

**APPENDIX D**

*Canada Enterprise  
Emergency Funding Corporation*

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

**CANADA ENTERPRISE  
EMERGENCY FUNDING  
CORPORATION**

a subsidiary of

CANADA DEVELOPMENT INVESTMENT CORPORATION

**2022 to 2026  
CORPORATE PLAN SUMMARY**

and

**2022 CAPITAL BUDGET SUMMARY**

**December 2021**

CEEFC CORPORATE PLAN  
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## **1.0 EXECUTIVE SUMMARY AND CORPORATE PROFILE**

Canada Enterprise Emergency Funding Corporation (CEEFC), a wholly-owned subsidiary of Canada Development Investment Corporation (CDEV), was incorporated in May of 2020 to implement the Large Employer Emergency Financing Facility (LEEFF) mandated by the Government of Canada (“the Government”).

CEEFC’s primary activities since its incorporation in 2020 have been the negotiation and issuance of loans to applicants and the administration of those loans once issued. LEEFF loans are made based on prescribed terms documented in term sheets authorized by the Minister of Finance. In 2022, CEEFC expects its primary focus to be loan administration as it receives fewer applications and enquiries.

In 2021, CEEFC’s mandate expanded to include LEEFF loans to airlines for reimbursement of canceled flights (voucher loans) and LEEFF loans to large airlines.

As at December 2021, CEEFC has made six LEEFF liquidity loans, four voucher loans, and one “large airline” loan, with total commitments of \$7.4 billion. A total of \$2.7 billion has been drawn on these loans.

Two loans totaling \$380 million were repaid in October and November 2021. Additionally, in November 2021, Air Canada announced it was withdrawing from its financing agreement with CEEFC providing \$3.975 billion in facilities that were never accessed, and that it would be repurchasing the warrants issued to CEEFC as part of the initial transaction.

## **2.0 MANDATE AND BUSINESS OVERVIEW**

### **2.1 Mandate**

CEEFC is a federal non-agent Crown corporation, incorporated in May 2020 and wholly owned by its parent, CDEV. CEEFC is responsible for administering LEEFF. The objectives of LEEFF are to help protect Canadian jobs, help Canadian businesses weather the economic downturn brought on by the COVID-19 pandemic, and avoid bankruptcies of otherwise viable firms where possible. Pursuant to a directive issued to CEEFC on May 10, 2020 (order in council P.C. 2020-307, or “the Directive”), LEEFF loans are made in accordance with terms and conditions approved by the Minister of Finance.

The focus of the CEEFC board and management team is to evaluate loan applications in accordance with the LEEFF terms and conditions approved by the Minister and to administer loans issued. In 2021, the Minister authorized two new sets of LEEFF terms applicable to borrowers that are air carriers. No end date for the program was specified when LEEFF was created, and CEEFC intends to keep the program open for applications until the Government directs that it be closed.

The approval of loans is based on an assessment of the eligibility of the applicant and the cash needs of the applicant over the next 12-month period. If an applicant can meet the eligibility requirements and the prescribed terms, the applicant qualifies for a LEEFF loan, provided that the loan forms part of projections indicating a return to financial stability.

### **2.2 Business Overview**

CEEFC is responsible for receiving LEEFF applications, assessing the requests against the eligibility criteria and terms approved by the Minister of Finance, negotiating and entering into transactions in accordance with such terms, and funding these transactions. After loans are funded, CEEFC is responsible for the administration of those loans (and the management of any related equity instruments obtained). Assessments and processing of applications by CEEFC are generally performed with the assistance of qualified advisory firms engaged by CEEFC.

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

### **2.3 Loan Application and Approval Process**

Applications to LEEFF opened on May 20, 2020. CEEFC management, with the assistance of its advisors, evaluates loan applications and undertakes financial due diligence.

Canadian corporations are eligible under the LEEFF term sheet if they satisfy specified eligibility criteria, including having over \$300 million in revenue and requiring at least \$60 million in loans. The amount of the loan is sized to estimate the company's needs over the course of the 12 months following the loan and the loan can be drawn over the course of those 12 months. It is required that 20% of the loans be secured, and matching the terms obtained by other lenders. The remaining 80% of the loan is unsecured, with interest rates starting at 5% and escalating over the 5 years to maturity. To further compensate taxpayers, in addition to interest CEEFC receives warrants from public companies and fees from private companies.

