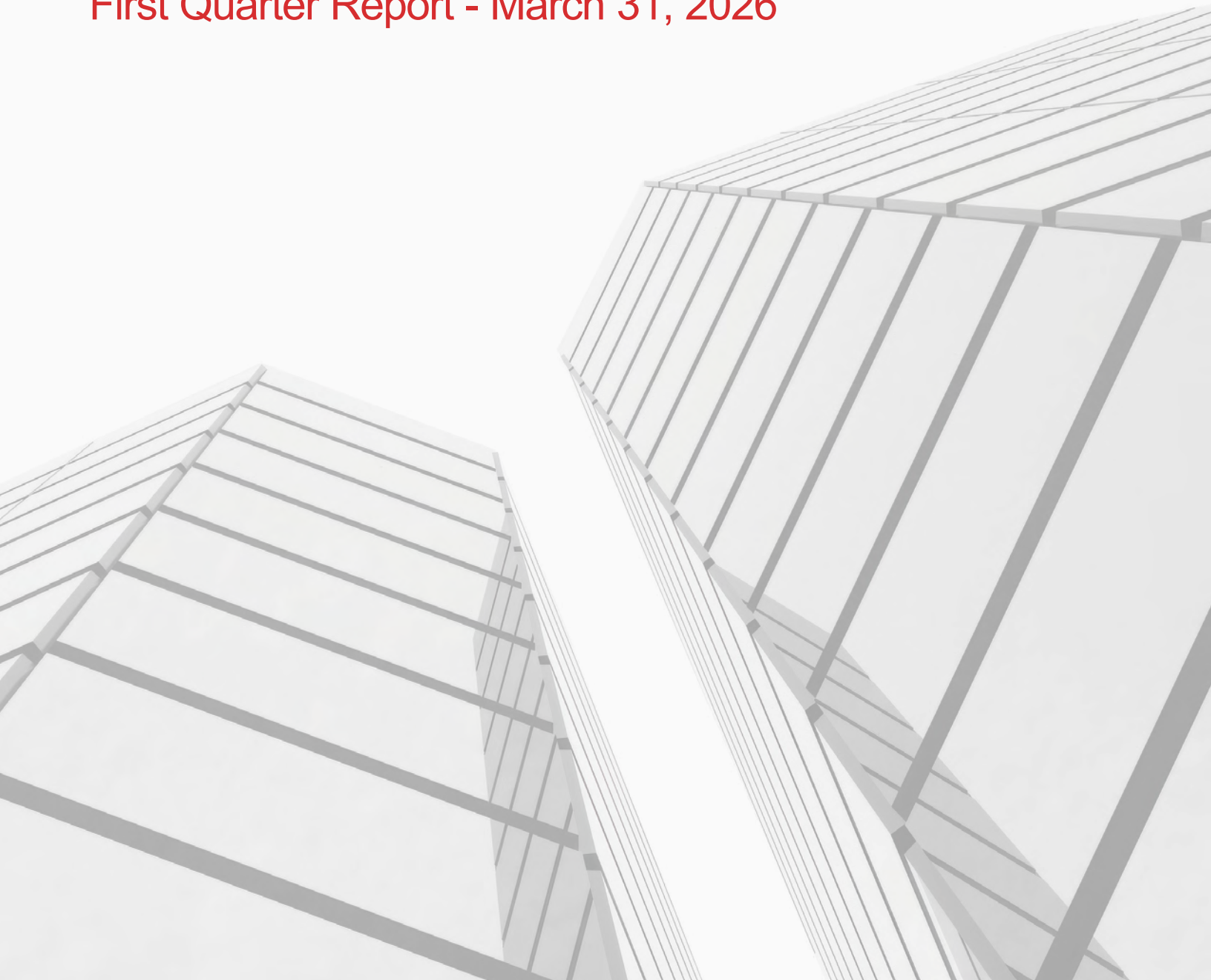


# Canada Enterprise Emergency Funding Corporation

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

---

First Quarter Report - March 31, 2026



## 2026 CEEFC FIRST QUARTER INTERIM REPORT

### Contents

Management Responsibility For Financial Statements.....	1
Mandate and Corporate Governance Practices.....	2
Management Discussion and Analysis of Results .....	6
Interim Condensed Financial Statements of Canada Enterprise Emergency Funding Corporation for the period ended March 31, 2026 .....	9

### Corporate Address

Canada Enterprise Emergency Funding Corporation  
161 Bay Street, Suite 4540  
Toronto, Ontario M5J 2S1

Telephone: (416) 966-2221  
Facsimile: (416) 966-5485  
Website: [www.ceefc-cfuec.ca](http://www.ceefc-cfuec.ca)

## 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 May 19, 2026. 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 Chief Financial Officer 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 March 31, 2026, and its financial performance and cash flows for the three months ended March 31, 2026.

*Lorraine Audsley*

**Lorraine Audsley**  
President and Chief Executive Officer  
CEEFC



**Michael Woodward**  
Chief Financial Officer  
CEEFC

May 19, 2026

## 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 was 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 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 caused by the pandemic. Financial support could also have included an investment by the Corporation, in common voting shares of large airlines.

As of July 2022, as directed by the Minister of Finance, CEEFC no longer accepts or processes new LEEFF loan applications. Existing loans are commercially managed with a focus on maximizing recoveries, obtaining Minister of Finance approval for amendments when necessary.

## **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 cancelled travel caused by 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 Program.

## **Large Enterprise Tariff Loan (LETL) Facility**

In March 2025, CEEFC was mandated by the Government of Canada to establish and administer the Large Enterprise Tariff Loan (LETL) Facility. The LETL Facility is aimed at providing up to 36-months of liquidity assistance, after considering all other sources of capital, in the form of interest-bearing term loans to large Canadian enterprises who have been (or expect to be) affected by new tariffs and countermeasures.

The objective is to help protect Canadian jobs, business operations, and investment activities by providing otherwise viable large Canadian businesses with access to liquidity until they can return to more traditional market financing. The additional liquidity provided through LETL will allow Canada's largest businesses and their suppliers to remain active during this difficult time and position them for a rapid economic recovery.

