

# **Canso Select Opportunities Corporation**

## **Management's Discussion and Analysis For the Three Months Ended June 30, 2024**

Management's Discussion and Analysis ("MD&A") provides a review of Canso Select Opportunities Corporation's ("CSOC" or the "Corporation") interim financial results for the three-month period ended June 30, 2024 and assesses factors that may affect future results. The financial condition and results of operations are analyzed noting the significant factors that impacted the interim statements of financial position, interim statements of comprehensive income (loss), interim statements of changes in equity, and interim statements of cash flows of CSOC. As such, this MD&A should be read in conjunction with the interim financial statements and notes thereto. The interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") to provide information about CSOC.

The following MD&A is the responsibility of management and is dated August 23, 2024. The Board of Directors carries out its responsibility for the review of this disclosure through its Audit Committee, comprised of independent directors and CSOC's Chief Financial Officer. The Audit Committee has reviewed and recommended approval of the MD&A by the Board of Directors. The Board of Directors has approved this disclosure.

### **Business of the Corporation**

CSOC is an Ontario-based investment corporation. CSOC's investment objective is to provide capital gains and dividend income to its shareholders. Consistent with these objectives, the Corporation evaluates potential investments in debt, public and private equity and other securities. The deployment of funds to new investments depends on both the attractiveness of new investment opportunities and the availability of capital as generated from the realization of value from existing portfolio investments. The investment portfolio consists of public and private equity and debt investments primarily in North America, however, there is no geographic constraint on the investment portfolio.

### **Investment Performance Second Quarter 2024**

During the second quarter 2024, the CSOC Class A Multiple Voting Shares and the CSOC Class B Subordinate Voting Shares increased in value, respectively, by 2.3% and 1.9% to \$5.83 and \$5.81 per share. The positive performance in first quarter was due primarily to the corporation's holding in Lysander Funds Class A common shares which were up 3.2%. In addition to the capital appreciation, the Corporation received \$392,000 in regular and special dividends from Lysander corporation during the quarter. Gains from Lysander, which represented 53.6% of the portfolio as June 30, 2024 more than offset net losses in the balance of the portfolio.

## **Recent Developments**

### *Acquisition of Lysander Shares*

On January 13, 2023, CSOC announced the acquisition of 70,000 Class A common shares of Lysander at a purchase price of \$175 per share for total consideration of \$12.25 million. The Corporation issued 2,440,239 Class B subordinate voting shares as consideration for the Lysander shares purchased. An independent committee of the board had previously engaged Blair Franklin to provide an independent valuation of the Lysander shares.

In late 2023, CSOC engaged Blair Franklin to obtain an updated independent third-party valuation of the Lysander shares. As at December 31, 2023, Blair Franklin valued the shares at \$210, an increase of 20% from the initial purchase price for the shares. Using similar valuation techniques CSOC management valued the shares in Lysander at \$227 per share, an increase of 3.2% during the quarter and 8.1% from year end 2023.

In addition to the capital appreciation, CSOC received \$175,000 in regular quarterly dividend income from Lysander in April 2024 and a special dividend of \$217,000 also in April 2024. Subsequent to quarter end CSOC received a regular quarterly dividend of \$175,000 and a special dividend of \$70,000.

The Class A common shares held in Lysander Funds Ltd. ("Lysander") will remain a core holding of the Corporation for the foreseeable future and are expected to generate an important source of capital appreciation and dividend income for CSOC in the long term.

### *Market Performance*

Equity market performance has been very strong this year with the S&P TSX index up 5.6% and the S&P 500 and the NASDAQ are higher by 15.3% and 18.6% respectively through the end of June. Bond indices have had much more muted performance with the U.S. High Yield index up 2.6%, and the U.S. and Canadian investment grade bond indices flat, and up 1.3%, respectively. The corporate bond market in Canada has seen only modest spread tightening through the first half of the year.

The financial experts, central banks and investor consensus have been very wrong about the economy and monetary policy. Interest rates are higher than the market expected as monetary policy stayed tight through the first half of the year to fight sticky inflation. Most economists and financial market "experts" have predicted recession since the yield curve inverted in 2022. That recession has not happened, however, there are clearly signs of economic slowdown on both side of the border.

