	530,000	598,600	687,600	798,700
Total Assets	442,000	478,800	530,000	598,600	687,600	798,700
Statutory Reserves	425,000	460,400	509,600	575,500	661,100	768,000
Total Liabilities	425,000	460,400	509,600	575,500	661,100	768,000
Statutory Equity	17,000	18,400	20,400	23,100	26,500	30,700

Asset Durations (as of Dec 31, 2025)

	Cash	Bonds	Mortgages
Duration	0	12	6
Market to Book Ratio	1	0.92	0.96

Debt Issuance (in 000's)

Issue	Issue Date	Maturity Date	Rate	Face Amount
Senior notes issue	March 1, 2013	March 1, 2028	8.50%	150,000
Senior notes issue	June 15, 2021	June 15, 2041	7.00%	75,000

EXHIBIT 4

Sensitivity Tests

Note: Years 2026-2030 are forecasts.

Term Sensitivities (in 000s)

Baseline	2026	2027	2028	2029	2030
Sales	21,400	22,700	24,100	25,600	27,200
Management Earnings	27,492	28,993	28,598	30,028	31,529

Lapse Rates Up 5%

Sales	21,400	22,700	24,100	25,600	27,200
Management Earnings	26,461	26,956	25,586	26,066	26,633

Lapse Rates Down 5%

Sales	21,400	22,700	24,100	25,600	27,200
Management Earnings	28,523	31,133	31,914	34,590	37,409

Sales Up 15%

Sales	24,610	26,105	27,715	29,440	31,280
Management Earnings	28,006	29,974	30,045	31,942	33,913

Sales Down 15%

Sales	18,190	19,295	20,485	21,760	23,120
Management Earnings	26,978	28,012	27,151	28,114	29,145

Variable Annuity Sensitivities (in 000s)

Baseline	2026	2027	2028	2029	2030
Sales	731,340	767,907	806,302	846,617	888,948
Management Earnings	21,626	27,396	36,430	38,587	39,767
Statutory Capital	212,780	202,942	209,693	227,116	248,629

Market Immediate Shock Up 15%

Sales	731,340	767,907	806,302	846,617	888,948
Management Earnings	67,322	41,564	50,084	52,138	53,260
Statutory Capital	209,153	253,532	284,203	325,566	371,486

Market Immediate Shock Down 15%

Sales	731,340	767,907	806,302	846,617	888,948
Management Earnings	(15,284)	13,424	22,677	24,910	26,123
Statutory Capital	226,787	171,072	153,705	146,747	143,429

Sales Up 15%

Sales	841,041	883,093	927,248	973,610	1,022,291
Management Earnings	22,470	23,833	34,923	38,846	41,807
Statutory Capital	206,791	183,619	172,764	174,202	181,127

Sales Down 15%

Sales	621,639	652,721	685,357	719,625	755,606
Management Earnings	20,783	31,054	38,183	38,781	38,441
Statutory Capital	218,770	221,950	245,790	278,556	313,972

EXHIBIT 5

Financial Data: Inforce Statistics

Note: Years 2023-2025 are actual results and years 2026-2028 are forecasts.

Total	2023	2024	2025	2026	2027	2028
Death Benefit Inforce (in 000's)	134,475,263	144,112,552	154,618,602	163,790,971	177,876,294	192,509,320
Policy Contract Count	300,068	335,601	374,718	414,505	439,650	465,125

Information For Selected Products:

Variable Annuity

Death Benefit Inforce (in 000's)	5,869,063	6,472,852	7,223,802	7,790,971	8,376,294	8,981,320
Policy Contract Count	25,041	31,863	39,408	44,572	49,348	53,391

Universal Life

Death Benefit Inforce (in 000's)	51,830,200	54,421,700	57,142,800	60,000,000	64,800,000	69,984,000
Policy Contract Count	32,829	35,576	38,700	42,236	45,483	48,927

Term

Death Benefit Inforce (in 000's)	48,075,000	51,921,000	56,074,000	60,000,000	66,000,000	72,600,000
Policy Contract Count	150,263	165,289	181,818	200,000	210,000	220,500

EXHIBIT 6**2025 Asset Portfolio for the Universal Life Segment (in 000s)**

USD \$	Statutory BV	Allocation	Credit Rating	Expected Book Yield	Post Tax Capital Charge (% of BV)	Statutory Capital Category
Cash/Treasuries	105,115	5%	AAA	3.80%	0.00%	C1o
Corporate Bonds	1,366,495	65%	AA	4.60%	1.03%	C1o
High Yield Bonds	105,115	5%	BB	7.00%	3.63%	C1o
Commercial Mortgages	525,575	25%	A	6.00%	2.05%	C1o
Total	2,102,300	100%				
Statutory Equity	100,100					