In July 2025, the Government of Canada announced that the LETL Facility would be updated to expand eligibility and provide lower cost financing to firms in the steel industry and further announced in September 2025 that such changes would apply to all industries.

These changes included:

1. reducing the minimum annual revenue requirement from \$300 million to \$150 million,
2. reducing the minimum loan size from \$60 million to \$30 million,
3. extending the loan maturity from 5 to 7 years,
4. reducing the initial interest rate; and
5. requiring companies to prioritize worker retention.

In April 2026, the Minister of Finance made amendments to the LETL terms and conditions, providing greater flexibility and discretion to CEEFC in administering the facility.

LETL is funded through the issuance of preferred shares, issued to fund approximately one quarter of expected draws in advance.

As of March 31, 2026, \$575 million has been committed and \$325 million is outstanding under the LETL Facility.

## **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 LEEFF loans and related assets. CEEFC was funded through preference shares issued to the Government of Canada in accordance with a funding agreement.

Since the outset of LETL, CEEFC is 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 or those varied with approval from the Minister. CEEFC will be funding LETL 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 2024 was published in July 2025. 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 that works closely with financial and legal advisors, 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.

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 warrants and preferred shares that are subject to market risk that will affect future financial results when sales are made.

## Management Discussion and Analysis of Results

### Corporate Performance

As part of its mandate, CEEFC funds loans in accordance with its existing agreements and monitors and manages its portfolio of loans and other assets. CEEFC is required to receive loan applications and assess the requests against the eligibility criteria and terms approved by the Minister of Finance.

CEEFC developed processes and procedures to implement both the LETL Facility and the LEEFF Program. CEEFC also engaged financial and legal advisors to assist in evaluating loan applications and executing loan documents. Detailed below are the outstanding loans that CEEFC has issued, which the Corporation is now monitoring and managing.

### Loans issued and outstanding

Facility type	Amortized Cost Loan Outstanding <sup>(1)</sup>	Principal Outstanding <sup>(2)</sup>	Undrawn Commitment <sup>(3)</sup>
Unsecured	\$ 567 million	\$ 817 million	\$ 250 million
Secured	\$ 95 million	\$ 241 million	-
Voucher	\$ 1,380 million	\$ 1,383 million	-
Working Capital	-	-	-
	\$ 2,042 million	\$ 2,441 million	\$ 250 million

1. Includes interest balances accrued by paying in kind (“PIK”), EIR adjustments and any provisions, net of transaction fees.
2. Includes interest balances accrued by paying in kind (“PIK”). Excludes any balances accrued on the balance sheet under the EIR method. Includes fees due on maturity.
3. Includes only those undrawn commitments that remain available to be drawn.

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.

### Loan Issuance

In Q1, \$99 million was drawn against a \$400 million loan facility. As of March 31, 2026, a total of \$166 million has been drawn.

On December 17, 2025, a new \$115 million loan facility was issued. \$45 million was drawn by December 31, 2025. This loan was upsized to \$175 million by March 2026 and as of March 31, 2026, a total of \$159 million has been drawn.

### Repayment or Restructuring of Loans

In February 2026, a \$30 million working capital loan previously disbursed in August 2025 was fully repaid.

## **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. Ongoing global uncertainty resulting from trade disputes, related tariff measures, and continued conflict in the Middle East has affected borrowers across multiple sectors. In particular, rising fuel costs associated with these conditions have adversely impacted certain borrowers. All CEEFC's airline borrowers were severely impacted by domestic and international travel restrictions and other economic impacts from COVID-19 on their operations and continue to be impacted by wider trade-related sentiment towards travel to the United States.

## **Risks**

A substantial amount of credit risk is associated with LEEFF and LETL loans based on the terms and eligibility criteria of the programs. 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 either by the COVID-19 pandemic under LEEFF or by new tariffs and countermeasures under the LETL Facility, 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 and LETL term sheets and not on an assessment of the borrower's creditworthiness or otherwise lend as directed by the Minister.

CEEFC has a high tolerance for macro-economic risks and for potential financial losses within the terms of the LEEFF Program and LETL Facility. CEEFC monitors the activities of companies in its loan portfolio. Provisions arise when there is some uncertainty in the timing or amount of repayment in the future. For the period ended March 31, 2026, a "LETL" borrower has filed for Companies' Creditors Arrangement Act ("CCAA") protection following the depletion of its liquidity. As a result, a loan loss provision of \$140,000 was recognized (December 31, 2025 - nil). The losses are reported in the Statement of Operations and as a reduction of the loans to borrowers in the Statement of Financial Position. The borrower filed for CCAA on May 1, 2026.

## **Financial Statements for the period ended March 31, 2026**

The financial statements for the period ended March 31, 2026, 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 period ended March 31, 2026, was \$23 million compared to \$20 million for the same period in 2025. The increase of \$3 million in revenue is mainly due to higher interest income driven by a modest increase in average loan balances.

The increase in total expenses in 2026 compared to the same period in 2025 is primarily attributable to a \$140 million provision for loan losses recognized during the period.

Cash as at March 31, 2026, was \$279 million compared to \$456 million as at December 31, 2025. The decrease of \$177 million in cash balances when the two periods are compared is mainly due to the loan of \$213 million disbursed during the period and repayment of \$30 million working capital loan from one of the borrowers.

Loans to borrowers totaled \$2,042 million as at March 31, 2026, compared to \$1,995 million as at December 31, 2025. The increase is primarily due to the net movement between disbursement of new loans, repayment of old loans and the provision charged for the period.

The fair value of the borrower's warrants as at March 31, 2026, was \$47 million compared to \$41 million on December 31, 2025. The significant increase is attributed to the additional warrants of \$3.1 million granted by one of the borrowers and increase in fair value of the existing warrants amounting to \$2.2 million

No dividends were paid to the common or preference shareholders during the period ended March 31, 2026.

### **Variances to Budget**

Variances between budgeted and actual financial results for the period ended March 31, 2026, reported on the Statement of Operations are discussed below.