In November 2020, the Government requested that CEEFC advise the Government in its engagement with airlines. In April 2021, after consideration of advice from CEEFC, the Minister of Finance directed that two new supplemental sets of terms – one for large air carriers and the other for voucher reimbursements – be considered approved LEEFF terms.

The voucher reimbursement terms are open to air carriers otherwise eligible for LEEFF. Borrowers under the Voucher Term Sheet are required to provide refunds to customers for certain flights canceled due to COVID-19. CEEFC may agree to a maximum voucher loan facility size up to the borrower's bona fide estimate of the amount of eligible refunds to customers, up to \$2 billion. Voucher loans have a seven-year maturity and the interest rate is set at the Government of Canada's 7-year bond rate at the closing date.

## **2.4 Loan Administration**

As the COVID-19 pandemic subsides and economic conditions ameliorate, CEEFC expects that its primary business activities will relate to the administration of existing loans, both ordinary course loan management and dealing with defaults and special situations presented by borrowers, if any.

### **3.0 CORPORATE GOVERNANCE AND OPERATING ENVIRONMENT**

CEEFC's board of directors consists of two directors of CDEV, three independent directors of CEEFC, the President and CEO of CEEFC, and the former Executive Vice President of CDEV. In January 2021, Mr. Zoltan Ambrus, a Vice President of CDEV, was appointed by the CEEFC board to serve as President and CEO.

CEEFC shares staff, office space, and administrative resources with its parent, CDEV. A services agreement was agreed between CDEV and CEEFC outlining the services that CDEV shall provide to CEEFC to help it implement LEEFF.

A Memorandum of Understanding was developed between CDEV and CEEFC outlining the responsibilities of each party to help ensure that CEEFC is able to provide the appropriate level of governance and reporting.

#### **3.1 COVID-19 Measures**

CEEFC was established to implement LEEFF in response to COVID-19, and therefore its strategic direction is necessarily impacted by the pandemic. Its operations have been developed on a primarily remote office environment basis. If a COVID-19 resurgence causes greater than anticipated economic hardship on Canadian corporations, the financial results of CEEFC are likely to be impacted significantly through related loan losses and potentially through higher loan volumes. However, COVID-19 is not expected to have an impact on CEEFC's operations, beyond its effect on the demand for LEEFF loans and the recovery on LEEFF loans and equity instruments.

## 4.0 CORPORATE PERFORMANCE

### 4.1 Assessment of 2021 Results to date

CEEFC's actual performance in 2021 as compared to the objectives outlined in the 2021-2025 Corporate Plan is as follows:

2021 Objectives	2021 Results
Manage enquiries from potential program applicants	CEEFC managed all enquiries received per its established processes and within established timelines.
Manage all aspects of the LEEFF loan program including due diligence of loan applications and overseeing the work of financial and legal advisors	CEEFC successfully managed due diligence of loan applications and oversight of advisors. No identified failures of due diligence or advisor oversight occurred.
Execute agreements and fund approved loans	In the first half of 2021, CEEFC successfully executed loan agreements with five borrowers representing loan facilities of approximately \$7 billion.
Evaluate any subsequent loan advance requests from borrowers	CEEFC established, refined and documented processes for evaluating loan advance requests. CEEFC reviewed and acted on loan advance requests within prescribed timelines.
Consider requests for consents or amendments from LEEFF borrowers and execute where appropriate	CEEFC received requests for consents and amendments in 2021. These were given due consideration and where appropriate, consents and amendments were given.
Monitor loans and deal with borrower defaults if any occur	CEEFC set up a loan monitoring process and continuously monitors its loans. To date, no loans have defaulted, and CEEFC monitors for events that may increase the risk of default.
Prepare the company to handle restructuring needs of borrowers should that become necessary	As part of CEEFC's engagement with a consulting firm engaged to assist in loan administration, the firm's restructuring experts are available to CEEFC as needed.
Develop and implement the required accounting processes for LEEFF loans	Developed accounting policies and processes required for LEEFF loans. These were implemented and properly reflected in the 2020 annual report.
Quarterly and regular evaluation of all borrowers and loans	In 2021, CEEFC set up a framework to assess the status of the loans in its portfolio.