6 Snappy Life Insurance Company

6.1 Company Profile

Background

Snappy Life Insurance Company is a stand-alone small life insurer that might be considered as an acquisition target or a competitor for one or more of the RPPC companies. It was incorporated in 2019 and is domiciled in Wilmington, Delaware. Snappy was founded by Frank Veltro, a successful former general sales agent who learned the business at Epoch Life, a large insurance company. Veltro felt stymied by the conservative underwriting and slow processing of applications at Epoch.

Veltro recruited several like-minded agents and amassed sufficient funding to capitalize Snappy Life at the required regulatory level. Veltro serves as CEO and President of Snappy. His executive team comes primarily from Veltro's original recruits, all of whom have a sales or marketing background. In addition, a Chief Information Officer (CIO) was hired from a tech start-up company in California in 2022, and a recent business school graduate was hired for the role of Chief Financial Officer (CFO).

The company is owned by its founders and is not publicly traded. It attempted to raise capital through a private placement offering in early 2024 after finalizing its 2023 earnings statements, but was unable to sell any shares.

Products and Services

Snappy has a limited product line, consisting of level term and whole life insurance. Its sales are made exclusively through the internet or by call-in from a phone number displayed in television ads or on the website. Strong advertising with a quirky approach attracts customers.

The company's motto is "Make the sale, every time!" While the company founders had originally worked as agents selling face-to-face, they have now embraced the new technologies and the way it allows them to leverage the time of their associates.

The sales staff is divided into separate internet and phone teams. Snappy encourages healthy competition between the two groups, based on total sales, "sales closed" ratios, and percentage of sales inforce after one year. Both teams consist of licensed agents who are compensated on a salaried basis, with additional bonuses available based on team results. Agents aggressively pursue any leads that come in.

Sales have been robust, enabling the firm to grow steadily since inception of the company. Snappy has not invested heavily in post-sales support. This has sometimes led to long wait times for its call center.

6.2 Risk Profile

Pricing

Snappy's priority is to maintain competitive pricing compared to other providers. The marketing department has strong influence over the actuarial and pricing group. Frank Veltro is deeply involved with approving final pricing as new product series are rolled out.

The actuarial department performs basic experience studies and profitability analyses. The marketing department performs benchmarking studies of competitor rates quarterly to inform pricing.

Risk Framework

Snappy does not have a separate corporate risk department, and it does not do any formal risk reporting. Veltro expects his direct reports to inform him of any issues in their departments.

Veltro believes that risk creates opportunities that Snappy can exploit. When risks are identified in a product, his standard response is that "we can sell our way out of this problem". If sales remain strong, he believes that profits will follow.

The company culture instilled by Veltro is to move forward aggressively. The result is that corporate managers are reluctant to point out obstacles.

Capital & Financial Reporting

Snappy reports income on a statutory basis as required by the state regulators. The company manages to its regulatory Risk-Based Capital (RBC) and does not produce any other capital standards. The company has maintained its RBC ratio close to the minimum regulatory requirement over the past five years.

As part of the annual planning process, projected earnings and capital figures are developed for the next two years.

6.3 Competitive Advantages

Snappy's processes are mostly automated, allowing it to keep unit costs low. In the three years since the CIO has been on board, the company's systems have been modernized by the tech staff. Underwriting for new sales is based on a simplified medical questionnaire. Artificial intelligence software evaluates all applications and produces a final "Reject" or "Approve" decision. However, based on the company motto, the software is programmed with a bias toward accepting most risks.

6.4 Strategic Issues

Snappy has benefitted from its strong sales and has been fortunate to write business that is profitable overall. However, the CFO has recently identified challenges facing the company:

- Snappy's relatively small capital base is limiting future growth. If sales reach the targets set by Veltro, the RBC ratio is likely to drop significantly.
- New competitors are entering the marketplace, with a business model similar to Snappy's. If Snappy continues to compete solely on price, it is likely to start seeing reduced profitability.
- Models for customer data and servicing are state-of-the-art, but the tech area does not have expertise in producing robust financial projections. Snappy does not have the appropriate workforce in place to move the company forward.
- Data breaches have affected several insurance companies over the past two years, particularly those that are heavily dependent on internet sales. The CFO is not sure whether Snappy is sufficiently protected from cyber-risk.