Total revenue for the period ended March 31, 2026, was \$30 million below budget, primarily due to lower-than-budgeted loan disbursements, resulting in reduced interest income from borrowers.

Total expenses for the period ended March 31, 2026, exceeded budget by \$140 million, primarily due to the recognition of a provision for loan losses.

Government contributions were \$1,215 million below budget, reflecting that no funding was requested from the Government of Canada in Q1 2026 in respect of the new LETL Facility.

Interim Condensed Financial Statements of

CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION

Three Months Ended March 31, 2026

(Unaudited)

**CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION**

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

	March 31, 2026	December 31, 2025
<b>Financial Assets</b>		
Cash	\$ 279,570	\$ 456,261
Interest and other receivables	802	722
Loans to borrowers (Note 3)	2,041,642	1,994,685
Derivative (Note 4)	16,600	17,400
Preference Shares (Note 4)	9,007	9,340
Warrants (Note 4)	46,646	41,254
	2,394,267	2,519,662
<b>Financial Liabilities</b>		
Trade payables	1,138	611
Deferred liability (Note 8)	15,972	24,877
Due to shareholder (Note 5)	1,651	984
	18,761	26,472
<b>Net Financial Assets and Accumulated Surplus (Note 6)</b>	<b>2,375,506</b>	<b>2,493,190</b>
Accumulated surplus is comprised of:		
Accumulated surplus from operations	2,393,960	2,512,768
Accumulated remeasurement losses	(18,454)	(19,578)
	\$ 2,375,506	\$ 2,493,190

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

On behalf of the Board:  Nathalie Bernier (May 22, 2026 16:18:11 EDT) Director  Sandra Rosch (May 22, 2026 16:35:31 EDT) Director

**CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION**

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

	<b>Three months ended March 31</b>		
	Budget <sup>(1)</sup>	2026 Actual	2025 Actual
<b>Revenue</b>			
Interest income – loans	\$ 50,810	\$ 20,444	\$ 18,288
Interest income – bank	1,970	2,196	1,828
	<u>52,780</u>	<u>22,640</u>	<u>20,116</u>
<b>Expenses</b>			
Professional fees	495	532	190
Management fees (Note 5)	294	594	226
Salaries and benefits	136	321	55
Provision for losses on loans (Note 3)	-	140,000	-
	<u>925</u>	<u>141,447</u>	<u>471</u>
<b>(Deficit) surplus before government contribution</b>	<b>51,855</b>	<b>(118,808)</b>	<b>19,645</b>
Government contribution (repayment) (note 6)	1,215,000	-	-
<b>(Deficit) surplus for the period</b>	<b>1,266,855</b>	<b>(118,808)</b>	<b>19,645</b>
Accumulated surplus from operations, beginning of period	2,671,880	2,512,768	2,235,811
<b>Accumulated surplus from operations, end of period</b>	<b>\$ 3,938,735</b>	<b>\$ 2,393,960</b>	<b>\$ 2,255,456</b>

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

<sup>1</sup> The 2026 financial year budget is reflected in the Statement of Operations and the Statement of Change in Net Financial Liabilities. Budget data presented in these financial statements is based upon the 2026 projections and estimates contained within the 2026 to 2030 Corporate Plan.

**CANADA ENTERPRISE EMERGENCY FUNDING CORPORATION**

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

	<b>Three months ended March 31</b>	
	<b>2026</b>	<b>2025</b>
<b>Accumulated remeasurement losses, beginning of period</b>	\$ (19,578)	\$ (21,469)
<b>Remeasurement gains (losses) arising during the period</b>		
Unrealized gains (losses) on preference shares	(332)	-
Unrealized gains (losses) on warrants	2,256	(3,233)
Unrealized gains (losses) on derivatives	(800)	-
<b>Net remeasurement gains, for the period</b>	<b>1,124</b>	<b>(3,233)</b>
<b>Accumulated remeasurement losses, end of period</b>	\$ <b>(18,454)</b>	\$ <b>(24,702)</b>

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)

	<b>Three months ended March 31</b>		
		2026	2025
	Budget	Actual	Actual
(Deficit) surplus for the period	\$ 3,945,546	\$ (118,808)	\$ 19,645
Net remeasurement gains for the period	-	1,124	(3,233)
Increase (decrease) in financial assets	3,945,546	(117,684)	16,412
Net financial assets, beginning of period	-	2,493,190	2,214,342
<b>Net financial assets, end of period</b>	<b>\$ 3,945,546</b>	<b>\$ 2,375,506</b>	<b>\$ 2,230,754</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)

	<b>Three months ended March 31</b>	
	2026	2025
<b>Operating activities:</b>		
(Deficit) surplus for the period	\$ (118,808)	\$ 19,645
Adjustments for non-cash items:		
Interest income – loans (Note 3)	(20,444)	(18,288)
Provision for losses on loans (Note 3)	140,000	-
Loan interest and fees received in cash (Note 3)	4,896	17,853
	5,644	19,210
Change in non-cash working capital:		
Interest and other receivables	(80)	762
Due from (to) shareholder	667	(4)
Trade payables	527	(380)
	1,114	378
Change in cash (used in) provided by operating activities	6,758	19,588
<b>Investing activities:</b>		
Loans to borrowers, net of fees and recoverable expenses	(213,450)	-
Principal repayment of loans to borrowers	30,000	42,557
Change in cash (used in) provided by investing activities	(183,450)	42,557
Cash, beginning of period	456,261	250,915
<b>Cash, end of period</b>	<b>\$ 279,570</b>	<b>\$ 313,060</b>

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

## 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. Existing loans are commercially managed with a focus on maximizing recoveries, obtaining Minister of Finance approval for amendments when necessary.

