

# Canada Enterprise Emergency Funding Corporation

A wholly-owned subsidiary of Canada Development Investment Corporation, a federal Crown corporation.

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Annual Report 2023



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Financial Statements of Canada Enterprise  
Emergency Funding Corporation

# Directors and Officers as at March 4, 2024

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## BOARD OF DIRECTORS

### **Sandra Rosch, ICD.D**

Chair of CEEFC  
Executive Vice President and Director  
Labrador Iron Ore Royalty Corporation  
Toronto, Ontario

### **Nathalie Bernier, FCPA, FCA**

Director  
Montreal, Quebec

### **Barry Pollock**

Director  
Toronto, Ontario

### **Elizabeth Wademan, CFA, ICD.D**

President and CEO, CDEV  
Toronto, Ontario

### **Jim McArdle**

Director  
Ottawa, Ontario

### **Jennifer Reynolds, ICD.D**

CEO, Women Corporate Directors Foundation  
Toronto, Ontario

### **Zoltan Ambrus**

President and CEO, CEEFC  
Vice President, CDEV  
Toronto, Ontario

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## OFFICERS

### **Zoltan Ambrus**

President and Chief Executive Officer

### **Tess Lofsky, BA, LLB**

General Counsel and Corporate Secretary

### **Al Hamdani, CFA**

Vice President

### **Carlos Gallardo, CPA, CA**

Vice President, Finance

# Mandate and Corporate Governance Practices

Canada Enterprise Emergency Funding Corporation (“CEEFC” or the “Corporation”) was incorporated on May 11, 2020 and is wholly-owned by Canada Development Investment Corporation (“CDEV”), a federal Crown corporation. CEEFC is a non-agent Crown corporation and is not subject to the provisions of the *Income Tax Act*.

In early 2020, the Canadian economy was facing substantial challenges due to the global drop in demand for goods and services caused by the coronavirus (“COVID-19”) pandemic. Companies’ abilities to access credit were also constrained due to uncertainties in the financial markets. Without continued access to credit, Canadian businesses faced retrenchment, which could slow prospects for longer-term economic growth. CEEFC was mandated to assist the Government of Canada (“Government of Canada” or the “government”) as part of Canada’s COVID-19 Economic Response Plan through the implementation of the Large Employer Emergency Financing Facility (“LEEFF”) with Innovation Science and Economic Development Canada (“ISED”) and the Department of Finance.

## LEEFF LOANS

The LEEFF program is managed in accordance with terms and conditions approved by the Minister of Finance (“the Minister”) and was intended to provide bridge financing to Canada’s largest employers, whose needs during the COVID-19 pandemic were not being met through conventional financing. The objective of LEEFF is to help protect Canadian jobs, help Canadian businesses weather the economic downturn, and avoid bankruptcies of otherwise viable companies, where possible. LEEFF was not intended to be used to resolve insolvencies or restructure firms, nor to provide financing to companies that otherwise had the capacity to manage through the crisis. Instead, the additional liquidity made available through LEEFF provided emergency funding support for large Canadian enterprises facing financial challenges due to the economic impact of the COVID-19 pandemic, allowing these businesses and their suppliers to remain active during this difficult time and positioning them for a rapid economic recovery. The program was open to large Canadian employers who:

- a) had a significant impact on Canada’s economy, as demonstrated by having significant operations in Canada or supporting a significant workforce in Canada;
- b) could generally demonstrate approximately \$300 million or more in annual revenues; and
- c) required a minimum loan size of about \$60 million.

Companies that received financing through LEEFF were required to agree to sustain their domestic operations, make reasonable commercial efforts to minimize the loss of jobs and demonstrate a clear plan to return to financial stability. They also agreed to place restrictions on executive compensation, dividends, and share buybacks and publish annual climate-related disclosure reports indicating how their future operations will support environmental sustainability and Canada’s climate goals. Standard LEEFF loans were funded on an 80% unsecured basis, with the remaining 20% funded on a secured basis on terms identical to those of the borrowers’ existing secured lenders. Fees were charged based on the loan commitment and other loan fees are payable upon repayment. Interest rates escalate through the term of the five-year unsecured loan.

In April 2021, the government provided two additional financial support programs to be made available to Canadian airlines under the LEEFF program. One was available to the largest Canadian airlines and the other was a voucher refund facility program available to all Canadian airlines.

As of July 2022, as directed by the Minister of Finance, CEEFC no longer accepts or processes LEEFF loan applications from new applicants.

## **Financial Support to the Canadian Airline Industry**

### **LOANS AND EQUITY INVESTMENTS**

To qualify for financial support under the Large Airline LEEFF program, airline companies must have met the following requirements:

- a) be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction,
- b) have a minimum of \$4 billion in 2019 annual revenue,
- c) not be involved in active insolvency proceedings, and
- d) have significant operations or workforce in Canada.

The financial support could take the form of secured and unsecured loan facilities, or an equity investment with secured and unsecured loan facilities. In the case of an equity investment, the Corporation's investment in the common voting shares of an airline could not exceed 20% of the total principal amount of the secured and unsecured loan facilities. Air Canada was the only airline to have a facility approved under these terms, and in November 2021 Air Canada canceled this facility without ever having drawn on it. The Large Airline LEEFF program is no longer operational.

### **AIRLINE VOUCHER REFUND LOAN FACILITIES**

The voucher loan facilities were provided to Canadian airlines to refund the cancelled travel owing to the COVID-19 pandemic. In order to be eligible for financial assistance for voucher refunds, the airline must have been a customer-facing airline and must have met the following requirements:

- a) be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction;
- b) have a minimum of \$300 million in annual pre-COVID-19 revenue; and
- c) not be involved in active insolvency proceedings.

The voucher facility is a non-revolving term loan. The aggregate amount of the voucher facility could not exceed the airline's maximum refund liability. The cap applicable to a particular airline was between 80% and 100% of the airline's estimate of the maximum refund liability. The maximum amount that an airline could borrow under this program was \$2 billion. The interest rate is fixed through the seven-year term. There is no availability remaining for any voucher refund loan.

### **AIRLINE LOAN AMENDMENTS**

In March of 2022 changes were made to the original LEEFF loans to the existing borrowers in the Canadian airline industry that faced challenges due to the COVID-19 Omicron variant and related travel restrictions. These changes included: deferring the start of the increase in interest rates on LEEFF unsecured loans until December 31, 2023; extending until December 31, 2024 the time that an airline has the option to pay interest in kind (PIK) by adding it to the principal of its unsecured loan; and extending to December 31, 2023 the period that an airline has to repay its unsecured LEEFF loan in order to cancel half of the warrants a public company issued in respect of its LEEFF loan or not incur the additional 6.25% loan fee that a borrower that is not a public company was required to pay under the LEEFF loan program.

