

*Canada Enterprise  
Emergency Funding Corporation*

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

# **Third Quarter Report**

**September 30, 2024**

*A subsidiary of Canada Development  
Investment Corporation*

*Une filiale de la Corporation de  
développement des investissements du Canada*

# Quarterly Financial Report – including MD&A

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## Management Responsibility For Financial Statements

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The accompanying unaudited interim condensed 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 November 12, 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 September 30, 2024, and its financial performance and cash flows for the nine months ended September 30, 2024.



**Bruno Lemay, CFA**  
President and Chief Executive Officer  
CEEFC



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

November 12, 2024

## Mandate and Corporate Governance Practices

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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.

## **Mandate and Corporate Governance Practices (continued)**

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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 cancelled 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.

## **Mandate and Corporate Governance Practices (continued)**

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### **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.

### **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. The report for 2023 was published in July 2024. For further details refer <https://cdev.gc.ca/esg/>

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 - for the period ended September 30, 2024

The public communications of CEEFC, including this quarterly 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 has 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 September 30, 2024			
Borrower	Agreement Signed	Total Loan Commitment	Amount Outstanding
Transat A.T. Inc. (Tranche 1)	Apr. 2021	\$ 353 million	\$ 353 million
Porter Aircraft Leasing Corp.	Jun. 2021	249 million	249 million
		\$ 602 million	\$ 602 million

### Voucher refund loans issued and outstanding

As at September 30, 2024			
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 - for the period ended September 30, 2024 (continued)**

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### **Redemption of preference shares**

On March 20, 2024, the Corporation redeemed 330,000 preference shares from the Government of Canada for \$330 million.

### **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.

At the end of the 3<sup>rd</sup> quarter of 2024, management has identified certain loans within the portfolio that have potential indicators of impairment. However, due to the recent nature of the information and the inherent uncertainties surrounding the outcome, it is not yet possible to reasonably estimate the collectability of these loans with sufficient precision. As of September 30, 2024, there have been no default or delinquency in the interest and principal repayment of the portfolio and no provision for loan loss has been recognized. However, a detailed and comprehensive assessment will be performed in the 4<sup>th</sup> quarter of 2024 which may result in recognizing a provision in loan losses.

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 - for the period ended September 30, 2024 (continued)**

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### **Interim Condensed Financial Statements for the period ended September 30, 2024**

The unaudited interim condensed financial statements for the nine months ended September 30, 2024, 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 three and nine months ended September 30, 2024, was \$29 million and \$88 million compared to \$31 million and \$108 million for the same period in 2023. The decrease in revenue in the third quarter of 2024 compared to 2023 is mainly due to a decrease in bank interest income marginally off set by interest income from loans due to increase in loan interest rates. Revenue on a year to date basis decreased mainly due to lower loan balances compared to 2023 offset by an increase in bank interest income. The actual revenue of \$29 million and \$88 million for the three and nine month ended September 30, 2024, is higher compared to the budgeted revenue of \$21 million and \$62 million due to higher interest income earned on higher loan balances compared to budget and bank interest income.

Total expenses for the three and nine month period ended September 30, 2024, are comparable to same period in 2023. No provision for credit loss was booked in the current or comparable period as no loans were impaired.

The Corporation redeemed 330,000 preference shares from the Government of Canada for \$330 million in the first quarter of 2024. There was no government contribution or redemption of shares by the Corporation for the period ended September 30, 2023.

Cash as at September 30, 2024, was \$234 million compared to \$518 million as at December 31, 2023. The decrease in cash is mainly due to the redemption of preference shares of \$330 million offset by repayment of loans of \$12 million, loan interest and fees received of \$22 million and bank interest of \$12 million.

Loans to borrowers totaled \$2,427 million as at September 30, 2024, compared to \$2,385 million as at December 31, 2023. The increase is primarily driven by interest calculated based on EIRM of \$76 million offset by repayment of loans of \$12 million and loan interest and fees received of \$22 million.

The fair value of the common shares in Air Canada was \$354 million on September 30, 2024, compared to \$403 million on December 31, 2023. The fair value of the Air Transat warrants as at September 30, 2024, was \$6 million compared to \$22 million on December 31, 2023.

No dividends were paid to the common or preference shareholders during the period ended September 30, 2024.