6A Snappy Financial Exhibits

Financial Statements for Snappy for the past four years are shown below.

Summary of Operations (in 000s)

	2025	2024	2023
Premiums	11,141	6,267	8,356
Net Investment Income	1,765	1,165	769
Total Revenues	12,906	7,432	9,125
Death Benefits	1,847	1,478	1,182
Surrender Benefits	567	510	459
Increase in Reserves	4,561	3,013	2,158
Total Benefits	6,975	5,001	3,799
Sales Expenses	623	555	263
General Insurance Expenses	1,110	1,063	681
Insurance Taxes, Licenses, and Fees	417	334	267
Total Expenses	2,150	1,952	1,211
Net Gain from Operations before FIT	3,781	479	4,115
Federal Income Tax	945	120	1,029
Net Income	2,836	359	3,086

Balance Sheet (in 000s)

	2025	2024	2023
Assets			
Bonds	29,187	24,213	20,894
Cash	1,410	1,692	1,949
Furniture and Equipment	126	130	117
Total Assets	30,723	26,036	22,960
Liabilities			
Statutory Reserves	28,447	23,886	20,873
Surplus	2,276	2,150	2,087

7 Seaplane Expeditions and Aviation Company (SEA)

7.1 Seaplane Industry Profile

A seaplane is an aircraft designed to take off and land on water. Seaplanes are often used for tourism purposes in coastal or island areas. They also fly commuter routes within those same areas or as transportation in more remote areas.

There has been rising demand for the seaplane services, coincident with rising disposable income in both developed and emerging economies. Steady technological innovations have made the aircraft both safer and more comfortable.

There are significant risks associated with seaplane operations. In spring 2022, three crashes occurred in Alaska within the space of one week, killing nine people and injuring twelve. Scrutiny from the U.S. National Transportation Safety Board has been increased.

Risk factors include:

- Lack of uniform safety standards among seaplane operators and manufacturers
- Disruption to operations due to weather conditions
- Pressure from company management to operate under marginal weather conditions
- Logistical problems with handling passengers and cargo on water
- Disruption to operations due to global pandemic or local endemic

The market for seaplane operators has been improving internationally as more countries become aware of their capabilities and can afford to establish operations. In the U.S. and Canadian markets there is increased demand for seaplane trips but also an increasing amount of competition.

Operators can successfully distinguish themselves in the marketplace based on the following factors:

- Impeccable safety record
- Convenience to passengers, evidenced by frequency of flights and diversity of routes
- High-quality customer service

7.2 SEA Company Profile

SEA is an independent company, privately owned. Over the past few years, SEA has been considered as an acquisition target or a strategic partner by a number of other companies.

SEA started out as a one-man seaplane operation flying charters in Victoria, British Columbia, Canada in the 1950s. By the 1970s, SEA had added a scheduled service flying customers between Victoria and Seattle, Washington, U.S. Since then, SEA has expanded its operations to

include destinations in Alaska, Vancouver, and the many islands of the Pacific Northwest. In the 1980s, SEA acquired Gully Air to add more seaplanes to its fleet.

SEA offers regularly scheduled service to various destinations as well as charter flights and sightseeing trips. In addition to this tourist and commuter service, SEA offers cargo service to the many small islands of the Pacific Northwest. SEA has a highly-skilled seaplane maintenance operation which specializes in restoring and rebuilding seaplanes. SEA also runs a seaplane pilot school to train the next generation of seaplane pilots.

SEA has 25 seaplanes in its fleet and 50 seaplane pilots on staff. It employs an additional 125 at the peak of seaplane tourist season.

SEA's goal is to provide memorable seaplane experiences to its travelers at reasonable prices. SEA also prides itself on its seaplane repair and restoration operation, which is the highest quality operation around. SEA has had no fatal accidents in its six-decade history and is committed to having an impeccable safety record. Its capabilities are encompassed in its vision statement:

Through the sky and over the sea, Seaplane Expeditions is the choice for the safest and most enjoyable seaplane experience.

7.3 Risk Profile

Reputation Risk

A poor customer reputation could severely impact SEA's competitiveness. A significant portion of SEA's business is tourist flights, either chartered or via scheduled flights to tourist destinations. Positive customer reviews, word-of-mouth referrals, and frequent flyers are important factors in staying ahead of the competition. SEA offers discounts to flyers who purchase multiple fares at once that can then be used as needed throughout the year or transferred to friends or associates to give them the SEA experience. SEA also offers considerable flexibility in its reservation process to keep customers from being forced to use another service in case of last-minute changes in their plans.