## Mandate and Corporate Governance Practices (continued)

### CEEFC Responsibilities and Governance Practices

At the outset of LEEFF, CEEFC was responsible for receiving applications, performing financial analysis and due diligence, 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. Currently, CEEFC is responsible for monitoring and managing its portfolio of loans and other assets. CEEFC was funded through preference shares issued to the Government of Canada in accordance with a funding agreement.

As part of the Government of Canada's strategy to combat climate change, CEEFC has developed its own reporting for climate-related financial risks within a consolidated CDEV report comprising all its subsidiaries. The inaugural report was published in July 2023 for the year 2022, using the

standards of the Task Force on Climate-related Financial Disclosures. Refer to <https://cdev.gc.ca/esg> for further details.

The Board of CEEFC was appointed by CDEV and is responsible for the overall strategy and operation of the Corporation. The Board has engaged a President and Chief Executive Officer with the responsibility of managing the Corporation in accordance with the mandate received from the Minister of Finance. CEEFC has a management team based in Toronto that works closely with external consultants, contractor specialists, and the Board to ensure the effective functioning of the Corporation. CEEFC's parent, CDEV, provides support functions and the expertise of some of its executive team to the Corporation, in exchange for a management fee, through a services agreement.

# Management Discussion and Analysis of Results

The public communications of CEEFC, including this Annual Report, may include forward-looking statements that reflect management's expectations regarding CEEFC's objectives, strategies, outlooks, plans, anticipations, estimates, and intentions. By their very nature, forward-looking statements involve numerous factors and assumptions, and they are subject to inherent risks and uncertainties, both general and specific. In particular, predictions, forecasts, projections, or other elements of forward-looking statements may not be achieved.

A number of risks, uncertainties, and other factors could also cause actual results to differ materially from what is currently expected. Specifically, CEEFC's interest income on loans is calculated using the effective interest rate method ("EIRM") which includes a number of assumptions concerning the timing of expected loan draws and loan repayments. These assumptions may change based on updated information and could give rise to gains or losses over the term of the loans. Such gains or losses are recognized in the Statement of Operations in the period in which assumptions are updated. CEEFC also owns equity

investments that are subject to market risk that will affect the future financial results when sales are made.

## CORPORATE PERFORMANCE

As part of its mandate, CEEFC funded loans in accordance with its existing agreements and monitors and manages its portfolio of loans and other assets.

Previously, CEEFC was required to receive loan applications and assess the requests against the eligibility criteria and terms approved by the Minister of Finance. With the closure of LEEFF to new applicants, CEEFC no longer performs these functions.

CEEFC developed processes and procedures to implement the LEEFF program. CEEFC also engaged financial and legal advisors to assist in evaluating loan applications and executing loan documents. Since its incorporation, CEEFC reviewed and assessed several loan applications from potential borrowers. Detailed below are the outstanding loans that CEEFC has issued, which the Corporation is now monitoring and managing.

## Loans Issued and Outstanding

As at December 31, 2023

Borrower	Agreement Signed	Total Loan Commitment	Amount Outstanding
Transat A.T. Inc. (Tranche 1)	Apr. 2021	\$ 364 million	\$ 364 million
Porter Aircraft Leasing Corp.	Jun. 2021	250 million	250 million
		\$ 614 million	\$ 614 million

## Voucher Refund Loans Issued and Outstanding

As at December 31, 2023

Borrower	Agreement Signed	Total Loan Commitment	Amount Outstanding
Air Canada	Apr. 2021	\$ 1,273 million	\$1,273 million
Transat A.T. Inc.	Apr. 2021	353 million	353 million
Porter Aircraft Leasing Corp.	Jun. 2021	10 million	10 million
Sunwing Vacations Inc.	Jun. 2021	100 million	100 million
		\$ 1,736 million	\$1,736 million

## Management Discussion and Analysis of Results (continued)

### REPAYMENT OF LOANS

On February 16, 2023, Conuma Resources Ltd. made a partial repayment of \$40 million towards the unsecured loan balance. On April 24, 2023 Conuma Resources Ltd. repaid the remaining unsecured loan balance. The repayment, which comprised of principal, accrued interest and fees, amounted to \$79 million.

On May 1, 2023 Sunwing Vacations Inc repaid the secured and unsecured loan balances. The repayment which is comprised of principal, accrued interest and fees amounted to \$247 million.

Transat A.T Inc. partially repaid \$26 million of the secured loan on October 31, 2023. Subsequent to December 31, 2023 Transat A.T. Inc. repaid \$11 million of the secured loan on January 31, 2024.

### WARRANTS

Due to the cancelation of the supplemental loan facility by Transat A.T. Inc. on October 29, 2023, the unvested warrants of 4.7 million associated with this supplemental loan facility were cancelled.

### REDEMPTION OF PREFERENCE SHARES

Subsequent to December 31, 2023, the Corporation obtained approval from the Board of CEEFC to redeem 330,000 preference shares from the Government of Canada for \$330 million. The redemption is expected to take place in 2024.

### ANALYSIS OF EXTERNAL BUSINESS ENVIRONMENT

The management of CEEFC's loan portfolio will depend on overall market and economic conditions as well as factors specific to CEEFC's borrowers. All of CEEFC's airline borrowers were severely impacted by domestic and international travel restrictions and other economic impacts from COVID-19 on their operations. LEEFF borrowers are required to produce an annual climate-related financial disclosure report which follows the recommendations of the Financial Stability Board's Taskforce on Climate-Related Financial Disclosures. Reports are required to be produced in June of each year.

### RISKS

A substantial amount of credit risk is associated with LEEFF loans based on the terms and eligibility criteria of the program. The financial performance of CEEFC is highly dependent on economic conditions, industry dynamics and specific borrower attributes. Given CEEFC's mandate to help Canadian businesses weather the economic downturn caused by the COVID-19 pandemic and avoid bankruptcies of otherwise viable firms, it is possible that there could be potential losses in the portfolio. CEEFC's main role was to lend based on conditions set by the government in the LEEFF term sheet and not on an assessment of the borrower's creditworthiness. CEEFC has a high tolerance for macro-economic risks and for potential financial losses within the terms of the LEEFF program. However, CEEFC monitors the activities of companies in its loan portfolio.

The investment in Air Canada common shares and holdings of common share warrants in Air Transat are subject to fluctuations in value due to performance in the overall stock market, risks of the airline industry and the corporate performance of each borrower. The common shares and the warrants are carried at fair value, the fluctuations in share price will impact financial results.



## Management Discussion and Analysis of Results (continued)

### FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023

The financial statements for the year ended December 31, 2023 have been prepared in accordance with Public Sector Accounting Standards ("PSAS"). Although CEEFC is wholly owned by CDEV, CDEV does not consolidate the financial results of CEEFC under CDEV's International Financial Reporting Standards ("IFRS") accounting framework.

