

Canada Enterprise Emergency Funding Corporation continues protecting Canadian jobs with final Large Employer Emergency Financing Facility loan to Transat

Jul 29, 2022

Today, the Canada Enterprise Emergency Funding Corporation (CEEFC), a wholly owned subsidiary of Canada Development Investment Corporation (CDEV), announced an additional loan to Transat A.T. Inc. ("Transat") under the Large Employer Emergency Financing Facility (LEEFF) to protect jobs in Canada's airline sector.

This loan brings to a conclusion an application Transat filed during the height of the Omicron wave, which severely impacted the company's revenues and workers.

As of today, CEEFC has stopped accepting new LEEFF applications, reflecting Canada's strong economic recovery from the pandemic and the fact that no new applications for securing LEEFF loans have been received from Canadian companies, except for Transat, over the last year. The period for LEEFF applications is now closed.

Since its founding in 1987, Transat has become a major employer in Montreal—and across Canada—as Canada's third largest airline, with over 3,000 active employees. This loan agreement requires Transat to maintain its workforce. As a further requirement to this loan, Transat is obligated to follow the [Air Passenger Bill of Rights](#).

In this final LEEFF loan, Transat will receive up to \$150 million to protect Canadian jobs and ensure operations can continue, despite the company's ongoing capital operating challenges as a result of the pandemic. The amount consists of \$100 million up front in LEEFF loans, and another \$50 million loan contingent on Transat raising third-party funding (matched dollar for dollar up to \$50 million).

As a result of the [first LEEFF loan to Transat](#) in April 2021, thousands of Canadian jobs have been protected and the company has been able to maintain its operations.

LEEFF recipients, including Transat, must commit to protecting jobs and sustaining their domestic business activities, and must demonstrate that funding under LEEFF forms part of their overall plan to return to financial stability. The terms of LEEFF also impose strict limits on executive compensation and prohibit the payment of dividends and other distributions by a loan recipient.

Lazard acted as sole financial advisor to CEEFC for this transaction. Torys LLP acted as legal advisor to CEEFC.

Quick facts

- The LEEFF program was open to all large, for-profit Canadian employers who have been affected by the pandemic.
- In order to qualify for LEEFF, a company was required to have more than \$300 million of annual revenues and require a loan of at least \$60 million.
- All LEEFF recipients are subject to specific operating requirements while the loan is outstanding including:
 - Prohibitions on dividends, capital distributions and share repurchases; and,
 - Executive compensation restrictions.
- Companies receiving financing through LEEFF are required to commit to publishing annual climate-related disclosure reports consistent with the Financial Stability Board's Task Force on Climate-related Financial Disclosures, including how their future operations will support environmental sustainability and national climate goals.
- Companies agree to sustain their domestic operations and make all reasonable commercial efforts to maintain their workforce.
- Key terms of LEEFF can be found at <https://www.ceefc-cfuec.ca/leeff-factsheet/>.
- A list of approved LEEFF financing can be found at <https://www.ceefc-cfuec.ca/approved-loans/>.

Additional Disclosure

CEEFC is a federal Crown corporation, incorporated in May 2020 under the *Canada Business Corporations Act* and is wholly owned by CDEV, a parent Crown corporation. CEEFC is responsible for administering LEEFF.

Transat issued to CEEFC an aggregate of 4,687,500 warrants (the "Tranche 2 Warrants") as consideration for CEEFC making the \$80 million unsecured loan (the "Unsecured Loan Facility" and together with a \$20 million secured revolving facility, the "Loan Facilities") available to Transat. Immediately prior to the issuance of the Tranche 2 Warrants, CEEFC and its affiliates owned 13,000,000 warrants exercisable for 13,000,000 Class B voting shares (each, a "Class B Share") of Transat (the "Tranche 1 Warrants" and together with the Tranche 2 Warrants, the "Warrants"). Immediately following the issuance of the Tranche 2 Warrants, CEEFC holds 17,687,500 Warrants exercisable for 17,687,500 Class B Shares representing 31.9% of the aggregate number of outstanding Class A variable voting shares (each, a "Class A Share") of Transat and Class B Shares, subject to the limitations described below.

Each Tranche 2 Warrant entitles CEEFC to purchase one Class B Share at an exercise price of \$3.20 per Class B Share (the "Exercise Price") or, at the option of CEEFC, by way of "cashless exercise". The aggregate number of Class B Shares issuable upon exercise of the Tranche 2 Warrants is 4,687,500 Class B Shares, assuming CEEFC does not otherwise own or exercise control over any Class B Shares or Class A Shares (collectively, the "Voting Shares") at the time of exercise, representing 11.0% of the aggregate number of outstanding Class A Shares and Class B Shares. In the event that the number of Class B Shares to be issued upon exercise of the Tranche 2 Warrants exceeds the lesser of (i) 4,687,500 and, (ii) that number of Class B Shares which, when aggregated with the number of Class B Shares owned or controlled by CEEFC at the time of exercise, equals 19.9% of the number of Class A Shares and Class B Shares outstanding, in aggregate, after giving effect to the issuance of the Class B Shares pursuant to the Warrant exercise, instead of issuing Class B Shares in excess of that amount, the excess Warrants being exercised will be settled by way of cash payment to CEEFC in accordance with the terms of the Tranche 2 Warrant. As a result of similar limitations in the Tranche 1 Warrants, at no time will the exercise of Warrants by CEEFC result in CEEFC beneficially owning or controlling in excess of 19.9% of the number of Class A Shares and Class B Shares outstanding, in aggregate.

Tranche 2 Warrants will vest ("Vested Warrants") in proportion to drawdown of the Unsecured Loan Facility during the availability period until October 29, 2023. Vested Warrants may be exercised, in whole or in part, at any time prior to 5:00 pm on July 29, 2032 (the "Time of Expiry"), provided that only

half of the Vested Warrants may be exercised prior to December 31, 2023. One half of the Vested Warrants will be canceled if the Unsecured Loan Facility is repaid prior to December 31, 2023.

CEEFC is restricted from transferring any Class B Shares issuable upon exercise of the Tranche 2 Warrants prior to November 30, 2022 pursuant to applicable securities laws, subject to certain exceptions. CEEFC is restricted from transferring any Tranche 2 Warrants prior to the repayment of the Loan Facilities.

CEEFC intends to hold the Tranche 2 Warrants for investment purposes. Depending on market conditions and other factors, including Transat's business and financial condition, CEEFC may dispose of some or all of the securities of Transat that it owns. CEEFC and its affiliates do not intend to acquire additional equity securities of Transat except through (i) the possible exercise of the Tranche 2 Warrants and (ii) the possible acquisition of additional warrants in consideration of additional unsecured loan facilities in an amount up to \$40,000,000 or pursuant to rights under the Loan Facilities to provide additional financing on the same terms as a third party equity investment.

An early warning report will be filed by CEEFC in accordance with applicable securities laws and will be available on SEDAR at www.sedar.com or may be obtained directly from CEEFC upon request from Noreen Flaherty at 416-966-2221.