

*Canada Enterprise
Emergency Funding Corporation*

*La Corporation de financement
d'urgence d'entreprises du Canada*

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

A subsidiary of

CANADA DEVELOPMENT INVESTMENT CORPORATION

**2021 to 2025
CORPORATE PLAN SUMMARY**

and
2021 CAPITAL BUDGET SUMMARY

December 2020

CEEFC CORPORATE PLAN SUMMARY
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1.0 EXECUTIVE SUMMARY AND CORPORATE PROFILE

Canada Enterprise Emergency Funding Corporation (“CEEFC”) was incorporated in May of 2020 to implement the Government’s Large Employer Emergency Financing Facility. CEEFC is a wholly-owned subsidiary of Canada Development Investment Corporation (“CDEV”), a federal Crown corporation. CDEV reports to Parliament through the Minister of Finance.

At the time of writing the 2020 Plan, CEEFC was still building up its capabilities and processes and had yet to interact with potential LEEFF borrowers. However, subsequent to the LEEFF launch in late May 2020, CEEFC has received loan applications from borrowers, conducted due diligence and analysis on several loan applications and made its first loans.

The financial projections for CEEFC have not been included due to the sensitivity of negotiations with borrowers and potential borrowers with respect to loan loss expectations. As well, the expected size of the loan programme is very difficult to estimate with any degree of accuracy.

In the fall of 2020, CEEFC signed agreements for its first two loans, one for \$200 million and a second for \$120 million. Funded loan draws totaled \$110 million at the end of December.

2.0 MANDATE AND BUSINESS OVERVIEW

Mandate

Canada Enterprise Emergency Funding Corporation (“CEEFC”) is a federal non-agent Crown corporation, incorporated in May 2020 and wholly owned by Canada Development Investment Corporation (“CDEV”), a parent Crown corporation. CEEFC is responsible for administering the Large Employer Emergency Financing Facility (“LEEFF”). The objective of LEEFF is to help protect Canadian jobs, help Canadian businesses weather the current economic downturn, and avoid bankruptcies of otherwise viable firms where possible. Pursuant to a Directive issued to CEEFC on May 10, 2020, LEEFF loans are made in accordance with terms and conditions approved by the Minister of Finance.

The CEEFC Board and management team’s focus is to evaluate all loan applications in accordance with the LEEFF program terms and conditions approved by the Minister of Finance. Approval of loans is based on an assessment of the eligibility of the applicant, the cash needs of the applicant over the next 12-month period to carry on operations as a going concern, and a review of the applicant’s existing debt and capital structure to properly structure the LEEFF loan and obtain appropriate forbearances and waivers from other lenders. The mandate letter and term sheet received from the Minister clearly lay out the terms that must be satisfied in approving a loan.

Business Overview

CEEFC is responsible for receiving applications, assessing the requests against the eligibility criteria and terms approved by the Minister of Finance, and entering into and funding transactions in accordance with such terms. Where a potential borrower is unable to meet certain term sheet requirements and deviations from the term sheet are therefore deemed to be necessary, the Minister’s approval is required. Assessments and processing of applications by CEEFC may be done with the assistance of qualified advisory firms engaged by CEEFC.

CEEFC executed a Funding Agreement with Her Majesty in Right of Canada as represented by the Minister of Finance that outlines how CEEFC is capitalized. CEEFC is funded through the issuance of preferred shares to the Government.

The Term Sheet for the LEEFF program includes the following high-level terms:

- Minimum \$60 million loan size;
- 20% of the loan amounts to share security with existing secured lenders;
- For all loan advances, 80% will be unsecured, and 20% will be on a shared security basis similar to the existing secured loan facilities of the borrower;
- Loans available for drawdown over the course of one year from loan agreement execution;

- Restrictions on the use of proceeds, in particular restrictions on the repayment of other debt, dividends and share re-purchases;
- Warrants will be received from publicly traded borrowers, with a warrant face value of 7.5% of the total loans if repaid within one year, and a further 7.5% if not repaid within first year;
- Loan fees will be received from private companies commensurate to the value of warrants for public company borrowers;
- For the unsecured loans, an interest rate of 5% in the first year, 8% in the second year and increasing 2% per year thereafter; borrower can PIK the interest for the first two years (borrower pays interest in kind by adding interest to the loan balance or "Paid In Kind")
- For the secured loan, economic and repayment terms consistent with the existing secured loan facilities; and
- A 5-year maturity of the unsecured portion.

3.0 CORPORATE GOVERNANCE AND OPERATING ENVIRONMENT

CEEFC has a board of directors that is responsible for the overall governance of the corporation and hiring of the President and CEO who is responsible for the corporation's operations. Given current loan volumes, CEEFC relies on independent contractors and seconded CDEV employees to help manage the loan program and operations of CEEFC.