Total revenue for the year ended December 31, 2023, was \$141 million compared to \$196 million for the same period in 2022. The decrease is mainly due to the \$82 million gain on sale of warrants recognized in the first quarter of 2022 offset by the interest earned on loans and bank interest income. The budgeted revenue of \$97 million in 2023 is lower than the actual revenue mainly due to the increase in interest rates on loans issued and adjustments due to interest and fees received on the repayment of loans.

Total expenses in 2023 were lower than the comparable period due to the \$76 million loss on extinguishment of loans in 2022. The budgeted expenses are higher than actual due to the provision for credit losses of \$35 million in the budget. No due to the provision for credit loss was incurred in the current or comparable period as no loans were impaired.

There were no government contributions or repayments for the years ended December 31, 2023 and December 31, 2022.

Cash as at December 31, 2023 amounted to \$518 million compared to \$79 million as at December 31, 2022. The increase in cash is mainly due to the repayment of loans of \$338 million and loan interest and fees received of \$89 million.

Loans to borrowers totaled \$2,385 million as at December 31, 2023 compared to \$2,688 million as at December 31, 2022. The decrease is primarily due to repayment of loans of \$338 million, loan interest and fees received of \$89 million offset by interest calculated based on EIRM of \$125 million.

The fair value of the common shares in Air Canada was \$403 million on December 31, 2023 compared to \$418 million on December 31, 2022. The fair value of the Air Transat warrants as at December 31, 2023 was \$22 million compared to \$21 million reported as at December 31, 2022.

Deferred liability represents the fair value of the unvested warrants at inception and is not adjusted for fair value movements. As the warrants vest, the deferred liability and the corresponding unvested portion of the warrants are de-recognized. The deferred liability as at December 31, 2023 was nil compared to \$7 million on December 31, 2022. The decrease is attributed to the de-recognition of the deferred liability and the unvested warrants due to the cancellation of the supplemental Transat A.T. Inc. loan facility on October 29, 2023.

No dividends were paid to the common or preference shareholders during the period ended December 31, 2023.



## Management Responsibility for Financial Statements

The accompanying financial statements of Canada Enterprise Emergency Funding Corporation (“CEEFC” or the “Corporation”) are the responsibility of management and were authorized for issue by the Board of Directors on March 04, 2024. The financial statements have been prepared by the Corporation in accordance with the Public Sector Accounting Standards. Where alternative accounting methods exist, the Corporation has chosen those it deems most appropriate in the circumstances.

CEEFC maintains systems of internal accounting and administrative controls designed to provide reasonable assurance that the financial records are reliable and form a proper basis for the preparation of the financial statements, and that its assets are properly accounted for and adequately safeguarded.

The Board of Directors carries out its responsibilities for the financial statements in this report principally through its Audit Committee. The Audit Committee reviews CEEFC’s financial statements and reports its findings to the Board for its consideration and approval. The Audit Committee also meets with the Corporation’s joint auditors to discuss auditing matters and financial reporting issues.

As President and Chief Executive Officer and Vice President, Finance of CEEFC, we have reviewed the Corporation’s financial statements, and based upon our knowledge, having exercised due diligence, we believe they fairly present, in all material respects, the Corporation’s financial position as at December 31, 2023, and its financial performance and cash flows for the year ended December 31, 2023.

**Zoltan Ambrus**  
President and Chief Executive Officer  
CEEFC

**Carlos Gallardo, CPA, CA**  
Vice President, Finance  
CEEFC

March 4, 2024



## INDEPENDENT AUDITORS' REPORT

To the Minister of Finance

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Canada Enterprise Emergency Funding Corporation (the Corporation), which comprise the statement of financial position as at 31 December 2023, and the statement of operations, statement of remeasurement gains and losses, statement of change in net financial assets and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2023, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## **Report on Compliance with Specified Authorities**

### *Opinion*

In conjunction with the audit of the financial statements, we have audited transactions of Canada Enterprise Emergency Funding Corporation coming to our notice for compliance with specified authorities. The specified authorities against which compliance was audited are Part X of the *Financial Administration Act* and regulations, the *Canada Business Corporations Act*, the articles and by-laws of Canada Enterprise Emergency Funding Corporation, and the directive issued pursuant to section 89 of the *Financial Administration Act*.

In our opinion, the transactions of Canada Enterprise Emergency Funding Corporation that came to our notice during the audit of the financial statements have complied, in all material respects, with the specified authorities referred to above. Further, as required by the *Financial Administration Act*, we report that, in our opinion, the accounting principles in Canadian public sector accounting standards have been applied on a basis consistent with that of the preceding year.

### *Responsibilities of Management for Compliance with Specified Authorities*

Management is responsible for Canada Enterprise Emergency Funding Corporation's compliance with the specified authorities named above, and for such internal control as management determines is necessary to enable Canada Enterprise Emergency Funding Corporation to comply with the specified authorities.

*Auditors' Responsibilities for the Audit of Compliance with Specified Authorities*

Our audit responsibilities include planning and performing procedures to provide an audit opinion and reporting on whether the transactions coming to our notice during the audit of the financial statements are in compliance with the specified authorities referred to above.



Sophie Bernard, CPA  
Principal  
for the Auditor General of Canada



Chartered Professional Accountants,  
Licensed Public Accountants

Ottawa, Canada  
4 March 2024

# Statement of Financial Position

Year ended December 31  
(Thousands of Canadian Dollars)

	2023	2022
<b>Financial Assets</b>		
Cash	\$ 517,501	\$ 78,785
Interest and other receivables	3,409	1,472
Loans to borrowers (Note 3)	2,385,418	2,688,193
Equity investments (Note 4)	403,161	418,261
Warrants (Notes 4, 8)	21,939	20,946
	<b>3,331,428</b>	<b>3,207,657</b>
<b>Financial Liabilities</b>		
Trade payables	483	686
Due to shareholder (Note 5)	280	224
Deferred liability (Note 6)	-	7,068
	<b>763</b>	<b>7,978</b>
	<b>3,330,665</b>	<b>3,199,679</b>
<b>Net Financial Assets and Accumulated Surplus (Note 7)</b>		
Accumulated surplus is comprised of:		
Accumulated operating surplus	3,434,895	3,296,870
Accumulated remeasurement (losses)	(104,230)	(97,191)
	<b>\$ 3,330,665</b>	<b>\$ 3,199,679</b>

The accompanying notes are an integral part of these financial statements.