The inverted yield curve has had the bond market predicting recession, falling inflation and interest rates for some time. The stock market has disagreed, predicting their good times would continue to roll on, with rallies to new highs at any glimmer of easing monetary policy and lower interest rates.

The Bank of Canada cut interest rates twice in June and July by 25 basis points each time with the current overnight rate at 4.5%. With the Bank cutting early than the U.S., as expected, the

Canadian dollar was under pressure since the beginning of the year. The U.S. Fed now appears set to make its first interest rate cut, which may help ease some of the recent pressure on the Canadian dollar.

## Outlook

We now believe that higher interest rates are slowing economic activity, as the drop in inflation has increased real interest rates. In the U.S. and Canada, with the CPI under 3%, we now have positive real short-term interest rates of almost 2%. This has definitely ended the glorious days of “free money”, but fiscal policy on the other hand is still very loose. Governments around the world are still running deficits and the recent and upcoming elections won’t change that any time soon.

We will continue to focus on the long-term prospects for income and capital appreciation for the investments in the portfolio. We currently believe that corporate bonds are fairly valued but there remain attractive opportunities in several out of favour names, including those held in the portfolio. Equities have had a strong run, but positive momentum is likely to continue for the balance of the year supported by a robust economy and more accommodative monetary policy.

## Overall Performance

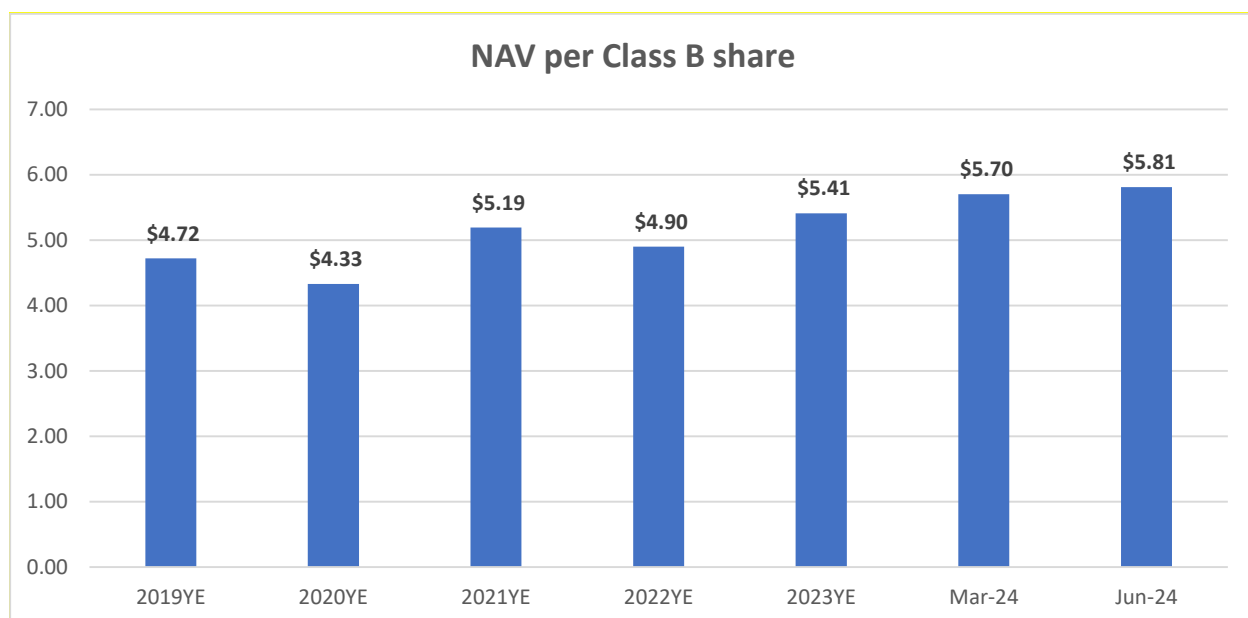
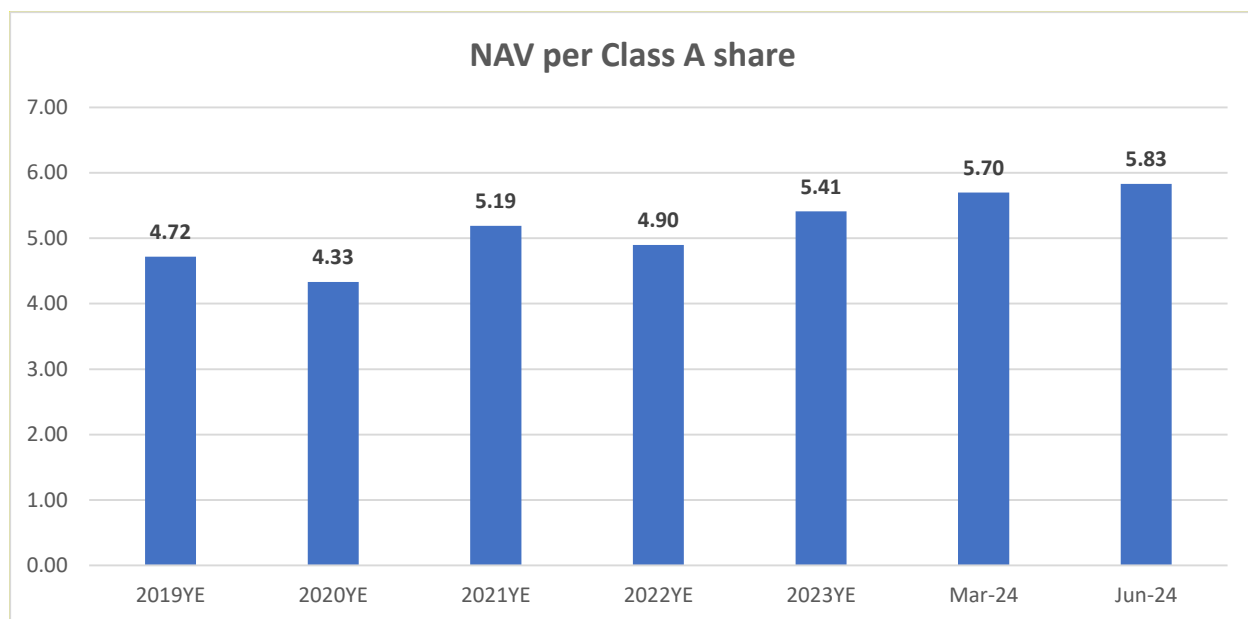
The Corporation’s ability to generate income and to pay dividends depends on the performance of the holdings in its portfolio. Each fixed income and equity investment in the portfolio is unique. Portfolio companies vary from early stage start-up enterprises, to private companies in more advanced stages of development and publicly traded companies operating in mature industries.