Regulation Risk

Seaplane companies have to abide by both aviation and maritime regulations. Recently, as residential areas have expanded near the waterways that seaplanes operate in, noise complaints regarding seaplane takeoff and landing have resulted in some cities looking to restrict seaplane operations. Currently, no such restriction has impacted SEA's major operating locations. SEA regularly advocates on behalf of other seaplane owners when potential noise ordinances are being considered and continually gives back in the communities it operates in to foster goodwill with residents.

Operational Risk

Seaplanes require far more maintenance than regular aircraft because of the corrosive nature of seawater. SEA has a large maintenance operation which prides itself in its ability to maintain and restore aircraft. The skill of the maintenance team and the capacity in SEA's maintenance hangars allows SEA to efficiently conduct inspections and perform preventative maintenance to keep its fleet in the air. If SEA were to lose many of its skilled maintenance employees and were unable to replace them with new employees of like caliber, maintenance problems could become more frequent.

SEA gets many of its new pilots from its own seaplane pilot training school. Commercial seaplane pilots often make flying seaplanes a career, rather than using seaplanes as a stepping stone to flying bigger planes. Many other countries get their seaplane pilots from Canada and the U.S. so there is competition to retain the best seaplane pilots.

Seaplane crashes can be especially damaging to the seaplane business. SEA's fleet consists of mainly two types of seaplanes: the DHC-3 de Havilland Otter and the DHC-2 de Havilland Beaver. Any crash that isn't initially ruled as caused by weather conditions will draw scrutiny to the type of aircraft and whether there is any defect in the plane itself. A 2017 New Year's Eve fatal crash of a DHC-2 Beaver in Australia led to the grounding of Sydney Seaplane's entire fleet for two weeks until pilot error (and eventually pilot incapacitation) was ruled as the likely cause of the crash. The same model seaplane had been involved in crashes in Canada due to aerodynamic stalling. SEA has installed warning devices in its DHC-2 planes to detect impending stalls and prevent crashes. However, there is still potential that the U.S. National Transportation Safety Board or the Transportation Safety Board of Canada could ground all seaplanes of the same model should that model be involved in a crash where a plane defect is the suspected cause. Should either the DHC-2 Beaver or DHC-3 Otter be subject to grounding for an extended period of time, the lost revenue from cancelled flights could impact SEA's viability.

Political Risk

Operating in the Pacific Northwest, SEA constantly flies customers and cargo across the U.S.-Canadian border. If the relationship between the U.S. and Canada were to become strained, it could lead to cancellation of certain services or more cumbersome processes for those customers flying across the border.

Disruption Risk

Operations can be disrupted due to weather conditions, forest fires, global pandemic, or local epidemics.

7.4 Operations - Competitive Advantages and Limitations

Maintenance Process

All SEA planes are subject to frequent inspection and preventative maintenance in accordance with the schedule designed by the maintenance crew. This schedule has led to minimal aircraft downtime and few surprise maintenance problems. Maintenance also has an electronic log that tracks each aircraft and allows the maintenance staff to note trends in maintenance issues among the same model as well as any aircraft that are experiencing more problems than others of the same model. Aircraft identified to have continued difficulties receive special scrutiny during the slower winter season and are given more extensive repairs or rebuilds. This proactive step allows SEA to have the aircraft it needs to meet demand during the busy summer season.

Scheduled Service Process

When it comes to scheduled service, not only is SEA competing with other seaplanes to retain customers, it is also competing with ferries and traditional land aircraft. The scenic experience of flying by seaplane combined with the added advantage of better direct transport between certain locations makes flying by seaplane desirable as long as fares aren't considerably higher than the lowest cost alternative and the reservation process isn't too burdensome. Therefore, SEA has continually worked to streamline the customer experience for its scheduled service customers. From online booking to flexible fares that allow for last minute changes to last minute reservations at affordable prices, SEA wants to ensure flexibility and ease of use in its reservation process. SEA monitors its frequent flyer and multi-fare purchasers' flight bookings to identify any downward trends and then reaches out with discounts or customer service surveys so as to try to identify service-related issues early.

Charter Process

While the scheduled service customer experience has become more streamlined, chartered service still requires contacting the charter department to reserve a flight. Charters require 30 days' notice of cancellation to receive a full refund. SEA therefore recommends purchasing travel insurance for its more expensive charter flights. However, SEA doesn't have a preferred travel insurer to recommend to its customers. SEA has only limited information regarding charters on its website and at its seaplane terminals. Interest in SEA's charters has been declining of late.