On behalf of the Board: Sandra Rosch Director BD Director

# Statement of Operations

Year ended December 31  
(Thousands of Canadian Dollars)

		2023	2022
	Budget	Actual	Actual
<b>Revenue</b>			
Interest income – loans	\$ 96,914	\$ 124,552	\$ 111,707
Interest income – bank	–	16,561	2,460
Gain on sale of warrants	–	–	82,214
	96,914	141,113	196,381
<b>Expenses</b>			
Professional fees	4,000	1,956	2,228
Management fees (Note 5)	680	904	678
Salaries and benefits	200	225	222
Loss on extinguishment of loans	–	–	75,521
Provision for credit losses	34,977	–	–
Other	680	3	24
	40,537	3,088	78,673
<b>Surplus before government contribution/(repayment)</b>	56,377	138,025	117,708
<b>Government contribution/(repayment)</b>	(310,000)	–	–
<b>Surplus/(deficit) for the year</b>	(253,623)	138,025	117,708
Accumulated surplus from operations, beginning of year	3,296,553	3,296,870	3,179,162
<b>Accumulated surplus from operations, end of year</b>	\$ 3,042,930	\$ 3,434,895	\$ 3,296,870

The accompanying notes are an integral part of these financial statements.



# Statement of Remeasurement Gains and Losses

Year ended December 31  
(Thousands of Canadian Dollars)

	2023	2022
<b>Accumulated remeasurement gains/(losses), beginning of year</b>	\$ (97,191)	\$ 24,770
<b>Remeasurement gains/(losses) arising during the year</b>		
Unrealized (losses) on equity investments	(15,100)	(37,533)
Unrealized gains/(losses) on warrants	8,061	(2,214)
<b>Amount reclassified to the Statement of Operations</b>		
Realized gains on warrants	-	(82,214)
<b>Net remeasurement (losses), for the year</b>	<b>(7,039)</b>	<b>(121,961)</b>
<b>Accumulated remeasurement (losses) end of year</b>	<b>\$ (104,230)</b>	<b>\$ (97,191)</b>

The accompanying notes are an integral part of these financial statements.

# Statement of Change in Net Financial Assets

Year ended December 31  
(Thousands of Canadian Dollars)

		2023	2022
	Budget	Actual	Actual
Surplus/(deficit) for the year	\$ (253,623)	\$ 138,025	\$ 117,708
Net remeasurement gains/(losses) for the year	-	(7,039)	(121,961)
Increase/(decrease) in financial assets	(253,623)	130,986	(4,253)
Net financial assets, beginning of year	3,296,553	3,199,679	3,179,162
Adjustments to opening net financial assets <sup>1</sup>	-	-	24,770
<b>Net financial assets, end of year</b>	<b>\$ 3,042,930</b>	<b>\$ 3,330,665</b>	<b>\$ 3,199,679</b>

<sup>1</sup> Due to the recognition of financial instruments at fair value through the Statement of Remeasurement Gains and Losses upon adoption of PS 3450 on January 1, 2022.

The accompanying notes are an integral part of these financial statements.

# Statement of Cash Flow

Year ended December 31  
(Thousands of Canadian Dollars)

	2023	2022
<b>Operating activities:</b>		
Surplus for the year	\$ 138,025	\$ 117,708
Adjustments for non-cash items:		
Interest income – loans (Note 3)	(124,552)	(111,707)
Loss on extinguishment of loans	–	75,521
Loan interest and fees received in cash (Note 3)	89,196	35,854
	<b>102,669</b>	<b>117,376</b>
Change in non-cash working capital:		
Interest and other receivables	(1,937)	(1,405)
Due to (from) shareholder	56	(33)
Trade payables	(203)	(1,127)
	<b>(2,084)</b>	<b>(2,565)</b>
Change in cash provided by operating activities	<b>100,585</b>	<b>114,811</b>
<b>Investing activities:</b>		
Loans issued, net of transaction fees and recoverable expenses	–	(403,536)
Loan repayments (Note 3)	338,131	34,582
Change in cash provided by/(used in) investing activities	<b>338,131</b>	<b>(368,954)</b>
Cash, beginning of year	<b>78,785</b>	<b>332,928</b>
<b>Cash, end of year</b>	<b>\$ 517,501</b>	<b>\$ 78,785</b>

The accompanying notes are an integral part of these financial statements.

# Notes to Financial Statements

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

## 1. REPORTING ENTITY:

Canada Enterprise Emergency Funding Corporation (“CEEFC”, or the “Corporation”) is a wholly-owned subsidiary of Canada Development Investment Corporation (“CDEV”). CDEV is, in turn, wholly-owned by His Majesty in Right of Canada (the “government” or the “Government of Canada”). In compliance with a directive (P.C. 2020-305) given by the Governor in Council, CDEV incorporated CEEFC under the *Canada Business Corporations Act* (“CBCA”) on May 11, 2020. The Corporation is a non-agent Crown Corporation and is subject to the *Financial Administration Act* (“FAA”) but is not subject to provisions of the *Income Tax Act*. Whilst CEEFC is a wholly-owned subsidiary of CDEV, CEEFC has not been consolidated within CDEV as CDEV is not deemed to have control over CEEFC.

The objective of the Corporation, as established by the directive (P.C. 2020-307) pursuant to section 89 of the FAA, was to administer, approve, and fund transactions in accordance with the terms approved by the Minister of Finance in relation to the Large Employer Emergency Financing Facility program (“LEEFF Program” or the “Financing Program”). The Financing Program was designed to provide bridge financing to Canada’s largest employers, whose needs during the coronavirus (“COVID-19”) pandemic were not being met through conventional financing. Refer to Note 3 for further details of the Financing Program.

In April 2021, the LEEFF program was expanded to provide financial assistance to Canadian Air Carriers. In addition to the unsecured and secured loan facilities, a LEEFF Air Carrier Voucher Facility was made available under the LEEFF program to Canadian Air Carriers to provide refunds to travelers, for travel cancellations owing to the pandemic. Financial support could also have included an investment by the Corporation, in common voting shares of large airlines. Refer to Note 3 for further details.

As of July 2022, as directed by the Minister of Finance, CEEFC no longer accepts or processes new LEEFF loan applications.

## 2. SIGNIFICANT ACCOUNTING POLICIES:

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) as issued by the Public Sector Accounting Board.

### a) Cash:

Cash include funds deposited in bank accounts at Canadian financial institutions that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. Cash is recorded at cost.

### b) Loans to borrowers:

Loans to borrowers include loans advanced under the LEEFF program and are recorded initially at cost, which is the cash or value of other assets given up, or liabilities assumed, and subsequently measured at amortized cost less valuation allowances and write-offs.

Under terms of the LEEFF program, if the Corporation provides unsecured loans to Canadian public companies or private subsidiaries of Canadian public companies, it will receive warrants, exercisable for common shares of the borrower. Borrowers without publicly-traded shares are required to provide the Corporation with compensation in the form of additional fees based on the amount of the unsecured loan that is payable at the repayment or maturity of the unsecured loan.