Investments in corporate bonds and preferred shares are based on relative value analysis of the security compared with other securities trading in the market available in the market. CSOC will invest in corporate bonds and preferred shares where the yield spread above the relevant government benchmark is attractive given the relative risk of the investment.

The performance of equity securities in the investment portfolio depends on a variety of factors, which include but are not limited to, economic conditions, interest rates and investor confidence as indicated by equity market performance. In addition, for private equity investments factors such as access to capital and improving performance are key factors to long-term success.

For the quarter ended June 30, 2024, CSOC shareholders’ equity increased by \$602,175 (June 30, 2023: (\$16,378)). The gain for the second quarter 2024 is based primarily on the stock appreciation and dividends received from Lysander, which together amounted to an absolute increase of \$882,000. Our holdings in Bird also increased by a significant amount in the quarter adding \$524,207 in value. Material detractors from performance were the declines in the value of holdings in private equity holding Fibracast (down \$318,780) ; Corus Entertainment bonds (down \$260,250; and, public equity holding New Horizon (down \$233,027). The remainder of the portfolio had a number of positive and negative performers, which collectively had an immaterial impact on the portfolio.

On a per unit basis, the class A shares gained \$0.13 and class B shares gained \$0.11.



## Summary of Investment Portfolio

### *Investment Activity in Second Quarter 2024*

During the first quarter, we more than doubled our holdings in Cineplex, purchasing 80,000 share at an average cost of \$7.32. The stock ended the quarter at \$8.22. We also sold all of our holdings in the Spirit Aerosystems and American Airlines bonds and covered in the shorted U.S. Treasury bonds that were hedging the interest rate risk. Finally, we added about a 0.4% position in the unsecured bonds of Hertz Corporation.

