



Canada Development Investment Corporation

2024 to 2028 Corporate Plan Second Amendment
Summary

NOVEMBER 2024

Regarding Trans Mountain Corporation

**CDEV CORPORATE PLAN
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Overview of this Second Amendment to 2024 Corporate Plan

The Canada Development Investment Corporation (“CDEV”) 2024-2028 Corporate Plan was approved by the Treasury Board on May 2, 2024. Following this approval, a first amendment related to the Indigenous Loan Guarantee Program was approved on October 24, 2024. Subsequent to this first amendment, the government has made decisions that require a second amendment to the CDEV Corporate Plans and Capital Budget. This amendment relates to Trans Mountain Corporation (“TMC”) and the intent to repay and refinance existing third party syndicated debt with additional borrowings from the EDC Canada Account.

1.0 CORPORATE PROFILE AND MANDATE

This section of the corporate plan is not subject to an amendment.

2.0 EXECUTIVE SUMMARY AND PURPOSE OF THE AMENDMENT

TMC current activities remain unchanged from the Corporate Plan approved by Treasury Board on May 2, 2024.

TMC refinancing

TMC has ~\$19 billion of syndicated third-party debt, bearing interest at a rate of around 5.75%, with an annual interest burden, on a fully drawn basis, of \$1.1 billion. Now that TMC is in service and has been substantially de-risked, it is appropriate to consider refinancing options to reduce its overall cost of debt and save approximately \$2 million a day in interest cost, thereby increasing its ability to de-lever more quickly, which will improve the government’s return on any future monetization. The Prime Minister and Minister of Finance have decided to refinance TMC’s debt using the following option:

All debt associated with TMC is funded by the EDC Canada Account. Canada TMP Finance Ltd. (“TMPF”) will increase its loan from EDC, using those funds to acquire more equity in TMC and to lend incremental funds to TMC. TMC will use the funds to repay, in full, the syndicated debt and all accrued interest. It is anticipated that the full loan balance between EDC and TMPF will incur interest at the Government of Canada’s cost of capital at the time of the transaction. TMPF may charge TMC an incremental interest fee, as it does on the current intercompany loan. This option maximizes de-leveraging of TMC; maximizes flexibility for any future

monetization; and overall is expected to maximize the return on investment for Canada. This re-financing option is expected to happen as swiftly as possible and could take place in December 2024, should CDEV receive approval from Treasury Board in respect of this Corporate Plan

TMC will have an agreed dividend policy with TMPF / CDEV to ensure that substantially all levered free cash flow is returned through dividends to TMPF for TMPF to service its debt obligations and, in turn, dividend excess cash flow to the government. CDEV / TMPF will continue to review TMC's annual budget and will participate in monthly management meetings in order to monitor and ensure appropriate and efficient spending activity and an effort to maximize cash distributions.

The detailed outline of the refinancing scenario is as follows:

- borrowing authority for TMPF to borrow up to an additional \$20 billion from the EDC Canada Account, comprising up to \$19 billion for TMC to fully repay its third party syndicated debt (currently \$18 billion) and any outstanding accrued interest, as well as providing a new working capital facility of \$1 billion (TMC anticipates that it will only require half of this facility, which will be utilized at the asset level and they therefore reflect \$0.5 billion at the asset level in their plan);
- approval for TMPF to subscribe for additional equity in TMC equal to no more than the total value of TMPF's borrowings from the EDC Canada Account, noting that the actual value of equity acquired will be determined by CDEV and TMC to ensure an appropriate and optimized capital funding structure for TMC; and
- borrowing authority for TMC to secure funds from TMPF to fully repay all TMC third-party syndicated debt and accrued interest. The amount of such borrowings will be equal to the total value of TMPF's loans from the EDC Canada Account, less TMPF's equity investment in TMC.

CDEV and TMC have included details of this refinancing in their 2025-2029 plans. We note, however, that due to the significant daily cost of the third party syndicated facility there is a strong commercial rationale to refinance and repay that facility as early as possible. This could happen in December 2024 and CDEV is, therefore, seeking approval to execute this transaction in 2024, should the necessary funds be made available.