### **Large Enterprise Tariff Loan Facility (“LETL” or “LETL Facility”)**

On March 23, 2025, a section 89 directive was issued by the Governor in Council to CEEFC (P.C. 2025-0455) directing it to administer a new credit support facility for large Canadian companies affected by actual and potential tariffs and countermeasures, in accordance with the terms and conditions approved by the Minister of Finance or those varied with approval from the Minister. On the same day, CDEV was also issued a section 89 directive (P.C. 2025-0456) to take such steps as are necessary to ensure that CEEFC administers this new credit support facility, in accordance with any directive that may be given to CEEFC. Additionally, an order in council (OIC) was issued on March 23, 2025, under paragraph 60.2(2)(a) of the FAA to authorize the Minister of Finance to enter into a contract with CEEFC to purchase up to \$10 billion in securities to finance this new credit support facility.

The order in council mandated CEEFC to establish and administer the LETL Facility. The LETL Facility is a program aimed at providing liquidity assistance in the form of interest-bearing term loans to large Canadian enterprises who have been (or expect to be) affected by new tariffs and countermeasures. In September 2025, the Prime Minister announced a further modification to the LETL Facility to allow for the participation of companies with revenues over \$150 million and provide additional financial support, through flexible terms to help firms in all sectors impacted by tariffs adapt, diversify, and grow

The intent of the LETL Facility is to provide financing to cover an eligible applicant’s 36-month liquidity shortfall, after considering all other sources of capital, helping these enterprises preserve employment and operations until they can access more traditional market financing.

## **1. Reporting entity (Continued):**

The objective of this support is to help protect Canadian jobs, business operations, and investment activities in the face of actual and potential tariffs and countermeasures. This will be accomplished by providing otherwise viable large Canadian businesses with access to liquidity until they can return to more traditional market financing. The additional liquidity provided through LETL will allow Canada's largest businesses and their suppliers to remain active during this difficult time and position them for a rapid economic recovery.

In April 2026, the Minister of Finance made amendments to the LETL terms and conditions, providing greater flexibility and discretion to CEEFC in administering the facility.

## **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 includes 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 both the LEEFF Program and LETL Facility 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 loans, 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 cumulative amount of draws under the unsecured loan, 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 do 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 and recognizes a loss on extinguishment for the significant change.

When the amount of a loss is known with sufficient precision, and there is no prospect of recovery, the loan receivable is reduced by the amount of that loss. The write down of the loan receivable cannot be reversed subsequently.

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").

## 2. Significant accounting policies (continued):

Professional fees incurred relevant to a loan are recovered directly from the borrower upon the issuance of the loan. Since both the fees incurred and those recovered from borrowers upon the issuance of a loan completely offset, there is no impact on the amounts recognized in income through the effective interest method.

### 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 evidence of impairment. Where there is evidence of impairment, a provision for losses on loans is recorded to reduce the loans and other receivables to their expected net recoverable value.

The provision for losses on loans 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 provision for losses on loans 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 2(b) 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.

### The Corporation's Financial Assets and Liabilities are measured as follows:

Financial Statements Components	Measurement
Cash	Cost
Interest and other receivables	Amortized Cost
Loans to borrowers	Amortized Cost
Warrants	Fair value
Common Shares	Fair value
Preference Shares	Fair value
Trade payables	Amortized Cost
Due to shareholders	Amortized Cost

### e) Government contribution and repayments:

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.

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

## **2. Significant accounting policies (continued):**

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 the Government repayment line. For further details, see Note 6.

### **f) Deferred liability:**

When 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) 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 the borrower's ability to meet their loan repayment obligations based on their projected cash flows and financial projections.

Measurement uncertainty that is material to these financial statements exists in the recoverable amount of loans to borrowers and in the fair value of equity investments classified as level 2 and 3. The evolving global trade environment, on-going conflict in the middle east, including shifting tariffs and geopolitical tensions, contributes to heightened economic uncertainty and market volatility. These factors introduce an additional level of uncertainty for the measurement of certain accrued interest income, equity investments and loans to borrowers recorded in these financial statements. While the estimates used are based on the best available information, near-term changes in conditions could materially impact the amounts recognized or disclosed.

Management determines the provision for losses on loans, based on credit assessment of the borrower and other factors described in Note 7.

## **2. Significant accounting policies (continued):**

### **i) Equity investments:**

Equity investments include investment in common shares, preference shares, and warrants in Canadian publicly traded companies.

#### **(i) Common and preference 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 certain 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 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.

### **j) Future changes in accounting standards:**

Effective April 1, 2026, both the new Conceptual Framework and PS 1202 will apply to all public sector entities following public sector accounting standards in Canada.

#### **Conceptual Framework:**

The Conceptual Framework outlines the nature, purpose, and boundaries of financial accounting and reporting. It serves as the foundation for developing PSAS and guiding professional judgment. It will replace the conceptual elements currently found in PS 1000 Financial Statement Concepts and PS 1100 Financial Statement Objectives.

#### **PS 1202 Financial Statement Presentation:**

This standard establishes both general and specific requirements for presenting information in public sector financial statements. Its guidance is grounded in the principles and concepts set out in the Conceptual Framework.

The main changes would be to the statement of financial position, by adding a new statement of net financial assets or net financial liabilities and adding a classification of liabilities into financial or non-financial liabilities. The statement of remeasurement gains and losses would also be a component of statement of changes in net assets or net liabilities.

The Corporation plans to implement both PS 1202 and the new conceptual framework effective January 1, 2027. The implementation is not expected to have a significant impact on the financial statements of the Corporation.

### **3. Loans to borrowers:**

The Corporation issued loans under the LEEFF Program and LETL Facility 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 had to meet the following requirements: must have sought financing of \$60,000 or more, had significant operations or workforce in Canada, and was not involved in active insolvency proceedings. The loan was 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 was 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 are 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 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.

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

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.

#### **(i) 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.

#### **(ii) 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.

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

#### (b) Large Enterprise Tariff Loan Facility:

To be eligible for the loan, a borrower must be a commercial entity incorporated or otherwise constituted under federal Canadian law or the laws of a Canadian province or territory and must have a minimum of \$150,000 in consolidated annual revenue. The borrower's most recent annual or interim financial statements must not contain a going concern note, qualification or note of emphasis (other than directly related to the tariffs and countermeasures) or the Borrower can otherwise demonstrate (through the application process and by attestation) to the reasonable satisfaction of the Lender that it was solvent as at December 31, 2024. The borrower must not be subject to active insolvency proceedings, or must be able to demonstrate solvency as at December 31, 2024.