## Investment Performance

Gains in the values of Lysander (up 3.2%), along with several public equities Bird Construction (up 43.9% in the quarter), Cineplex (up 11.5%), and Manulife (up 7.7%) accounted for the positive performance in the quarter, which more than offset underperformance in the Corus corporate bond (down 46.3%) private equity Fibracast (down 84.4%), and public equities New Horizon (down 76.1%), Hertz (down 55%), MDA (down 7.7%), and Yellow Media (down 7.4%). Other equity and fixed income securities held in the portfolio had rather immaterial positive or negative effects on performance.

We believe the portfolio is well positioned to generate attractive investment returns in 2024 and beyond, anchored by its investment in Lysander Funds, together with a diversified portfolio of bond and equity holdings.

## Detailed Investment Portfolio

CSOC's corporate structure provides a permanent capital base allowing the realization of value from its existing portfolio over time. We have modified the discussion around the portfolio to provide more granular detail around our public and private investments to give investors a better sense of the opportunities and risks in the portfolio. We begin with a review of the private investments which form the largest portion of the portfolio followed by a discussion of public equity and fixed income investments.

The table below summarizes CSOC's investments into Private and Marketable securities. A full list of securities held is listed in the subsequent table.

June 30, 2024

Description	Average Cost \$	Fair Value \$	% of Portfolio
<b>Cash and Marketable Securities</b>	<b>\$ 113,348</b>	<b>\$ 113,408</b>	<b>0.4%</b>
<b><u>Private Investments</u></b>			
Common Equity Held Long	\$ 13,578,154	\$ 16,497,243	55.7%
Private Fixed Income	\$ 1,266,585	\$ 1,078,923	3.6%
Private Preferred Shares	\$ 928,567	\$ 765,379	2.6%
<b>Total Private Investments</b>	<b>\$ 15,773,306</b>	<b>\$ 18,341,545</b>	<b>61.9%</b>
<b><u>Marketable Investments</u></b>			
Marketable Fixed Income	\$ 2,566,182	\$ 2,383,883	8.0%
Fixed Income Held Short	\$ (514,437)	\$ (505,417)	(1.7%)
Common Equity Held Long	\$ 11,419,107	\$ 7,373,250	24.9%
Preferred Shares	\$ 1,779,584	\$ 1,940,491	6.6%
<b>Total Marketable Investments</b>	<b>\$ 15,250,436</b>	<b>\$ 11,192,207</b>	<b>37.8%</b>
<b>Total Marketable and Private Assets</b>	<b>\$ 31,137,090</b>	<b>\$ 29,647,160</b>	<b>100.0%</b>
Other Assets, Net of Liabilities		\$ 88,370	
<b>CSOC's Investments at Fair Value</b>		<b>\$ 29,735,530</b>	

### *Private Equity Investments*

Private equity investments represented 55.6% of the portfolio at June 30, 2024, with Lysander being the largest single investment in the portfolio at about 53.6%.

CSOC obtained an independent third-party valuation on Lysander shares and will do so on an annual basis in future. A formal valuation was completed by Blair Franklin Capital Partners dated December 31, 2023, which valued the shares at \$210, an increase of 20% from the price paid for the shares at acquisition. The June 30, 2024 valuation of \$227 per share was prepared by management using the same valuation techniques used by Blair Franklin.

During the first quarter 2024, Lysander assets under management increased by 7.1% to just over \$18 billion, which drove growth in revenues, earnings and cash flow, which in turn has supported higher dividends. Given the positive outlook for the business, we believe Lysander is well positioned to increase dividends in time. The expected dividends from Lysander should more than cover the current normalized operating expenses of CSOC estimated at less than \$300,000 per annum.

Prior to the acquisition of shares, Lysander's normalized quarterly dividend was \$1.50 per share which has since been increased to \$2.50 per share. During the quarter Lysander paid a special dividend of \$3.10 per share in addition to the regular dividend of \$2.50 per share, for shareholders of record on March 31, 2024.

If the regular dividend of \$2.50 per share is maintained CSOC would receive approximately \$700,000 in annual dividends from Lysander per annum.