The effective interest rate (“EIR”) on a loan is computed based on the cash flows first estimated by the Corporation. Any change to the estimated cash flow or terms that does not constitute a substantial modification or extinguishment results in a modification gain or loss. Such modification gain or loss is computed by discounting the revised estimated cashflows at the original EIR. Where changes in estimated cash flows or loan terms result in a substantial modification or extinguishment, the Corporation de-recognizes the amortized cost of the original loan and recognizes a new loan at cost.

Transaction fees are included as part of the initial carrying value of the loan. Transaction fees and loan fees are included in the carrying value of the loan based on the effective interest rate method (“EIRM”). Professional fees incurred relevant to a loan are recovered directly from the borrower upon the issuance of the loan but recognized in income through EIRM.

## Notes to Financial Statements (continued)

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Incremental fees that meet the definition of a transaction cost and are contingent on the issuance of the loan, such as fees to consultants that are involved in the structuring of the loans, are included in the effective interest rate (EIR) calculation. As these fees are charged to the borrower and are considered integral to the returns, the recovery too will be included in the EIR calculation. The expenditure and recovery are both considered as offsetting cash flows with no impact to the interest calculated on EIRM.

#### c) Impairment of financial assets:

At each reporting date, the Corporation assesses all financial assets or groups of financial assets to determine whether there is any objective evidence of impairment. Where there is evidence of impairment, a valuation allowance is recorded to reduce the loans and other receivables to their expected net recoverable value. The valuation allowance reflects the risk of loss based on past events, current circumstances, and all available information at the date of the preparation of the financial statements. Losses as a result of a valuation allowance are recorded in the Statement of Operations.

#### d) Financial instruments:

Cash, interest and other receivables and trade payables are recorded at cost.

Loans to borrowers are financial instruments. Refer to note 2b) for additional information.

Warrants and equity investments are initially recorded and subsequently measured at fair value at each reporting period. The unrealized changes in the fair value are recognized in the Statement of Remeasurement Gains and Losses. When the fair value is realized upon sale or execution of the instrument the realized gain or loss will be reversed out of the Statement of Remeasurement Gains and Losses and reported in the Statement of Operations.

#### e) Government contribution:

Government contribution represents the common share issued to CDEV and the preference shares issued to the Government of Canada. Both the common and preference

shares are recorded at cost based on the proceeds received at the time the shares were issued. For further details, see Note 7.

#### f) Deferred liability:

When the warrants are issued, the unvested warrants at inception are recorded against a deferred liability. Subsequent to inception, the deferred liability is not adjusted for fair value movements and is maintained at the original value until the warrants vest. As the warrants vest the unvested warrants and the deferred liability are de-recognized.

#### g) Revenue recognition:

Interest revenue on loans to borrowers is recognized on an accrual basis and reported as revenue in the period earned. Interest revenue ceases to be accrued when the collectability of either principal or interest is not reasonably assured. Interest income is recognized in the Statement of Operations in the period it is earned using EIRM, whereby estimated future cash payments or receipts over the expected life of the loan are discounted using the effective interest rate and added to the gross carrying amount of the loan. The effective interest rate is determined based on the Corporation's estimates of future cash flows considering all contractual terms of the loan, but not expected credit losses. The calculation of the effective interest rate also includes any transaction costs not directly recovered from the borrower and transaction and loan fees received or receivable that are an integral part of the effective interest rate. The fair value of the vested warrants at inception also impacts the calculation of effective interest rate. Any interest that is paid in kind by the borrower is added to the carrying amount and principal of the loan.

#### h) Foreign currency transactions:

Transactions in foreign currencies are translated to Canadian dollars at the exchange rate in existence at the date of the transaction and included in the Statement of Operations. Monetary assets and liabilities denominated in foreign currencies are translated using exchange rates prevailing at the end of each reporting period. Foreign exchange gains or losses are recognized as Other expenses on the Statement of Operations.

### **i) Measurement uncertainty:**

The timely preparation of the financial statements requires management to make judgements, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results may differ from these estimates.

In the process of applying its accounting policies, management has made certain assumptions related to the amount and timing of when borrowers would request additional advances on their unused loan commitment facilities and the borrower's ability to meet their loan repayment obligations based on their projected cash flows and financial projections.

### **j) Equity investments:**

Equity investments includes investment in common shares and warrants in Canadian publicly traded companies.

*i) Common shares:* Investment in publicly traded shares is recorded at fair value. The changes in fair value are reported in the Statement of Remeasurement Gains and Losses. When the change in the fair value is realized upon sale of the shares the realized gain or loss is reversed from the Statement of Remeasurement Gains and Losses and recorded in the Statement of Operations. Earnings from these investments are recognized only to the extent received or receivable.

*ii) Warrants:* Warrants, received as part of the issuance of loans receivable, will vest in the same proportion and at same time advances are made under the loan facility. The vested warrants at inception are netted against the loan receivable. The unvested warrants at inception are recorded against a deferred liability. Subsequently both vested and the unvested warrants are measured at fair value with the change in the fair value being recorded in the Statement of Remeasurement Gains and Losses at the end of the period. The realized fair value upon sale or execution is reversed from the Statement of Remeasurement Gains and Losses and recognized in the Statement of Operations.

## **3. LOANS TO BORROWERS:**

The Corporation issued loans under the LEEFF Program as described below.

### **a) Original LEEFF Loans (including Non-Large Airline Companies):**

To qualify for a loan, a borrower other than a large airline company must seek financing of \$60,000 or more, have significant operations or workforce in Canada, and not be involved in active insolvency proceedings. The loan is provided by way of two loan facilities: (i) an unsecured loan facility equal to 80% of the aggregate loan, and (ii) a secured loan facility equal to 20% of the aggregate loan. The loan is advanced in tranches over 12 months and interest is charged based on the terms and conditions of the loan agreements with the borrower. The duration of the unsecured loan facility is five years. The secured loan facility matches the terms of the borrower's existing secured debt. At the option of the borrower, the principal amount plus accrued and unpaid interest under the loan facilities may be repaid in whole or in part without penalty at any time. Amounts repaid may not be reborrowed. For two years after issuance of the unsecured loan facility, a borrower may elect to make interest 'payments in kind' ("PIK Interest") by adding the interest to the principal of the loan. PIK Interest added to the principal amount bears interest at the applicable interest rate and is treated as part of the principal balance.

The obligations in respect to the secured loan facility of each borrower is secured by a perfected security interest in tangible and intangible assets of the borrower (i) that are currently unencumbered and are satisfactory to the Corporation in its sole discretion, or (ii) that are subject to security interests in favour of first priority senior secured lenders ("Senior Lenders") of the borrower, which security interest shall rank equally with the security interests in favour of the Senior Lenders.

Interest accrues daily and the annual rate charged on the drawn portion of the unsecured loan facility is 5%, 8%, 10%, 12%, and 14% in years one to five, respectively. Upon any event of default, the applicable interest rate will be increased by 2% per annum. The interest rate charged on the drawn portion of the secured loan facility is the interest rate applicable on the borrower's existing secured loan agreement.