Interim Condensed Financial Statements of

**CANADA ENTERPRISE EMERGENCY FUNDING  
CORPORATION**

Three and nine months ended September 30, 2024

(Unaudited)

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Interim Condensed Statement of Financial Position  
(Unaudited)  
(Thousands of Canadian Dollars)

	September 30, 2024	December 31, 2023
<b>Financial Assets</b>		
Cash	\$ 233,709	\$ 517,501
Interest and other receivables	2,107	3,409
Loans to borrowers (Note 3)	2,427,113	2,385,418
Equity investments (Note 4)	353,548	403,161
Warrants (Note 4)	6,338	21,939
	<b>3,022,815</b>	<b>3,331,428</b>
<b>Financial Liabilities</b>		
Trade payables	841	483
Due to shareholder (Note 5)	307	280
	<b>1,148</b>	<b>763</b>
<b>Net Financial Assets and Accumulated Surplus (Note 6)</b>	<b>3,021,667</b>	<b>3,330,665</b>
Accumulated surplus is comprised of:		
Accumulated operating surplus	3,191,111	3,434,895
Accumulated remeasurement losses	(169,444)	(104,230)
	<b>\$ 3,021,667</b>	<b>\$ 3,330,665</b>

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

On behalf of the Board: Sandra Rosch Director OBP Director

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Interim Condensed Statement of Operations  
(Unaudited)  
(Thousands of Canadian Dollars)

	Three months ended September 30			Nine months ended September 30		
		2024	2023		2024	2023
	Budget	Actual	Actual	Budget	Actual	Actual
<b>Revenue</b>						
Interest income – loans	\$ 20,500	\$ 26,048	\$ 25,040	\$ 62,028	\$ 76,279	\$ 97,677
Interest income – bank	–	2,632	5,774	–	11,625	10,416
	20,500	28,680	30,814	62,028	87,904	108,093
<b>Expenses</b>						
Professional fees	1,250	443	316	3,750	818	1,191
Management fees (Note 5)	226	226	226	678	678	678
Salaries and benefits	50	61	59	150	189	170
Provision for credit losses	–	–	–	35,000	–	–
Other	170	1	1	510	3	2
	1,696	731	602	40,088	1,688	2,041
<b>Surplus before government contribution</b>	18,804	27,949	30,212	21,940	86,216	106,052
<b>Government contribution (repayment)</b>	–	–	–	–	(330,000)	–
<b>Surplus (deficit) for the period</b>	18,804	27,949	30,212	21,940	(243,784)	106,052
Accumulated surplus from operations, beginning of period	3,117,333	3,163,162	3,372,710	3,114,197	3,434,895	3,296,870
<b>Accumulated surplus from operations, end of period</b>	\$ 3,136,137	\$ 3,191,111	\$ 3,402,922	\$ 3,136,137	\$ 3,191,111	\$ 3,402,922

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

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Interim Condensed Statement of Remeasurement Gains and Losses  
(Unaudited)  
(Thousands of Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Accumulated remeasurement gains (losses), beginning of period</b>	\$ (132,476)	\$ 46,872	\$ (104,230)	\$ (97,191)
<b>Remeasurement gains (losses) arising during the period</b>				
Unrealized (losses) on equity investments	(32,572)	(121,013)	(49,613)	(216)
Unrealized gains (losses) on warrants	(4,396)	(20,071)	(15,601)	3,195
<b>Net remeasurement gains (losses), for the period</b>	(36,968)	(141,084)	(65,214)	2,979
<b>Accumulated remeasurement (losses) end of period</b>	\$ (169,444)	\$ (94,212)	\$ (169,444)	\$ (94,212)

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

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Interim Condensed Statement of Change in Net Financial Assets  
(Unaudited)  
(Thousands of Canadian Dollars)

	Three months ended September 30			Nine months ended September 30		
		2024	2023		2024	2023
	Budget	Actual	Actual	Budget	Actual	Actual
Surplus (deficit) for the period	\$ 18,804	\$ 27,949	\$ 30,212	\$ 21,940	\$ (243,784)	\$ 106,052
Net remeasurement gains (losses) for the period	–	(36,968)	(141,084)	–	(65,214)	2,979
Increase(decrease) in financial assets	18,804	(9,019)	(110,872)	21,940	(308,998)	109,031
Net financial assets, beginning of period	3,117,333	3,030,686	3,419,582	3,114,197	3,330,665	3,199,679
<b>Net financial assets, end of period</b>	<b>\$ 3,136,137</b>	<b>\$ 3,021,667</b>	<b>\$ 3,308,710</b>	<b>\$ 3,136,137</b>	<b>\$ 3,021,667</b>	<b>\$ 3,308,710</b>

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

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Interim Condensed Statement of Cash Flow  
(Unaudited)  
(Thousands of Canadian Dollars)