Shares in Brill Power were also down materially in the quarter as the company struggled with manufacturing issues leading it to raise new capital at a much lower valuation. We are encouraged by positive operating performance at each of Brill Power and Portfolio HiWay.

### *Private Fixed Income Investments*

At June 30, 2024, private fixed income investments represented 3.6%, of CSOC's invested assets, down from 5.6% at year end 2023. The convertible notes held in Horizon Aircraft at year end 2023 were converted into common equity of New Horizon Aircraft on completion of its reverse take-over of Pono Capital III in January 2024. Other positions were bought and sold as detailed above.

There were no changes in the valuations of other private fixed income investments during the quarter.

### *Private Preferred Share Investments*

At June 30, 2024, private preferred share investments represented 2.6% of CSOC's net assets. There were no changes in the valuations of other private fixed income investments during the quarter.

### *Marketable Equity Investments*

At June 30, 2024 public equity investments represented 24.9% of the portfolio, with the largest holdings in Bird Construction (5.8%), Cineplex (4.2%), Manulife (4.0%), Yellow Pages (2.9%), and MDA Ltd. (2.9%).

Positive performance was driven by unrealized gains in the share prices of Bird Construction (up 43.9% in the quarter), Cineplex (up 11.5%), and Manulife (up 7.7%). These gains more than offset underperformance in New Horizon (down 76.9%), Hertz (down 55%), MDA (down 7.7%) and Yellow Media (down 7.4%). Other smaller holdings had an immaterial affect on the portfolio.

### *Marketable Fixed Income Investments*

At June 30, 2024, marketable fixed income investments (net of government securities shorted) represented 6.3% of CSOC's invested assets. Overall public bond positions made a modest positive contribution to performance.

### *Marketable Preferred Share Investments*

At June 30, 2024, marketable preferred share investments represented 6.6% of CSOC's invested assets. The preferred shares held in M-Split corporation were up 3.2% during the quarter. These preferred shares are hybrid security instruments that are leveraged to the price of Manulife common stock.