In addition, the borrower must show that it has a significant impact on the Canadian economy, either through (i) substantial operations in Canada or (ii) the support of a significant Canadian workforce. The borrower must also demonstrate that it has been adversely affected by the tariffs and countermeasures, that the LETL is required as part of its plan to return to financial stability, and that it will make reasonable commercial efforts to minimize employment losses and maintain its domestic business activities.

The financing is structured through two loan facilities: (i) an unsecured facility representing 75% of the total loan amount, and (ii) a secured facility representing the remaining 25%. Funds are advanced in tranches over a 36-month period, with interest accruing in accordance with the terms and conditions set out in the respective loan agreements with the borrower. The facility has a contractual term to not exceed ten years. The arrangement may also include equity interests and/or warrants as an upside participation mechanism, provided that the lender's voting interest in any entity does not exceed 20% at any time.

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.

For the unsecured loan, interest will accrue daily at the rate equal to Term CORRA (3 months) plus 200 bps, payable on calendar quarters in arrears. Thereafter, the interest rate will increase by 200 bps per annum, up to a maximum of Term CORRA (3 months) plus 1000 bps, and such increase shall become effective on the first day of the quarter immediately following the anniversary of the applicable Closing Date. With respect to the secured loan facility, the applicable interest rates will be the interest rate applicable to any term loans provided under the existing senior loan agreement (or such other rate as the Lender in its sole discretion may agree).

As of April 2026, these terms can be varied from the above to reflect the risk of each individual applicant. Fund sizing is also limited to 24 months of support. The applicable interest rate shall not be lower than the Government of Canada's cost of capital.

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

The financial support may include an investment in common shares of the Borrower or Foreign Public Company in an amount to be determined by the Investor not to exceed 20 per cent of the total principal amount of the secured and unsecured Loan Facilities, and not to exceed shares carrying more than 19.9 per cent of the votes attached to the outstanding voting shares of the Borrower. The shares will be usually issued to the Investor at a discount.

If the Borrower is a Canadian public company (being a reporting issuer in any province or territory of Canada) with publicly listed equity shares (within the meaning of securities legislation), or an entity a majority of whose equity interests are owned, directly or indirectly, by a Canadian public company or a Foreign Public Company, the Borrower will provide the Lender with warrants exercisable for common shares with an aggregate exercise price equal to 20% of the total principal amount of the unsecured loan facility. If the unsecured loan facility is repaid in full and terminated within 36 months of the initial advance, one half of the vested warrants will expire.

The borrowers are charged a non-refundable fee equal to 6 $\frac{2}{3}$ % 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 three years of loan issuance, an additional 6 $\frac{2}{3}$ % 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 reasonable legal and financial advisory expenses incurred by the Corporation related to the borrower's loan. Subject to the Minister's approval, individual loans issued can differ from the program's overall terms and conditions.

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

The following table provides a breakdown of the loan facilities.

<b>LEEFF Program</b>		March 31, 2026		December 31, 2025
Number of borrowers		4		4
<b>Loan commitment<sup>1</sup></b>				
Unsecured loan facilities	\$	730,355	\$	727,882
Secured loan facilities		-		-
Working capital facilities		-		30,000
Airline voucher refund facilities		1,382,980		1,382,980
	\$	2,113,335	\$	2,140,862
<b>Principal outstanding<sup>2</sup></b>				
Unsecured loan facilities	\$	730,355	\$	727,882
Secured loan facilities		-		-
Working capital facilities		-		30,000
Airline voucher refund facilities		1,382,980		1,382,980
	\$	2,113,335	\$	2,140,862
<b>Amortized cost loan balance<sup>3</sup></b>				
Unsecured loan facilities	\$	486,858	\$	475,631
Secured loan facilities		-		-
Working capital facilities		-		30,016
Airline voucher refund facilities		1,379,880		1,379,790
	\$	1,866,738	\$	1,885,437
<b>LETL Facility</b>		March 31, 2026		December 31, 2025
Number of borrowers		2		2
<b>Loan commitment<sup>1</sup></b>				
Unsecured loan facilities	\$	320,359	\$	320,000
Secured loan facilities		257,134		195,318
	\$	577,493	\$	515,318
<b>Principal outstanding<sup>2</sup></b>				
Unsecured loan facilities	\$	86,359	\$	-
Secured loan facilities		241,134		111,718
	\$	327,493	\$	111,718
<b>Amortized cost loan balance<sup>3</sup></b>				
Unsecured loan facilities	\$	80,301	\$	-
Secured loan facilities		94,602		109,248
	\$	174,904	\$	109,248

<sup>1</sup> Includes drawn and undrawn commitments, earned fees, PIK balances, and fees due on maturity.

<sup>2</sup> Includes drawn commitments, earned fees, and PIK balances.

<sup>3</sup> Includes accrued interest based on EIRM, PIK, transaction fees, provision for loan losses and legal and financial advisory expenses recovered from borrowers.

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

As at March 31, 2026, the Principal Outstanding includes interest added to the principal through a “Pay In Kind” mechanism of \$63,446 (December 31, 2025 - \$58,799).

For the period ended March 31, 2026, the amount of interest income recognized in the Statement of Operations using EIR was \$20,444 (March 31, 2025 - \$18,288). Based on the terms of the loan agreements, the amount of interest and fees collected from borrowers in cash during the same period was \$4,896 (March 31, 2025 - \$17,853).

The following table illustrates the loan repayments for the outstanding principal and PIK Interest in the next five years based on contractual maturity dates subsequent to period end.

2027	-
2028	1,382,980
2029	-
2030	410,811
2031	-
2032 & beyond	566,445
	<b>2,360,236</b>

#### Provision for losses on loans:

As described in Note 2(c), at each reporting date, the Corporation assesses all financial assets or groups of financial assets to determine whether there is any evidence of impairment.