A Memorandum of Understanding (MOU) was developed between CDEV and CEEFC which outlines the responsibilities of each party to help ensure that CEEFC is able to provide the appropriate level of governance and reporting to allow CDEV to meet its obligations as a parent Crown corporation. A Services Agreement was agreed between CDEV and CEEFC outlining the services that CDEV would provide to CEEFC to help it implement and execute the LEEFF program.

COVID -19

CEEFC was set up to implement LEEFF and therefore its strategic direction is impacted by COVID-19. Its operations have been developed on a primarily remote office environment basis. If COVID-19 causes increased economic hardship on Canadian corporations, the financial results of CEEFC will be impacted significantly through higher loan volumes and related loan losses. However, COVID-19 is not expected to have a direct impact on CEEFC's operations beyond the demand for LEEFF loans.

4.0 CORPORATE PERFORMANCE

Assessment of 2020 Results

Our actual performance in 2020 as compared to the objectives outlined in our 2020-2024 Corporate Plan is as follows:

2020 Objectives	2020 Results
Organise CEEFC operations	<p>CEEFC was ready to receive LEEFF enquiries on May 26, 2020 after assisting the government in development of the program.</p> <p>A Board of Directors was appointed, and a President and CEO was appointed. CEEFC has approved corporate policies to ensure appropriate governance of its operations.</p> <p>The CEEFC website launched and the CDEV website was updated with CEEFC details.</p> <p>CEEFC developed a loan approval process. Policies and procedures for operations, loan issuance and monitoring were developed. CDEV employees provided services to CEEFC and CDEV charged CEEFC a management fee for those services and CDEV was reimbursed for paying certain CEEFC related invoices.</p>
Process applications	<p>Between May and early December, CEEFC received and dealt with 55 inquiries from potential borrowers; and received 17 formal loan applications.</p>
Approve and issue loans	<p>As at December 31, 2020, CEEFC has approved two loan commitments totalling \$320 million; and has advanced \$110 million to borrowers</p>
Monitor and properly record loans and related assets	<p>As at December 31, 2020 CEEFC funded two loans. Monitoring of the loans is proceeding.</p>
Develop systems to manage and report on loan portfolio	<p>CEEFC retained external advisors to develop appropriate accounting policies; and developed loan monitoring procedures.</p>

5.0 CEEFC - OBJECTIVES AND STRATEGIES FOR THE PERIOD 2021 TO 2025

CEEFC's main objective is to manage the LEEFF program on behalf of the Government. These are the main areas of focus for the rest of 2020 and 2021 onward:

- Manage enquiries from potential program applicants
- Manage all aspects of the LEEFF loan program including due diligence of loan applications and overseeing the work of financial and legal advisors
- Execute agreements and fund approved loans
- Evaluate any subsequent loan advance requests from borrowers
- Consider requests for consents or amendments from LEEFF borrowers and execute where appropriate
- Prepare the company to handle restructuring needs of borrowers should that become necessary
- Quarterly and regular evaluation and monitoring of all borrowers and loans
- Complete the operational set-up of CEEFC, relative to the size of the loan portfolio.

Risks and risk mitigation

A substantial amount of credit risk is associated with the LEEFF program based on the terms and eligibility criteria established for purposes of the directive issued to CEEFC. CEEFC has a low risk tolerance regarding other factors that it can control or impact. CEEFC has a high tolerance of macro-economic risks and for potential financial losses within the terms of the LEEFF program, however it will monitor the activities of its loan portfolio to limit any losses of loans issued.

6.0 FINANCIAL SECTION

Financial Overview for 2020

Given the sensitive and confidential nature of the financial projections for 2020 and the plan period, these have not been included. CEEFC will publish stand alone financial statements for 2020 after tabling of its annual report. It will publish quarterly financial statements starting in Q1 2021.

Financial and other reporting

CEEFC's parent CDEV undertook an analysis to determine if CDEV controlled CEEFC under IFRS 10 criteria for accounting purposes. The conclusion is that it does not. CEEFC then determined that it will prepare its financial statements under the Public Sector Accounting Standards (PSAS). CEEFC publishes the loans it has approved on its website.

Capital Budget

CEEFC is not a capital intensive business. Currently it has no plans for major capital investments or commitments, other than loan commitments.

Planned results for 2021

Expected Outcomes	Performance Indicators or targets
Manage applicant enquiries	All enquiries are responded to in timely manner
Evaluate subsequent advance requests	Managed within loan terms
Monitor all loans	Ensure quarterly reporting and regular evaluation of all loans is up to date