3.0 BUSINESS OVERVIEW

TMC mandate and business overview remains unchanged from the Corporate Plan approved by Treasury Board on May 2, 2024.

3.1 Corporate Governance and Operating Environment

TMC corporate governance and operating environment remains unchanged from the Corporate Plan approved by Treasury Board on May 2, 2024.

4.0 CORPORATE PERFORMANCE

CDEV and its group of companies' corporate performance has not changed due to this amendment.

5.0 CDEV OBJECTIVES AND STRATEGIES FOR THE PERIOD 2024 TO 2028

5.1 TMC

Other than the requested amendments, TMC objectives and strategies remain unchanged from the Corporate Plan approved by Treasury Board on May 2, 2024.

5.2 Borrowing Plan

	Borrowings
TMC Acquisition Loan	\$4.7 billion
TMC Construction Loan	\$13.1 billion
TMPF EDC Canada Account refinancing loan	Up to \$19 billion
TMC net working capital revolver	Up to \$1 billion

6.0 RISKS AND RISK MITIGATION SUMMARY

The risks and mitigants detailed in the 2024 Corporate Plan remain substantially unchanged in this Amendment. Indeed, refinancing TMC at a reduced cost of debt reduces the risk profile and enables a more appropriate capital structure to be implemented.

7.0 FINANCIAL SECTION

7.1 Assumptions for the Plan Period

The Financial Assumptions detailed in the 2024 Corporate Plan remain substantially unchanged in this Amendment, as refinancing as at 20 December, 2024 will save approximately \$2 million per day for the remainder of the year, i.e. \$22 million in 2024.

7.2 Capital Budget

The Capital Budget detailed in the 2024 Corporate Plan remains substantially unchanged in this Amendment.

7.3 Operating Budget

The Operating Budget detailed in the 2024 Corporate Plan remains substantially unchanged in this Amendment.

Chief Financial Officer attestation

In my capacity as Chief Financial Officer of CDEV, accountable to the Board of Directors of CDEV through the President and CEO, I have reviewed this second amendment, including budgets and the supporting information that I considered necessary, as of the date indicated below. Based on this due diligence review, I make the following conclusions:

1. The nature and extent of the financial and related information is reasonably described, and assumptions having a significant bearing on the associated financial requirements have been identified and are supported with the following observations:
 - a. Assumptions around the capital structure of TMC assets have been assumed to happen in 2024 and as such is reflected in the 2024 forecast and carried forward for the remainder of the plan period.
 - b. There are still some details that are unknown about the potential terms and repayments of the TMC refinancing, such as rates, payment schedules, and other terms and conditions. These could have a material impact on the financials.
 - c. The CER has not made a final determination on TMC's tolls, as such we have assumed that the existing toll rate will continue, and the CER will rule favorably. Should this not be the case, the ability for TMC to provide expected cashflows could be compromised and/or the asset impaired.
 - d. TMC's ability to repay loans payable is subject to significant variation to the potential changes above mentioned, but also impacted (to a lesser extent) by the non-contracted volumes of pipeline throughput.
2. Significant risks having a bearing on the financial requirements, the sensitivity of the financial requirements to changes in key assumptions, and the related risk-mitigation strategies have been disclosed, with the following observations:
 - a. The financial projections in the attached indicate that TMC generates sufficient cash flow to address the financial requirement for the expected duration of the corporate plan.

In my opinion, this second amendment and budgets have substantial financial and/or risk issues, as noted above.

A handwritten signature in blue ink, appearing to read 'Carlos Gallardo', with a stylized flourish extending to the right.

Carlos Gallardo
Chief Financial Officer
Canada Development Investment Corporation

November 21, 2024

APPENDIX A-1 – PLANNED RESULTS FOR 2024

Expected Outcomes	Performance Indicators or Targets
Transfer banking syndicated debt to the Government of Canada and realize substantial interest savings to maximize the value of TMC for the benefit of all Canadians.	Lower interest expense and higher cash flow.