For the period ended March 31, 2026, a “LETL” borrower has filed for Companies’ Creditors Arrangement Act (“CCAA”) protection following the depletion of its liquidity. As a result, a loan loss provision of \$140,000 was recognized (December 31, 2025 - nil). The losses are reported in the Statement of Operations and as a reduction of the loans to borrowers in the Statement of Financial Position. The borrower filed for CCAA on May 1, 2026.

In estimating the recoverable amount of the loans, management applies a probability-weighted scenario approach that considers alternative outcomes based on available market data and industry-specific information. The key scenarios considered include:

- A potential market sale transaction, where relevant transaction data and earnings multiples are used to estimate potential recovery values.
- A going concern scenario.
- A liquidation scenario, where benchmark data was used to estimate the liquidation values of the assets.

Given the inherent measurement uncertainty surrounding the valuation of the loans, management exercises judgment in selecting key assumptions based on available data for each situation and each loan impacted. Management considers various factors that may affect the ultimate recoverability of the loans, including:

- The sensitivity of key assumptions to changes in market conditions and financial performance.
- The impact of economic conditions on potential sale or liquidation outcomes.
- The estimated recoverability under a liquidation scenario.

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

The assumptions and methodologies used to estimate the recoverable amount of the loans are susceptible to change in the future as conditions change.

The provision for losses on loans is reported in the Statement of Operations and as a reduction of the loans to borrowers in the Statement of Financial Position. The Corporation is closely monitoring its financial exposure to certain loans exhibiting potential indicators of impairment. The Corporation will continue to assess the potential impact of borrowers' developments on its financial position as further information becomes available. The outcome remains uncertain at this time and the ultimate assessment may cause the Corporation to alter its provision for loan losses.

#### Repayment of loans:

As of March 31, 2026, a total of \$30,000 was repaid by the borrowers (March 31, 2025 - \$42,557).

### 4. Equity investments:

Equity investments include the following:

#### a) Warrants:

As indicated in Note 3(a), 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 were derived using the Black Scholes Option Pricing Model (BSOPM), a widely-used option pricing model that relies on certain key variables, including the risk-free rate; a measure of the volatility of the underlying securities; and the term to maturity. In addition to the BSOPM, a discount for lack of marketability (DLOM) was applied to the BSOPM-derived value by using the Finnerty put option pricing model because there is a sale restriction on the vested warrants. The fair value of the vested and unvested warrants as at March 31, 2026 amounted to \$29,708 and \$16,938 respectively (December 31, 2025 – \$17,280 and \$23,974).

The following table summarizes the vested and unvested warrants as at March 31, 2026.

#### Vested Warrants

Exercise Price	Maturity Date	March 31, 2026				December 31, 2025			
		Outstanding	Share Price	Value per Instrument	Total Value	Outstanding	Share Price	Value per Instrument	Total Value
(\$)		(\$'000)	(\$/sh)	(\$/sh)	(\$'000)	(\$'000)	(\$/sh)	(\$/sh)	(\$'000)
4.500000	April 2035	13,000	2.530000	1.169200	15,200	13,000	2.530000	1.163000	15,114
0.010000	December 2035	1,504,121	0.010000	0.005720	8,604	434,514	0.010000	0.005000	2,166
11.080000	December 2035	1,455	5.650000	4.057400	5,904	–	5.650000	3.810000	–
					<b>29,708</b>				<b>17,280</b>

#### 4. Equity investments (continued):

##### Unvested Warrants

		March 31, 2026				December 31, 2025			
<u>Exercise Price</u>	<u>Maturity Date</u>	<u>Outstanding</u>	<u>Share Price</u>	<u>Value per Instrument</u>	<u>Total Value</u>	<u>Outstanding</u>	<u>Share Price</u>	<u>Value per Instrument</u>	<u>Total Value</u>
(\$)		(\$'000)	(\$/sh)	(\$/sh)	(\$'000)	(\$'000)	(\$/sh)	(\$/sh)	(\$'000)
4.500000	April 2035	–	\$2.530000	1.163000	–	–	\$2.530000	\$1.163000	–
0.010000	December 2035	151,358	\$0.010000	0.005754	\$871	675,911	\$0.010000	\$0.005000	\$3,369
11.080000	December 2035	3,960	\$5.650000	4.057400	\$16,067	5,415	\$5.650000	\$3.810000	\$20,605
					<b>\$16,938</b>				<b>\$23,974</b>

#### b) Preference shares:

On July 10, 2025, the existing loans of a borrower were restructured, and as such the voucher loans were converted to debentures and Preference shares. CEEFC received 9,900 Preference shares, valued at \$28,000. On August 14th, the borrower announced a mandatory repayment due to a successful sale and leaseback, as such CEEFC redeemed 6,200 of Preference Shares amounting to \$16,265. The balance of the remaining Preference Shares as at March 31, 2026, were valued at \$9,007 (December 31, 2025 - \$9,340)

The following table summarizes the Preference Shares balances as at March 31, 2026

March 31, 2026				December 31, 2025			
<u>Outstanding</u>	<u>Share Price</u>	<u>Value per Instrument</u>	<u>Total Value</u>	<u>Outstanding</u>	<u>Share Price</u>	<u>Value per Instrument</u>	<u>Total Value</u>
(000's)	(\$/sh)	(\$/sh)	(\$'000)	(000's)	(\$/sh)	(\$/sh)	(\$'000)
3,692	\$2.4395	\$2.4395	\$9,007	3,692	\$2.5300	\$2.5300	\$9,340

#### c) Derivative:

In December 2025, the existing loans of a borrower were restructured, and CEEFC received the entitlement to a stream of cash payments, payable if certain future events occur, most notably a sale of the company. As at March 31, 2026, these have been fair value assessed at \$16,600 (December 31, 2025 - \$17,400) using a monte-carlo simulation model.

## 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 and are not included in the management fees charged by CDEV to the Corporation.