June 30, 2024

Description	Average Cost \$	Fair Value \$	% of Portfolio
<b>Marketable Investments</b>			
<b>Cash and Cash Equivalents</b>	\$ 113,348	\$ 113,408	0.4%
<b>Fixed Income Held Long</b>	\$ 2,566,182	\$ 2,383,883	8.0%
Air Canada convertible	\$ 207,684	\$ 174,743	0.6%
AMC Entertainment Holdings	\$ 237,219	\$ 173,089	0.6%
Bank of Nova Scotia	\$ 563,450	\$ 625,469	2.1%
Corus Entertainment	\$ 526,000	\$ 300,000	1.0%
Latam Airlines Group	\$ 641,209	\$ 783,326	2.6%
Hertz Corp	\$ 390,620	\$ 327,256	1.1%
<b>Fixed Income Held Short</b>	\$ (514,437)	\$ (505,417)	(1.7%)
Government of Canada	\$ (514,437)	\$ (505,417)	(1.7%)
<b>Common Equity Held Long</b>	\$ 11,419,107	\$ 7,373,250	24.9%
Aegis Brands Inc. (previously Second Cup Ltd.)	\$ 3,400,936	\$ 347,206	1.2%
Air Canada	\$ 191,516	\$ 205,850	0.7%
Bird Construction Inc.	\$ 436,070	\$ 1,728,603	5.8%
Cineplex Inc	\$ 1,203,587	\$ 1,256,838	4.2%
Enbridge Inc	\$ 384,298	\$ 394,227	1.3%
Flint Corp (previously ClearStream Energy SVCS Inc.)	\$ 2,012,939	\$ 131,811	0.4%
Hertz Global Holdings Inc.	\$ 424,452	\$ 116,411	0.4%
Manulife Financial Group	\$ 694,689	\$ 1,171,745	4.0%
MDA Ltd.	\$ 879,998	\$ 858,627	2.9%
NorthStar Gaming Holdings Inc (Escrow)	\$ 2,432	\$ 243	0.0%
NorthStar Gaming Holdings Inc	\$ 6,123	\$ 680	0.0%
New Horizon Aircraft Ltd	\$ 513,987	\$ 71,087	0.2%
Yellow Pages Limited	\$ 1,119,866	\$ 866,081	2.9%
UBS Group AG (previously Credit Suisse Group AG)	\$ 148,214	\$ 223,841	0.8%
<b>Preferred Shares</b>	\$ 1,779,584	\$ 1,940,491	6.6%
Bombardier Inc.	\$ 379,277	\$ 514,454	1.7%
Canadian Life Companies Split	\$ 78,572	\$ 85,008	0.3%
M-Split Corp	\$ 838,474	\$ 941,279	3.2%
Sun Life Financial Corp	\$ 483,261	\$ 399,750	1.4%
<b>Total Marketable Investments</b>	\$ 15,250,436	\$ 11,192,207	38.1%
<b>Private Investments</b>			
<b>Common Equity Held Long</b>	\$ 13,578,154	\$ 16,497,243	55.6%
Brill Power Limited	\$ 105,559	\$ 217,546	0.7%
Fibracast	\$ 800,000	\$ 58,800	0.2%
Lysander Funds Limited	\$ 12,250,000	\$ 15,890,000	53.6%
Our Home and Miniature Land Inc. Warrant	\$ -	\$ -	0.0%
Smooth Payment Inc. July 5, 2031 Warrant	\$ -	\$ -	0.0%
Smooth Payment Inc. May 12, 2031 Warrant	\$ -	\$ -	0.0%
TC Fund I LP	\$ 12,476	\$ 12,427	0.0%
Portfolio HiWay Inc.	\$ 50,000	\$ 62,500	0.2%
Reformulary Group Inc.	\$ 200,000	\$ 250,000	0.8%
X-Spectrum 1 Inc. (previously Xplornet Wireless Inc.)	\$ 108,327	\$ 5,969	0.0%
X-Spectrum 2 Inc. (previously Xplornet Mobile Inc.)	\$ 51,792	\$ 1	0.0%
<b>Fixed Income Held Long</b>	\$ 1,266,585	\$ 1,078,923	3.6%
AdHawk Microsystems Inc	\$ 466,585	\$ 478,923	1.6%
Our Home and Miniature Land Inc.	\$ 400,000	\$ 400,000	1.4%
Smooth Payment Inc.	\$ 400,000	\$ 200,000	0.7%
<b>Preferred Shares</b>	\$ 928,567	\$ 765,379	2.6%
BZ Holdings Inc.	\$ -	\$ 2	0.0%
Flint Corp - Preferred (previously ClearStream Energy Services - Preferred)	\$ 729,400	\$ 380,990	1.3%
HashTag Paid Inc.	\$ 199,167	\$ 384,387	1.3%
<b>Total Private Investments</b>	\$ 15,773,306	\$ 18,341,545	61.9%
<b>Total Marketable and Private Assets</b>	\$ 31,137,090	\$ 29,647,160	100.0%
Other Assets, Net of Liabilities		\$ 88,370	
<b>CSOC's Investments at Fair Value</b>		\$ 29,735,530	



## Summary of Quarterly Results

The following table shows selected financial information about CSOC for the most recently completed eight quarters of the Corporation:

Description	30-Jun-2024	31-Mar-2024	31-Dec-2023	30-Sep-2023	30-Jun-2023	31-Mar-2023	31-Dec-2022	30-Sep-2022
Total Revenue	\$2,513,307	\$1,800,033	\$3,067,904	\$300,770	\$268,773	(\$510,815)	\$71,413	(\$210,696)
Total Revenue Per Share	\$0.48	\$0.34	\$0.59	\$0.06	\$0.05	(\$0.10)	\$0.03	(\$0.08)
Realized Gains (Losses)	(\$826)	(\$826)	(\$35,606)	(\$2,280)	\$0	\$52,169	\$200,381	\$49,943
(Losses) Per Share	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)	\$0.00	\$0.01	\$0.07	\$0.02
Unrealized Gains (Losses)	\$1,943,085	\$1,623,150	\$2,654,955	\$115,711	\$87,987	(\$558,562)	(\$121,315)	(\$255,414)
Gains (Losses) Per Share	\$0.37	\$0.31	\$0.51	\$0.02	\$0.02	(\$0.11)	(\$0.04)	(\$0.09)
Shareholders' Equity	\$30,366,911	\$29,764,736	\$28,239,244	\$25,593,112	\$25,358,365	\$25,374,742	\$13,606,074	\$13,565,387
Equity per Class A Share	\$5.83	\$5.70	\$5.41	\$4.89	\$4.82	\$4.81	\$4.90	\$4.88
Equity per Class B Share	\$5.81	\$5.70	\$5.41	\$4.91	\$4.88	\$4.88	\$4.90	\$4.88

The variations shown in the table above relate to the timing of investment decisions and do not reflect any general trends or seasonality. For each quarterly period, the financial data has been prepared in accordance with IFRS and the Canadian Dollar has been the presentation and functional currency.