## Notes to Financial Statements (continued)

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

### 3. LOANS TO BORROWERS (CONTINUED):

If the borrower is a Canadian publicly traded company (or the private subsidiary of a Canadian publicly traded company), the Corporation receives warrants with the option to purchase the borrower's (or their parent publicly traded company's) common shares with an aggregate exercise price equal to 18.75% of the total commitment unsecured loan facility. Vested warrants are exercisable in whole or in part, at any time or times after the date vested and during the 10-year term, provided that the number of warrants, together with all warrants previously exercised, do not exceed more than half of the warrants vested within one year from the closing date. If the loan is repaid within a year, half of all vested warrants will be cancelled. Refer to Note 4(b) for additional details on the warrants received by the Corporation.

Private borrowers that are not Canadian publicly traded companies are charged a non-refundable fee equal to 6.25% of the aggregate principal amount advanced of the unsecured loan facility, payable on the maturity date of the unsecured loan facility. If the loan is not repaid in full within one year of loan issuance, an additional 6.25% fee will be payable on the maturity date of the unsecured loan facility.

On the closing date of the loan, the borrower is required to pay a non-refundable transaction fee of 25 basis points ("bps") of the aggregate commitment amount of the loan to the Corporation. The borrower is also required to reimburse the Corporation for legal and financial advisory expenses incurred by the Corporation related to the borrower's loan.

The emergence of the COVID-19 Omicron variant and related travel advisories resulted in the COVID-19 pandemic persisting longer than originally anticipated and correspondingly borrowers in the Airline industry were facing a delayed recovery and longer time to restart operations. Consequently, during the first quarter of 2022 amendments to the current LEEFF terms were made to assist the existing airline borrowers with their financial needs by deferring the start of the increase in interest rates on LEEFF unsecured loans until December 31, 2023, extend the option to PIK Interest until December 31, 2024 and extend to December 31, 2023, the period that an airline has to repay its unsecured LEEFF loan in order to (i) cancel half of the

warrants a Canadian public company issued in respect of its LEEFF loan or (ii) not incur the additional 6.25% loan fee that a borrower that is not a Canadian public company is required to pay under LEEFF program.

#### b) Large Airline Company Facilities:

To qualify for financial support, large airline companies (hereafter known as the "Large Airline") had to meet the following requirements: (i) be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction, (ii) have a minimum of \$4,000,000 in 2019 annual revenue, (iii) not be involved in active insolvency proceedings, and (iv) have significant operations or workforce in Canada. The financial support may take the form of secured and unsecured loan facilities, or an equity investment with secured and unsecured loan facilities. In the case of an equity investment, the Corporation's investment in the common voting shares of a Large Airline could not exceed 20% of the total principal amount of the secured and unsecured loan facilities.

The loan facilities may be revolving loans or non-revolving term loans and may be divided into one or more tranches. The principal amount of the unsecured loan facility may not exceed 80% of the total principal amount of the secured and unsecured loan facilities. The interest rate on the loan facilities may be fixed or floating and the maturity date of the loan facilities is up to seven years from the closing date. On the closing date of the loan, the borrower was required to pay a non-refundable transaction fee of 25 bps of the aggregate commitment amount of the loan to the Corporation. The borrower was also required to reimburse the Corporation for legal and financial advisory expenses incurred by the Corporation related to the borrower's loan.

If the Large Airline was a Canadian public company, the Corporation would receive warrants exercisable for common voting shares with an aggregate exercise price equal to 10% of the total principal amount of the secured and unsecured loan facilities. One-half of the warrants to vest on the closing date and the balance to vest in the same proportion and at the same time as advances are made under the unsecured loan facilities. Vested warrants are exercisable, in whole or in part, within the 10-year term.

### c) Airline Voucher Refund Facilities:

To qualify for a loan under the airline voucher refunds program, an airline had to meet the following requirements: (i) be incorporated or otherwise formed under the federal laws of Canada or a Canadian provincial or territorial jurisdiction, (ii) have a minimum of \$300,000 in annual pre-COVID-19 revenue, and (iii) not be involved in active insolvency proceedings. The maximum amount

that an airline was able to borrow under this program is \$2,000,000 and the amount borrowed had to be in the form of non-revolving term loan. The interest rate on this facility was the Government of Canada seven-year bond rate and the maturity date is up to seven years from the closing date.

The following table provides a breakdown of the loan facilities.

	2023	2022
Number of borrowers	4	5
<b>Total loan commitment</b>		
Unsecured loan facilities	\$ 512,000	\$ 909,691
Secured loan facilities	102,400	192,840
Airline voucher refund facilities	1,735,597	1,735,597
	\$ 2,349,997	\$ 2,838,128
<b>Total cumulative loan drawdown</b>		
Unsecured loan facilities	\$ 512,000	\$ 789,691
Secured loan facilities	102,400	162,840
Airline voucher refund facilities	1,735,597	1,735,597
	\$ 2,349,997	\$ 2,688,128
<b>Outstanding loan balance<sup>1</sup></b>		
Unsecured loan facilities	\$ 547,676	\$ 790,813
Secured loan facilities	101,545	161,183
Airline voucher refund facilities	1,736,197	1,736,197
	\$ 2,385,418	\$ 2,688,193

<sup>1</sup> including accrued interest based on EIRM, transaction fees, and legal and financial advisory expenses recovered from borrowers.



## Notes to Financial Statements (continued)

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

### 3. LOANS TO BORROWERS (CONTINUED):

As at December 31, 2023, the Loans to borrowers balance includes accrued but unpaid interest of \$65,308 (December 31, 2022 – \$74,359) on the unsecured, secured, and airline voucher refund facilities.

For year ended December 31, 2023, the amount of interest income recognized in the Statement of Operations using EIR was \$124,552 (December 31, 2022 - \$110,197). Based on the terms of the loan agreements, the amount of interest and fees collected from borrowers in cash during the same period was \$89,196 (December 31, 2022 - \$35,854).

The following table shows the principal and PIK Interest, loan repayments receivable for each of the next five years based on contractual maturity dates and payments received subsequent to year end.

Year end	Loan repayments receivable
2024	\$ 39,500
2025	51,900
2026	564,830
2027	–
2028	1,736,197
	\$ 2,392,427

#### d) Repayment of loans:

In February 2023 Conuma Resources Ltd. repaid \$40,000 towards the principal balance of the unsecured loan. On April 24, 2023, Conuma Resources Ltd. repaid the remaining principal balance of the unsecured loan of \$56,000.

On May 1, 2023, Sunwing Vacations Inc. repaid the secured and unsecured loan balances with the Corporation. The total principal balances of the secured and the unsecured loans repaid were \$216,531.