During the period ended March 31, 2026, CDEV provided management services to the Corporation, related to executives, administration, banking, financial, and support services, in respect of which it billed \$594 (March 31, 2025 - \$226). These amounts are reported as management fees on the Statement of Operations. The management fee paid by CEEFC to CDEV is determined on fixed fee basis wherein the amount is set since the incorporation of CEEFC in 2020 and subject to periodic review. The amount outstanding as at March 31, 2026 was \$1,651 (December 31, 2025 - \$984).

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 table summarizes the expenses paid by CDEV and reimbursed by CEEFC.

	Three months ended March 31	
	2026	2025
Salaries and benefits, including director fees and expenses	\$ 321	\$ 55
Other expenses	-	5
	<u>\$ 321</u>	<u>\$ 60</u>

## 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 March 31, 2026 (December 31, 2025 – nil).

As at March 31, 2026, the Corporation had 1 authorized and fully paid common share (December 31, 2025 – one thousand dollars) at a price of one thousand dollars issued to CDEV.

### b) Preference shares:

#### LEEFF Program:

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.

## 6. Accumulated surplus (continued):

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 one thousand dollars 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.

In the three months ending March 31, 2025, and 2026, there were no redemptions by the Corporation.

### LETL Facility:

On March 21, 2025, CEEFC entered into a funding agreement with the Government of Canada under the LETL Facility. CEEFC has been directed by P.C. 2025-0455, issued by the Governor in Council under section 89 of the Financial Administration Act (the "FAA"), to administer, approve and fund transactions, in accordance with the terms and conditions approved by the Minister of Finance or those varied with approval from the Minister, in relation to the LETL Facility, effective on the day on which it is made. To administer this program, CEEFC has been authorized, pursuant to section 91(3)(a) of the FAA, by P.C. 2020-306 to sell or otherwise dispose of any of its shares.

As a result, the Governor in Council has authorized that a Funding Agreement be entered into pursuant to paragraphs 60.2(2)(a) of the FAA to provide funding to CEEFC for the administration and implementation of the LETL Facility; by way of subscription for Class B preference shares of the Corporation, on the terms set forth under the Funding Agreement. The Corporation may, upon giving at least 30 days' notice, redeem all or any part of the outstanding preference shares at a price of one thousand dollars per Class B 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.

In the three months ending March 31, 2025, and 2026, there were no redemptions by the Corporation.

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

	March 31, 2026		December 31, 2025	
	Number of shares (in 000's)	Amount	Number of shares (in 000's)	Amount
Balance, beginning of year	2,517	\$ 2,517,000	2,217	\$ 2,217,000
Shares issued	-	-	300	300,000
Shares redeemed	-	-	-	-
Balance, end of year	2,517	\$ 2,517,000	2,517	\$ 2,517,000

## 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 credit risk is primarily concentrated in two distinct portfolios, each with different risk profiles based on their governing mandates:

- **LEEFF:** This legacy portfolio introduced in 2020 contains the highest concentration of risk. These loans were provided to large Canadian employers who could not access conventional financing during the COVID-19 pandemic. By design, these are "lender of last resort" exposures to entities with significant liquidity stress.
- **LETL:** Introduced in 2025, this is the newer facility providing liquidity to firms affected by trade tariffs. As at March 31, 2026, this program has a high concentration in strategic industrial sectors such as steel and mining.

The Corporation discloses its credit risk concentrations by grouping exposures with shared economic characteristics and determine these concentrations based on:

- **Total Commitment vs. Drawn Amount:** Assessing risk, based on the full capacity of the credit facility. Details of total commitment vs drawn amount are shown in Note 3.
- **Economic Correlation:** Grouping borrowers whose ability to meet obligations is similarly affected by macro-economic factors, for example global trade, political tension across the globe, or travel restrictions.

### (i) Concentration by Program Stream and Instrument

The portfolio is split between legacy pandemic recovery and new strategic tariff related lending.

- **LEEFF:**
  - **Unsecured Facilities:** The highest risk concentration. These are junior to all other debts and feature "interest rate step-ups" (rates that increase over time) to incentivize early repayment.
  - **Secured Facilities:** Lower risk relative to unsecured tranches but tied to the borrower's existing senior collateral.
  - **Voucher Refund Loans:** A specific sub-concentration for the aviation sector to cover passenger refunds.
- **LETL:**
  - **Strategic Liquidity Loans:** A new concentration activated in 2025 focusing on enterprises impacted by trade tariffs. This stream carries higher "new-entry" risk as it targets industries currently under international trade pressure.

## 7. Financial risk management (continued):

### (ii) Concentration by Industry Sector

The Corporation's risk is highly sensitive to industry-specific shocks rather than general market fluctuations.

Sector	Concentration Detail	Risk Factor
Aviation & Travel	Traditionally >60% of total portfolio.	Sensitive to global fuel prices and travel demand.
Steel & Manufacturing	Growing concentration due to 2025 LETL mandate.	Sensitive to trade tariffs and US-Canada trade relations.
Mining	Growing concentration due to 2025 LETL mandate.	Sensitive to trade tariffs, US-Canada trade relations and the on-going conflict in the Middle East.

The Corporation attempts to mitigate this risk by having secured loan facilities.

The Corporation's unsecured loan facilities have been advanced 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, or otherwise as directed by the Minister. The Corporation's credit risk is therefore considered very high, and loans are monitored for indicators of impairment.

The Corporation monitors credit deterioration and impairment assessment through a combination of individual borrower oversight, adherence to conditions established by the minister of finance and rigorous adherence to public sector accounting standards. The Corporation's approach involves the following:

#### (i) Monitoring Framework (Identification)

The Corporation looks for "objective evidence" of impairment, such as payment defaults (missed interest or principal payments), financial distress (reviewing the borrower's liquidity, "going concern" status, or significant workforce reductions) and restructuring.

#### (ii) Impairment Reassessment (Accounting)

When credit quality declines, the Corporation adjusts the carrying value of the loans using two primary methods:

- **Effective Interest Rate (EIR) Adjustments:** If a borrower is expected to take longer to repay than originally forecasted, management must re-calculate the present value of the loan. Any "stretch" in the timeline results in an immediate gain or loss on the financial statements.
- **Restructuring and modifications:** In cases of severe deterioration management may agree to write off a portion of the loan that has been determined to be uncollectible based on management's assessment or enter into such other arrangements that are beneficial to the Corporation such as debt-to-equity swaps.