	Three months ended September 30		Nine months ended September 30	
	2024	2023	2024	2023
<b>Operating activities:</b>				
Surplus (deficit) for the period	\$ 27,949	\$ 30,212	\$ (243,784)	\$ 106,052
Adjustments for non-cash items:				
Interest income – loans (Note 3)	(26,048)	(25,040)	(76,279)	(97,677)
Loan interest and fees received in cash (Note 3)	7,466	8,630	22,232	80,924
	9,367	13,802	(297,831)	89,299
Change in non-cash working capital:				
Interest and other receivables	(916)	(1,680)	1,302	(1,524)
Due to (from) shareholder	(284)	6	27	61
Trade payables	564	(226)	359	(291)
	(636)	(1,900)	1,688	(1,754)
Change in cash provided by (used in) operating activities	8,731	11,902	(296,143)	87,545
<b>Investing activities:</b>				
Loan repayments	–	–	12,351	312,531
Change in cash provided by investing activities	–	–	12,351	312,531
Cash, beginning of period	224,978	466,959	517,501	78,785
<b>Cash, end of period</b>	<b>\$ 233,709</b>	<b>\$ 478,861</b>	<b>\$ 233,709</b>	<b>\$ 478,861</b>

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

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Notes to the Interim Condensed Financial Statements (unaudited)

Three and nine months ended September 30, 2024

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

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## 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 interim condensed financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (“PSAS”) as issued by the Public Sector Accounting Board. These interim condensed financial statements were prepared using the same accounting policies as described in Note 2 of the Corporation’s 2023 Audited Financial Statements.

As interim condensed financial statements do not include all of the disclosures that would normally be provided in annual financial statements, these interim condensed financial statements should be read in conjunction with the Corporation’s 2023 Audited Financial Statements. Disclosures and information contained in the 2023 Audited Financial Statements apply to this quarter unless otherwise updated herein.



# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Notes to the Interim Condensed Financial Statements (unaudited)

Three and nine months ended September 30, 2024

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

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## 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.

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

# CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Notes to the Interim Condensed Financial Statements (unaudited)

Three and nine months ended September 30, 2024

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

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### 3. Loans to borrowers (continued):

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

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## 3. Loans to borrowers (continued):

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.

	September 30, 2024	December 31, 2023
Number of borrowers	4	4
<b>Total loan commitment</b>		
Unsecured loan facilities	\$ 512,000	\$ 512,000
Secured loan facilities	90,049	102,400
Airline voucher refund facilities	1,735,597	1,735,597
	\$ 2,337,646	\$ 2,349,997
<b>Total cumulative loan drawdown</b>		
Unsecured loan facilities	\$ 512,000	\$ 512,000
Secured loan facilities	90,049	102,400
Airline voucher refund facilities	1,735,597	1,735,597
	\$ 2,337,646	\$ 2,349,997
<b>Outstanding loan balance<sup>1</sup></b>		
Unsecured loan facilities	\$ 600,908	\$ 547,676
Secured loan facilities	90,008	101,545
Airline voucher refund facilities	1,736,197	1,736,197
	\$ 2,427,113	\$ 2,385,418

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

As at September 30, 2024, the Loans to borrowers balance includes accrued but unpaid interest of \$54,046 (December 31, 2023 – \$65,308) on the unsecured, secured, and airline voucher refund facilities.

For the three and nine months ended September 30, 2024, the amount of interest income recognized in the Statement of Operations using EIR was \$26,048 (September 30, 2023 - \$25,040) and \$76,279 (September 30, 2023 - \$97,677). Based on the terms of the loan agreements, the amount of interest and fees collected from borrowers in cash during the same period was \$7,466 (September 30, 2023 - \$8,630) and \$22,232 (September 30, 2023 – \$80,924) respectively.

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## 3. Loans to borrowers (continued):

The following table shows the principal and PIK Interest, loan repayments receivable for each of the next five years based on contractual maturity dates present as at September 30, 2024.

2024	\$	25,899
2025		22,750
2026		640,737
2027		–
2028		1,736,197
	\$	2,425,583

For additional information on the credit risk associated with the Corporation's loan portfolio, please refer to Note 7(a)

## 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 September 30, 2024, the fair value of these shares was \$353,548 (December 31, 2023 – \$403,161). 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 fair value of the warrants as at September 30, 2024 was \$6,338 (December 31, 2023 – \$21,939).

The following table summarizes the warrants issued and vested.

Company	Warrants issued			Warrants vested and outstanding as at			
	Number of warrants (in 000's)	Exercise price per share (in dollars)	Maturity Date	Number of warrants (in 000's)	Amount	Number of warrants (in 000's)	Amount
Transat A.T. Inc.	13,000	4.5000	April 2031	13,000	\$ 6,338	13,000	\$ 21,939
				13,000	\$ 6,338	13,000	\$ 21,939

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## 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 three and nine months ended September 30, 2024, CDEV provided management services to the Corporation, related to executives, administration, banking, financial, and support services, in respect of which it billed \$226 (September 30, 2023 - \$226) and \$678 (September 30, 2023 - \$678) respectively. 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.