Transat A.T. Inc. repaid \$25,600 towards the principal loan balance of the secured loan on October 31, 2023. Subsequent to December 31, 2023, a further \$11,000 was repaid towards the principal balance of the secured loan.

#### 4. EQUITY INVESTMENTS:

Equity investments include the following:

##### a) Publicly traded shares:

On April 12, 2021, the Corporation purchased 21,570,942 Class B Voting Shares of Air Canada at a price of \$23.1793 per share in actual dollars for an aggregate purchase price of \$500,000. As at December 31, 2023, the fair value of these shares was \$403,161 (December 31, 2022 – \$418,261). The shares are reported as Equity investments in the Statement of Financial Position.

##### b) Warrants:

As indicated in Note 3, if the borrower is a public company instead of a loan fee the Corporation receives warrants exercisable for common voting shares. The warrants vest

in proportion to the loans advanced under the unsecured loan facility. The warrants issued as at December 31, 2023 are all issued by Transat A.T. Inc. The Corporation received 13 million and 4.7 million warrants from Transat A.T. Inc in April 2021 and July 2022 respectively. The 13 million warrants that were received are all vested and the 4.7 million warrants issued were cancelled in October 2023 due to the expiration of the availability period of the supplemental loan facility. The fair value of the warrants as at December 31, 2023 was \$21,939 (December 31, 2022 – \$20,946 in total comprised of \$14,627 vested and \$6,319 unvested). The warrants as at December 31, 2023 were all vested.

The following table summarizes the warrants issued and vested.

Company	Warrants issued			Warrants vested and outstanding as at			
				December 31, 2023		December 31, 2022	
	Number of warrants (in 000's)	Exercise price per share (in dollars)	Maturity Date	Number of warrants (in 000's)	Amount <sup>1</sup>	Number of warrants (in 000's)	Amount <sup>1</sup>
Transat A.T. Inc.	13,000	4.5000	April 2031	13,000	\$ 21,939	13,000	\$ 14,627
Transat A.T. Inc <sup>1</sup>	4,688	3.2000	July 2032	–	–	–	–
				13,000	\$ 21,939	13,000	\$ 14,627

<sup>1</sup>The 4.7 million warrants were cancelled in October 2023.

## Notes to Financial Statements (continued)

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

### 5. TRANSACTIONS WITH RELATED PARTIES:

Related parties include the parent entity, CDEV and its subsidiaries, all Government of Canada departments, agencies, and Crown corporations, and key management personnel. Key management personnel are comprised of the directors and executive officers of the Corporation that are paid by the Corporation, not including the management fees charged by CDEV to the Corporation.

During the year ended December 31, 2023 CDEV provided management services to the Corporation, related to executives, administration, banking, financial,

and support services, in respect of which it billed \$904 (December 31, 2022 - \$678). These amounts are reported as Management fees on the Statement of Operations.

The Corporation also agreed to reimburse CDEV for certain expenses CDEV incurred on behalf of the Corporation including (i) professional and advisory fees and expenses, (ii) salaries and employee benefits, (iii) director fees and expenses, and (iv) insurance and other expenses that may be agreed upon by the parties from time to time.

The following tables summarize the expenses paid by CDEV and reimbursed by CEEFC.

	2023	2022
Professional fees	\$ -	\$ 10
Salaries and benefits, including director fees and expenses	221	219
Other expenses	-	52
	\$ 221	\$ 281

### 6. DEFERRED LIABILITY:

The fair value of the unvested warrants at inception is recorded against a deferred liability. The deferred liability is not adjusted for fair value movements and is maintained at the original value until the warrants vest. Warrants vest in proportion to the loans advanced under the unsecured loan facility. As the warrants vest, the deferred liability and the corresponding unvested portion of the warrants are de-recognized. In October 2023 the 4.7 million

warrants were cancelled. Consequently, the unvested warrants and the deferred liability were derecognized. As at December 31, 2023 the deferred liability was nil (December 31, 2022 - \$7,068). Refer to Note (4b) for additional information.

The following table summarizes the outstanding vested and unvested warrants.

Date	Number of warrants vested (in 000's)	Number of warrants unvested (in 000's) <sup>1</sup>	Total Number of warrants (in 000's)
2023 December 31	13,000	-	13,000
2022 December 31	13,000	4,688	17,688

<sup>1</sup> In October 2023, the unvested warrants and the deferred liability were derecognized due to cancellation of the loan facility.

## 7. ACCUMULATED SURPLUS:

Accumulated surplus consists of the accumulated surplus at the beginning of the year plus surplus or less (deficit) before government contribution plus any government contribution. The following are additional details about the Corporation's government contribution.

### a) Common shares:

The Corporation is authorized to issue an unlimited number of common shares. Holders of these shares are entitled to dividends, as and when declared from time to time, and are entitled to one vote per share at general meetings of the Corporation. No dividends were declared during the year ended December 31, 2023 (December 31, 2022 – nil).

As at December 31, 2023, the Corporation had 1 authorized and fully paid common share (December 31, 2022 – 1) at a price of \$1 (December 31, 2022 – \$1) to CDEV.

### b) Preference shares:

On June 18, 2020, a Funding Agreement was entered into between CEEFC and the Minister of Finance representing the Government of Canada regarding the funding of CEEFC, pursuant to paragraphs 60.2(2)(a)(i) and 60.2(2)(a)(iii) of the FAA. The funding is by way of subscription for Class A preference shares ("preference shares") of the Corporation on the terms set forth in the Funding Agreement to provide

funding to CEEFC for the administration and implementation of the LEEFF Program.

The holders of the preference shares are not entitled to vote at any meeting of the shareholders of the Corporation, except where the holders of another class or series of shares of the Corporation are entitled to vote separately as a class or series.

The holders of the preference shares, in priority to the holders of the common shares and any other shares ranking junior to the preference shares, are entitled to receive preferential dividends as and when they are declared by the Board of Directors. If, in any fiscal year, the Board of Directors has not declared any dividends on the preference shares, then the holders of such shares shall have no right to any such dividend for that year.

The Corporation may, upon giving at least 30 days' notice, redeem all or any part of the outstanding preference shares at a price of \$1 per preference share, together with all declared but unpaid dividends.

The aggregate proceeds from preference shares issued to the government are included as an addition to the Government contribution line on the Statement of Operations. When these shares are redeemed by the Corporation, the aggregate redemption amount will be a deduction against this line item.

	December 31, 2023		December 31, 2022	
	Number of shares (in 000's)	Amount	Number of shares (in 000's)	Amount
Balance, beginning of year	3,090	\$ 3,090,000	3,090	\$ 3,090,000
Shares issued	-	-	-	-
<b>Balance, end of year</b>	<b>3,090</b>	<b>\$ 3,090,000</b>	<b>3,090</b>	<b>\$ 3,090,000</b>

## Notes to Financial Statements (continued)

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

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### 8. FINANCIAL RISK MANAGEMENT:

The nature of the Corporation's operations exposes the Corporation to risks that may have a material effect on cash flows and Statement of Operations. This note provides information about the Corporation's exposure to each of these risks as well as the Corporation's objectives, policies, and processes for measuring and managing them.