Support the Government of Canada in discussions regarding potential financial assistance to airlines	CEEFC reached agreements for LEEFF liquidity loan facilities and voucher loan facilities with four Canadian airlines. CEEFC supplied advice to the Government of Canada to support policy decisions as needed.
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## **5.0 CEEFC - OBJECTIVES AND STRATEGIES FOR THE PERIOD 2022 TO 2026**

CEEFC's overarching objective is to manage LEEFF. For 2022 onward, this can be broken into two components: Processing new applications and loans; and managing existing loans and other assets.

With respect to new applications and loans, CEEFC's objectives remain as they have been since its establishment:

- Manage enquiries from potential program applicants;
- Manage all aspects of the LEEFF loan program including due diligence of loan applications and overseeing the work of financial and legal advisors; and
- Execute agreements and fund approved loans.

CEEFC expects new applications and loans will form a minor aspect of its duties in 2022 as economic distress caused by COVID-19 subsides. However, this could change as circumstances change.

With respect to existing loans, CEEFC seeks to ensure the prudent and responsible monitoring and administration of its loans in keeping with its stated approach (see 2.4 above). Objectives include:

- Evaluate and fund where appropriate any subsequent loan advance requests from borrowers;
- Consider requests for consents or amendments from LEEFF borrowers and execute where appropriate;
- Monitor loans and deal with borrower defaults if any occur;
- Prepare the company to handle restructuring needs of borrowers should that become necessary;
- Evaluate the status of loans on a regular basis;
- Enforce compliance with legal and policy requirements of LEEFF loans where appropriate; and
- Exercise rights associated with equity instruments as appropriate.

### **5.1 Risks and risk mitigation summary**

CEEFC has developed a risk assessment and reporting framework used for managing risks and board reporting. In the context of this framework, CEEFC identified four primary risks that warrant the greatest attention given their impact on the company: Macro-Economic Conditions, Loan Performance Risk, Lender Liability Risk, and Failure to Fulfill Objectives. Other risks continue to be evaluated and mitigated.

## 6.0 FINANCIAL SECTION

### 6.1 Financial Overview for 2021

Since inception, CEEFC granted loans to seven borrowers. As at December 2021, CEEFC had made six LEEFF liquidity loans, four voucher loans, and one “large airline” loan, with total commitments made of \$7.4 billion. A total of \$2.7 billion has been drawn on these loans. In addition to the loans, CEEFC purchased \$500 million in shares of Air Canada and was issued warrants in Air Canada and Air Transat.

Two LEEFF loans were repaid and those facilities closed in autumn 2021, returning \$380 million in capital and an additional \$40 million in interest and fees.

In late November 2021, Air Canada terminated its secured and unsecured loan facilities that were established as part of its LEEFF support package in April 2021. These facilities were never drawn by Air Canada. Air Canada maintains its \$1.4 billion voucher loan facility. Air Canada also provided notice it would repurchase the 7,288,282 warrants issued to CEEFC as part of the initial transaction.

### 6.2 Financial and other reporting

CEEFC’s parent CDEV undertook an analysis to determine if CDEV controlled CEEFC under IFRS 10 criteria for accounting purposes and concluded that it does not. CEEFC then determined that it will prepare its financial statements under PSAS.

### 6.3 Capital Budget

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

### 6.4 Planned Results for 2022

Expected Outcomes	Performance Indicators or Targets
LOAN ISSUANCE: Manage applicant enquiries	CEEFC actively monitors its communication channels to ensure all enquiries are responded to and processed in a timely manner.
LOAN ISSUANCE: Evaluate subsequent advance requests	CEEFC evaluates each subsequent loan advance to ensure continued compliance with LEEFF terms and to validate that all conditions precedent to subsequent advances have been met.
LOAN ADMINISTRATION: Monitor all loans	Ensure quarterly reporting and regular evaluation of all loans is up to date.