	Three months ended September 30	
	2024	2023
Salaries and benefits, including director fees and expenses	\$ 56	\$ 59
Other expenses	25	–
	<u>\$ 81</u>	<u>\$ 59</u>

	Nine months ended September 30	
	2024	2023
Salaries and benefits, including director fees and expenses	\$ 183	\$ 167
Other expenses	36	–
	<u>\$ 219</u>	<u>\$ 167</u>

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## 6. Accumulated surplus:

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

### 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 period ended September 30, 2024 (December 31, 2023 – nil).

As at September 30, 2024, the Corporation had 1 authorized and fully paid common share (December 31, 2023 – 1) at a price of \$1 (December 31, 2023 – \$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.

On March 20, 2024, the Corporation redeemed 330,000 preference shares for \$330,000 from the government of Canada.

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## 6. Accumulated surplus (continued):

Changes to the preference shares issued and outstanding are summarized below.

	September 30, 2024		December 31, 2023	
	Number of shares (in 000's)	Amount	Number of shares (in 000's)	Amount
Balance, beginning of period	3,090	\$ 3,090,000	3,090	\$ 3,090,000
Shares issued	-	-	-	-
Shares redeemed	(330)	(330,000)	-	-
Balance, end of period	2,760	\$ 2,760,000	3,090	\$ 3,090,000

## 7. 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.

At each reporting period, the Corporation performs an assessment to determine loan collectability and risk of loss as required by Public Sector Accounting Standard 3050. As of September 30, 2024, management has identified certain loans within the portfolio that, while they have not experienced default or delinquency in interest or principal payments, exhibit potential indicators of impairment. However, due to the recent nature of the information and the inherent uncertainty surrounding potential outcomes of future events, including possible loan amendments, management believes that it is not yet possible to reasonably estimate the net recoverable

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## 7. Financial risk management (continued):

amount of the loans with sufficient precision. As such, no provision for loan loss has been recognized in the interim financial statements as at September 30, 2024 (December 31, 2023 – nil).

A detailed, comprehensive assessment is expected to be completed by the end of the 4<sup>th</sup> quarter. The outcome of this assessment may result in the recognition of a provision for loan losses.

### 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.



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## 7. Financial risk management (continued):

### 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 period ended September 30, 2024.

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

	September 30, 2024				December 31, 2023			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets measured at fair value</b>								
Equity investments	\$ 353,548	\$ –	\$ –	\$ 353,548	\$ 403,161	\$ –	\$ –	\$ 403,161
Warrants	–	–	6,338	6,338	–	–	21,939	21,939
	\$ 353,548	\$ –	\$ 6,338	\$ 359,886	\$ 403,161	\$ –	\$ 21,939	\$ 425,100

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## 7. Financial risk management (continued):

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 three and nine months ended September 30, 2024 and September 30, 2023.

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

	Fair value as at July 1, 2024	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at September 30, 2024	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	\$ 10,734	\$ (4,396)	\$ -	\$ -	\$ -	\$ -	\$ 6,338	\$ (4,396)
	\$ 10,734	\$ (4,396)	\$ -	\$ -	\$ -	\$ -	\$ 6,338	\$ (4,396)

	Fair value as at July 1, 2023	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at September 30, 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	\$ 44,212	\$ (20,071)	\$ -	\$ -	\$ -	\$ -	\$ 24,141	\$ (20,071)
	\$ 44,212	\$ (20,071)	\$ -	\$ -	\$ -	\$ -	\$ 24,141	\$ (20,071)

	Fair value as at January 1, 2024	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at September 30, 2024	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	\$ 21,939	\$ (15,601)	\$ -	\$ -	\$ -	\$ -	\$ 6,338	\$ (15,601)
	\$ 21,939	\$ (15,601)	\$ -	\$ -	\$ -	\$ -	\$ 6,338	\$ (15,601)

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## 7. Financial risk management (continued):

	Fair value as at January 1, 2023	Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at September 30, 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	\$ 3,195	\$ -	\$ -	\$ -	\$ -	\$ 24,141	\$ 3,195
	\$ 20,946	\$ 3,195	\$ -	\$ -	\$ -	\$ -	\$ 24,141	\$ 3,195

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

	September 30, 2024		December 31, 2023	
	Increase in fair value	Decrease in fair value	Increase in fair value	Decrease in fair value
<b>Assets measured at fair value</b>				
Warrants	\$ 1,793	\$ 1,885	\$ 2,406	\$ 2,974
	\$ 1,793	\$ 1,885	\$ 2,406	\$ 2,974