## **7. Financial risk management (continued):**

### **(iii) Valuation**

Because the Corporation operates as a “lender of last resort,” management maintains — or expects to maintain — a substantial allowance for credit losses. Given that its primary objective is to promote economic stability rather than maximize profitability, the Corporation is more inclined than commercial banks to assume elevated credit risk and recognize credit deterioration in order to fulfill its federal mandate.

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 March 31, 2026, 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.

For the period ended March 31, 2026, a “LETL” borrower has filed for Companies’ Creditors Arrangement Act (“CCAA”) protection following the depletion of its liquidity. As a result, a loan loss provision of \$140,000 was recognized (December 31, 2025 - nil). Refer to Note 3(d) for further details.

### **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 until disposal. Change in the market price will impact the fair value of the outstanding warrants.

Changes in market price will result in unrealized gains or losses recognized in the accumulated remeasurement gains and losses. Given the limited number of equity instruments held and their association with specific borrowers, changes in market conditions may result in significant period-to-period volatility in reported fair values.

CEEFC’s operations do not have any exposure to commodity prices. CEEFC has limited exposure to foreign exchange risk since its loans and revenues are principally 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 both LEEFF Program and LETL Facility. CEEFC also holds cash to fund its operations.

## 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

#### i. Publicly traded shares:

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

#### ii. Warrants:

The 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 warrants is valued based on the historical volatility, which was used as a proxy for the underlying asset's option implied volatility.

#### iii. Preference shares:

The Preference Shares have been classified as level 2, as they use inputs other than quoted prices in active markets. They are estimated using a probability-weighted scenario-based approach:

- 1) Redemption scenario: Where a Bond-plus-Call approach has been applied, where the bond component, representing the minimum fixed payoff, is valued using a discounted cash flow approach, and the option value, representing upside value, is determined using the Black-Scholes-Merton model. Therefore, the value of the Preference Shares under the Redemption Scenario is the sum of the present value of the minimum fixed payoff and the upside value.
- 2) Conversion Scenario: Under this scenario, the value of the Preference Shares is based on the price at which shares of the borrower were trading on the exchange as of the Transaction Date.

The valuation of these instruments involves significant judgment, including the selection of the scenarios and assumptions such as discount rates, expected volatility, and borrower performance. As the Preference shares are not actively traded, changes in these assumptions or in market conditions could result in material changes to their value and to accumulated remeasurement gains and losses.

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 March 31, 2026.

7. Financial risk management (continued):

Fair Value Hierarchy for Assets and Liabilities Measured at Fair Value

31-Mar-26						31-Dec-25					
Assets measured at fair value	Level 1	Level 2	Level 3	Total		Level 1	Level 2	Level 3	Total		
Preference shares	\$ -	\$ 9,007	\$ -	\$ 9,007		\$ -	\$ 9,340	\$ -	\$ 9,340		
Warrants	\$ -	\$ -	\$ 46,646	\$ 46,646		\$ -	\$ -	\$ 41,254	\$ 41,254		
Derivatives	\$ -	\$ -	\$ 16,600	\$ 16,600		\$ -	\$ -	\$ 17,400	\$ 17,400		
	\$ -	\$ 9,007	\$ 63,246	\$ 72,253		\$ -	\$ 9,340	\$ 58,654	\$ 67,994		

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 period ended March 31, 2026 and December 31, 2025.

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

	Fair value as at January 1, 2026	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at Mar 31, 2026	Change in unrealized gains (losses) on instruments still held
			Additions/Modifications	Sales/Cancellations	Into Level 3	Out of Level 3		
<b>Assets measured at fair value</b>								
Warrants	\$ 41,254	\$ 2,256	\$ 3,136	\$ -	\$ -	\$ -	\$ 46,646	\$ 2,256
	\$ 41,254	\$ 2,256	\$ 3,136	\$ -	\$ -	\$ -	\$ 46,646	\$ 2,256

	Fair value as at January 1, 2025	Total Remeasurement Gains (Losses) arising during the period	Movements		Transfers		Fair value as at March 31, 2025	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	\$ 7,861	\$ (3,233)	\$ -	\$ -	\$ -	\$ -	\$ 4,628	\$ (3,233)
	\$ 7,861	\$ (3,233)	\$ -	\$ -	\$ -	\$ -	\$ 4,628	\$ (3,233)

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.

## 7. Financial risk management (continued):

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

	March 31, 2026		December 31, 2025	
	+10% volatility	-10% volatility	+10% volatility	-10% volatility
<b>Assets measured at fair value</b>				
Warrants	\$ 5,842	\$ (4,508)	\$ 4,729	\$ (5,606)
	\$ 5,842	\$ (4,508)	\$ 4,729	\$ (5,606)

## 8. Deferred liability:

The fair value of the unvested warrants on 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, or for one borrower, the secured loan facility. As the warrants vest, the deferred liability and the corresponding unvested portion of the warrants are de-recognized. As at March 31, 2026, the carrying value of the deferred liability was \$15,972 (December 31, 2025 – \$24,877).

The following table summarizes the movement of warrants as at March 31, 2026

Date	Total number of warrants (in 000's)	Number of warrants vested (in 000's)	Number of warrants unvested (in 000's)
1/1/2026	1,128,840	447,514	681,326
3/31/2026	1,673,895	1,518,577	155,318

## 9. Subsequent events:

Subsequent to the period end, one of the borrowers was advanced an additional \$33,200 and another borrower was advanced an additional \$16,000 in an existing credit facility.

The Corporation issued 100,000 Preference shares at one thousand dollars per share to the Government of Canada.

On May 1, 2026, a borrower filed for CCAA protection. The company has applied for and received an approval to run a Sale and Investment Solicitation Process ("SISP"). CEEFC will fund the operations of the business to facilitate the sale process, which has resulted in the authorization of an additional \$60,000 to the borrower.