Weather/Safety Management Process

SEA must monitor the weather constantly to ensure appropriate and safe flying conditions for its aircraft. Due to low-altitude flying and take-offs and landings in water, weather conditions are critical information. SEA tracks weather data from weather stations throughout the Pacific

Northwest and along all its flight paths to relay important weather information to its pilots. In addition, pilots are trained to report adverse weather conditions in a consistent and timely manner so that information is shared among all pilots and SEA safety management personnel. SEA is then able to quickly react to changing conditions and delay/cancel flights if needed for the safety of SEA customers and crew. Additionally, pilots, dock crew, and maintenance employees attend regular safety training and are committed to checking that equipment and personnel are all working properly to ensure the safety of SEA's customers and cargo.

Aircraft Restoration Process

In addition to maintaining its own fleet, SEA repairs and rebuilds seaplanes for customers from all over the world. Its renowned service attracts customers who are willing to wait for quality. This provides a steady pipeline of work. The dual work of rebuilding customer planes and maintaining its own fleet keeps the maintenance personnel's skill levels high.

Disruptions to Operations

During the global pandemic in 2020 to 2021, SEA operations were significantly impacted due to lockdowns and social distancing policies. Financial results were stressed as the company continued to retain its pilots and mechanics on the payroll rather than losing these valuable experienced employees. SEA's financial situation improved significantly after 2021 as lockdowns were discontinued and it had significantly lower employee attrition compared to competitors.

7.5 Strategic Initiatives

The Pacific Northwest's seaplane industry is highly competitive with many companies offering charters, scheduled flights, and/or cargo service. SEA believes the biggest growth potential for seaplane services will occur in international markets. Asian countries, especially China, have shown great interest in seaplane services recently. China has a large number of waterways in areas without the needed infrastructure for traditional land-based plane service. India and the European Union have conducted seaplane service viability studies.

To move this international expansion initiative forward, SEA recognizes the need for a large infusion of financial capital and a strategic partner or consultant with deep regional expertise in Asian and European markets. SEA's strong reputation for safety, customer service, and aircraft restoration positions it well to enter these markets, but success will depend on more than just operational excellence—it will require a thoughtful approach to organizational design.

SEA is therefore exploring the adoption of a "Y of X" operating model, where Y represents the number of standardized elements across all regions, and X represents the total number of operating model components. This modular approach would allow SEA to maintain consistency in core areas—such as safety protocols, maintenance standards, pilot training, and digital

booking systems—while allowing flexibility in others, such as customer engagement, pricing strategies, and regional partnerships.

SEA will align its operating model choices with the cultural context of each region. In markets like China, where government relationships and regional expertise are critical, SEA may prioritize local partnerships and regional leadership structures. In Europe, where environmental and regulatory standards are stringent, SEA may emphasize sustainability and compliance capabilities. The flexibility of the Y of X model allows SEA to adapt without compromising its core identity.

By aligning its strategic initiatives with a tailored operating model, SEA aims to build a scalable and culturally sensitive framework for international growth—one that balances global consistency with regional adaptability and leverages SEA’s strengths in safety, restoration, and customer experience.

7A SEA Financial Exhibits

Net Operating Statement (in CAD 000s)

	2025	2024	2023
Passenger revenues	7,235	7,024	6,820
Freight, charters, aircraft sales, and other	3,685	3,722	3,760
Total operating revenues	10,920	10,746	10,580
Operating expenses:			
Salaries, wages, and benefits	3,058	3,009	2,962
Aircraft fuel	2,457	2,128	2,021
Aircraft maintenance, material, repairs, and other	3,362	3,336	3,312
Depreciation and amortization	393	387	381
Other operating expense	1,194	1,159	1,125
Total operating expenses	10,463	10,019	9,801
Operating income	457	728	778
Interest expense, net	(123)	(126)	(129)
Income (loss) before income taxes	334	602	649
Income tax benefit (expense)	(117)	(211)	(227)
Net income (loss)	217	391	422

Summary of Balance Sheet (in CAD 000s)

	2025	2024	2023
Assets	6,552	6,448	6,348
Current Liabilities	2,532	2,458	2,387
Long Term Debt	1,365	1,400	1,436
Total Liabilities	3,897	3,858	3,823
Owner Equity	2,655	2,589	2,525