	Ensure CEEFC is aware and prepared to handle any restructuring needs of borrowers or to deal with borrower defaults if any occur.
LOAN ADMINISTRATION: Manage requests for consents and amendments on loans	Requests considered on a timely basis and accorded or rejected with results consistent with LEEFF objectives.
LOAN ADMINISTRATION: Manage defaults and restructurings where required	Survival of company and related jobs and avoidance of bankruptcy where possible in accordance with LEEFF objectives. Maximization of recovery to CEEFC in conjunction with LEEFF objectives.  Target will be to ensure CEEFC is properly represented within any restructuring and will hire appropriate advisors as required.

## CEEFC Pro-Forma Financial Statements 2021 - 2026

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION  
Proforma Statement of Financial Position  
Years ended December 31, 2020 to 2026  
Cdn\$ '000

Schedule 1  
**PSAS**  
REVISED - JAN 2022

	2020	2021	2021	2022	2023	2024	2025	2026
	Actual	Plan	Forecast	Plan	Plan	Plan	Plan	Plan
<b>Financial Assets</b>								
<b>Current assets:</b>								
Cash and short term investments	82,673	229,369	332,639	12,089	14,034	13,433	12,444	10,604
<b>Total current assets</b>	82,673	229,369	332,639	12,089	14,034	13,433	12,444	10,604
<b>Other assets:</b>								
Loans receivable	112,211	3,657,500	2,345,113	2,404,294	2,275,434	2,275,434	1,603,774	1,362,352
Equities	-	-	500,000	500,000	500,000	500,000	500,000	500,000
Warrants	-	-	-	-	-	-	-	-
Due from Shareholder	187	-	-	-	-	-	-	-
<b>Total other assets</b>	112,398	3,657,500	2,845,113	2,904,294	2,775,434	2,775,434	2,103,774	1,862,352
<b>Total Assets</b>	<b>195,071</b>	<b>3,886,869</b>	<b>3,177,752</b>	<b>2,916,383</b>	<b>2,789,468</b>	<b>2,788,867</b>	<b>2,116,218</b>	<b>1,872,955</b>
<b>Financial Liabilities</b>								
<b>Current liabilities:</b>								
Accounts payable and accrued liabilities	5,613	-	1,688	-	-	-	-	-
<b>Total current liabilities</b>	5,613	-	1,688	-	-	-	-	-
<b>Net Financial Assets and Accumulated Surplus</b>	<b>189,458</b>	<b>3,886,869</b>	<b>3,176,064</b>	<b>2,916,383</b>	<b>2,789,468</b>	<b>2,788,867</b>	<b>2,116,218</b>	<b>1,872,955</b>

**CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION**

**Proforma Statement Of Cash Flow**

Years ended December 31, 2020 to 2026

Cdn\$ '000

Schedule 2

**PSAS**

REVISED - JAN 2022

	2020	2021	2021	2022	2023	2024	2025	2026
	Actual	Plan	Forecast	Plan	Plan	Plan	Plan	Plan
<b>Operating activities:</b>								
Net operating profit	189,458	2,844,197	2,986,606	(259,681)	(126,916)	(601)	(672,649)	(243,263)
Adj. for non-cash items	(3,011)	(55,000)	(85,437)	(41,181)	-	-	-	-
Provision for credit loss	-	-	-	-	37,215	-	167,915	60,356
Changes in non-cash working capital								
Due from Shareholder	(187)	-	187	-	-	-	-	-
Trade and Other Payables	5,613	-	(3,591)	(1,688)	-	-	-	-
<b>Cash from operating activities</b>	<b>191,873</b>	<b>2,789,197</b>	<b>2,897,765</b>	<b>(302,550)</b>	<b>(89,701)</b>	<b>(601)</b>	<b>(504,734)</b>	<b>(182,907)</b>
<b>Investing activities:</b>								
Loans issued, net of transaction fees	(109,200)	(4,800,000)	(2,568,225)	(150,000)	(20,000)	-	-	-
Repayment of Loans - received	-	2,000,000	420,426	132,000	111,645	-	503,745	181,067
Purchase of Air Canada stock	-	-	(500,000)	-	-	-	-	-
<b>Cash from investing activities</b>	<b>(109,200)</b>	<b>(2,800,000)</b>	<b>(2,647,799)</b>	<b>(18,000)</b>	<b>91,645</b>	<b>-</b>	<b>503,745</b>	<b>181,067</b>
<b>Cash, beginning of year</b>	<b>-</b>	<b>240,172</b>	<b>82,673</b>	<b>332,639</b>	<b>12,089</b>	<b>14,034</b>	<b>13,433</b>	<b>12,444</b>
<b>Change in cash</b>	<b>82,673</b>	<b>(10,803)</b>	<b>249,966</b>	<b>(320,550)</b>	<b>1,945</b>	<b>(601)</b>	<b>(989)</b>	<b>(1,841)</b>
<b>Cash, end of year</b>	<b>82,673</b>	<b>229,369</b>	<b>332,639</b>	<b>12,089</b>	<b>14,034</b>	<b>13,433</b>	<b>12,444</b>	<b>10,604</b>