#### a) Credit risk:

Credit risk is the risk of financial loss to the Corporation if counterparties do not fulfill their contractual obligations. The carrying amount of loans to borrowers represents the Corporation's maximum credit exposure. The Corporation attempts to mitigate this risk by requiring collateralization for its secured loan facilities. Collateralization is the security package provided to a counterparty's secured lenders alongside which the Corporation's secured facility is provided.

The Corporation's unsecured loan facilities have been made to borrowers with limited borrowing alternatives that are facing challenging financial circumstances. The Corporation issues these loans based on compliance with terms provided to the Corporation by the Minister of Finance. The Corporation does not undertake a full credit assessment of the borrower, nor does it lend money based on the borrower's ability to repay the loan. Instead, the Corporation issues these loans based on a number of other criteria, including the borrower's agreement to make efforts to minimize the loss of employment and to sustain its domestic business activities, as well as the borrower's ability to demonstrate a plan to return to financial stability. The Corporation's credit risk is therefore considered very high, and loans are monitored for indicators of impairment.

As at December 31, 2023, there were no loan balances which are past due or considered impaired (December 31, 2022 – nil). Therefore, no allowance for loan losses has been recorded on the financial statements.

#### b) Market risk:

Market risk is the risk of financial loss from adverse movements in market prices including interest rates, credit spreads, equity prices, foreign exchange rates, and commodity prices.

CEEFC's secured loans are based on floating reference rates plus an applicable margin as determined by a borrower's existing secured lenders. Applicable margins are predetermined at the time of loan origination; however, fluctuations in interest rates which impact floating reference rates will impact CEEFC's interest income. CEEFC's unsecured loans are based on fixed interest rates and therefore not exposed to fluctuations.

The change in equity prices will affect the value of common shares and warrants held by the Corporation. Changes in market price of shares and warrants will impact the "fair value" of these instruments.

CEEFC's operations do not have any exposure to commodity prices.

CEEFC has no exposure to foreign exchange risk since its loans and revenues are denominated in Canadian dollars.

#### c) Liquidity risk:

Liquidity risk is the risk of having insufficient cash or collateral to meet financial obligations in a timely and cost-effective manner. Liquidity risk arises from mismatched cash flows related to assets and liabilities and the inability to sell marketable securities to generate liquidity in a timely and cost-effective manner.

CEEFC manages its liquidity by issuing preference shares to the Government of Canada as required in accordance with the funding agreement to provide funding for the administration and implementation of the LEEFF program. CEEFC also holds cash to fund its operations.

#### **d) Fair value of financial instruments:**

The Corporation classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy used has the following levels:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### **Valuation Methods and Assumptions**

##### **a) Equity securities:**

The fair value of equity investments is based on quoted prices in active markets and has been classified as Level 1.

##### **b) Warrants:**

The Air Transat warrants have been classified as a Level 3 due to the lack of traded options in the market, which resulted in using a significant and unobservable input for the warrant valuation – volatility and discount for lack of marketability (DLOM). The valuation model used to calculate the DLOM is the Finnerty put option pricing model, estimated based on the historical volatility. Historical volatility is considered as a level 3 input in option pricing. The fair value of the Air Transat warrants is valued based on the historical volatility, which was used as a proxy for the underlying asset's option implied volatility.

Transfers between levels of the fair value hierarchy are recognized at the end of the reporting period during which the change has occurred. There were no movements between levels in the fair value hierarchy during the year ended December 31, 2023.

## Notes to Financial Statements (continued)

Year ended December 31, 2023

(All dollar amounts are stated in thousands of Canadian dollars, unless otherwise indicated)

### 8. FINANCIAL RISK MANAGEMENT (CONTINUED):

#### Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value

	December 31, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>								
Equity investments	\$403,161	\$ -	\$ -	\$403,161	\$418,261	\$ -	\$ -	\$418,261
Warrants	-	-	21,939	21,939	-	-	20,946	20,946
	\$403,161	\$ -	\$21,939	\$425,100	\$418,261	\$ -	\$20,946	\$439,207

The following tables reconcile changes in fair value of all assets and liabilities measured at fair value using significant Level 3 unobservable inputs for the years ended December 31, 2023 and December 31, 2022.

#### Reconciliation of Changes in Fair Value for Level 3 Assets and Liabilities

	Fair value as at January 1, 2023	Total Remeasurement Gains (Losses) arising during the year	Movements		Transfers		Fair value as at December 31, 2023	Change in unrealized gains (losses) on instruments still held
			Additions	Sales/ Cancellations	Into Level 3	Out of Level 3		
<b>Assets measured at fair value</b>								
Warrants	\$20,946	\$8,061	\$ -	\$ (7,068)	\$ -	\$ -	\$21,939	\$8,061
	\$20,946	\$8,061	\$ -	\$ (7,068)	\$ -	\$ -	\$21,939	\$8,061

	Fair value as at January 1, 2022	Total Remeasurement Gains (Losses) arising during the year	Movements		Transfers		Fair value as at December 31, 2023	Change in unrealized gains (losses) on instruments still held
			Additions	Sales/ Cancellations	Into Level 3	Out of Level 3		
<b>Assets measured at fair value</b>								
Warrants	\$98,306	\$(2,214)	\$7,068	\$(82,214)	\$ -	\$ -	\$20,946	\$(8,514)
	\$98,306	\$(2,214)	\$7,068	\$(82,214)	\$ -	\$ -	\$20,946	\$(8,514)

The following table summarizes the potential impact of the unobservable inputs used in the warrant fair value estimation (“Sensitivity Testing”): the volatility and discount for lack of marketability (DLOM). To estimate the DLOM, a Finnerty put option model has been used. The only unobservable input in the DLOM estimation is

the underlying assets volatility. Therefore, to conduct the sensitivity testing for the volatilities used in the warrant and DLOM valuation, a shift of +/- 10% has been applied in the unobservable input – the historical volatility of the underlying share.

### Sensitivity Analysis of Level 3 Financial Assets and Liabilities

	December 31, 2023		December 31, 2022	
	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
<b>Assets measured at fair value</b>				
Warrants	\$ 2,406	\$ 2,974	\$ 9,727	\$ 6,681
	\$ 2,406	\$ 2,974	\$ 9,727	\$ 6,681

### 9. SUBSEQUENT EVENTS:

Subsequent to December 31, 2023, approval was obtained by the Corporation to redeem \$330,000 of the preference shares. The reduction in the preference shares will be reflected in the government contribution/(repayment) line on the Statement of Operations.



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