**Canada Enterprise Emergency Funding Corporation**  
**2022-2026 Corporate Plan Summary**

**December 2021**

**CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION**

**Proforma Statement of Operations and Accumulated Surplus**

Years ended December 31, 2020 to 2026

Cdn\$ '000

Schedule 3

**PSAS**

REVISED - JAN 2022

	2020	2021	2021	2022	2023	2024	2025	2026
	Actual	Plan	Forecast	Plan	Plan	Plan	Plan	Plan
<b>Revenue</b>								
Interest income	3,205	167,000	102,338	102,679	105,859	95,959	81,826	33,653
Gain from warrant	-	-	-	82,200	-	-	-	-
Gain on share sale	-	-	-	-	-	-	-	-
<b>Total revenue</b>	<b>3,205</b>	<b>167,000</b>	<b>102,338</b>	<b>184,879</b>	<b>105,859</b>	<b>95,959</b>	<b>81,826</b>	<b>33,653</b>
<b>Operating expenses</b>								
Professional fees <sup>1</sup>	12,464	18,016	4,571	3,000	4,000	5,000	5,000	5,000
Management fee	535	1,900	679	680	680	680	680	680
Salaries and benefits	375	1,687	315	200	200	200	200	200
Other expenses	374	1,200	167	680	680	680	680	680
<b>Total operating expenses</b>	<b>13,748</b>	<b>22,803</b>	<b>5,732</b>	<b>4,560</b>	<b>5,560</b>	<b>6,560</b>	<b>6,560</b>	<b>6,560</b>
Provision for credit loss <sup>2</sup>	-	-	-	-	(37,215)	-	(167,915)	(60,356)
<b>Op. profit (loss) before government contribution</b>	<b>(10,543)</b>	<b>144,197</b>	<b>96,606</b>	<b>180,319</b>	<b>63,084</b>	<b>89,399</b>	<b>(92,649)</b>	<b>(33,263)</b>
Government contribution	200,001	5,800,000	2,890,000	-	-	-	-	-
Government repayment	-	(3,100,000)	-	(440,000)	(190,000)	(90,000)	(580,000)	(210,000)
<b>Net operating profit</b>	<b>189,458</b>	<b>2,844,197</b>	<b>2,986,606</b>	<b>(259,681)</b>	<b>(126,916)</b>	<b>(601)</b>	<b>(672,649)</b>	<b>(243,263)</b>
Accumulated surplus (deficit), beginning of period	-	1,042,672	189,458	3,176,064	2,916,383	2,789,468	2,788,867	2,116,218
<b>Accumulated surplus (deficit), end of period</b>	<b>189,458</b>	<b>3,886,869</b>	<b>3,176,064</b>	<b>2,916,383</b>	<b>2,789,468</b>	<b>2,788,867</b>	<b>2,116,218</b>	<b>1,872,955</b>

<sup>1</sup> Some of the fees have been recovered from borrowers but are shown as an expense in the year incurred. The recovery is recognized over the life of the loan.

<sup>2</sup> Based on estimated credit loss per new accounting treatments (PS3450)