## Discussion of Operations

See “Investment Activity and Performance” above.

## CSOC Tax Status

On September 4, 2018, Canso Select Opportunities Fund (the “Fund”) completed a plan of arrangement (the “Arrangement”) with the Corporation whereby the Corporation issued Class A Multiple Voting Shares and Class B Subordinate Voting Shares of CSOC in exchange for the outstanding units of the Fund and the Fund became a wholly-owned investment of CSOC.

The Fund has a pool of tax loss carry forwards that can be utilized to shelter gains of the Fund so long as the trust continues to be maintained and certain other conditions are met. If the Fund were to be wound-up into CSOC at a time when it had losses, such losses would expire unutilized. Consequently, the current intention is to maintain the continued existence of the Fund until such time as all or substantially all of the losses of the Fund are utilized, or so long as the benefits

associated with maintaining and utilizing such losses (e.g., current and potential cash tax savings) outweighs the cost of maintaining the Fund. As the holding period for many of these investments of the Fund is measured in years, and the Fund has tax losses, the “transitional period” could be a year or more.

### **Liquidity**

Liquidity risk is managed by maintaining a portion of the Corporation’s assets in investments traded in an active market that can be readily sold. All liabilities of the Corporation are due within one year, other than the shorted Government of Canada bond.

The securities of the Corporation are listed on the TSX Venture Exchange under the ticker CSOC.A and CSOC.B.

### **Subsequent Events**

The company received a regular quarterly dividend of \$175,000, and a special dividend of \$70,000 from Lysander Funds in July 2024.

### **Capital Resources**

CSOC has no commitments for any capital expenditures as of June 30, 2024.

### **Off-Balance Sheet Arrangements**

CSOC does not have any off-balance sheet arrangements.

### **Changes in Accounting Policies Including Initial Adoption**

There were no changes during the period ending June 30, 2024 to the Corporation’s accounting policies. The Corporation’s accounting policies for its financial instruments are disclosed in detail in Note 2 of the Annual Audited Financial Statements.

### **Financial Instruments and Other Instruments**

For the period ended June 30, 2024, CSOC continued to have the capability to hold derivatives and short positions in an investment portfolio in accordance with its investment mandate. At quarter-end CSOC held short positions in one Government of Canada bond. These short positions were held to hedge the interest rate risk on three corporate bond positions. The Corporation also held three warrants in two companies valued at Nil, that were issued by the respective companies. The list of all associated risks is disclosed in detail in Notes 3 and Note 11 of the 2023 Annual Audited Financial Statements.

### **Transactions between Related Parties**

CSOC has an operational services agreement with Canso Investment Counsel Ltd. ("Canso") that was originally entered into on August 1, 2018. The operational services agreement sets out

that Canso will provide the day-to-day operational services to carry out the business affairs of CSOC. Under the terms of the agreement, there were no fees payable for services provided by Canso to CSOC for the first 24-month period and the term could be extended at 12-month periods as agreed to between the parties. On August 1, 2022, the parties agreed to extend the no fee arrangement for another 12-month term ending on July 31, 2023. Subsequently, this service agreement was extended to July 31, 2024. The agreement is expected to be renewed again for another 12 months. There were no management fees charged for the period ended June 30, 2024 (June 30, 2023 – \$Nil).

On January 13, 2023, CSOC purchased 70,000 Class A common shares of Lysander Funds Limited ("Lysander") from Canso Fund Management Ltd. ("CFM"), a company under common control, by issuing to CFM 2,440,239 Class B Subordinate Voting Shares of CSOC pursuant to a share purchase agreement dated October 17, 2022 (the "Transaction"). The consideration is \$12.25 million. Following the Transaction, CFM holds approximately 68% of CSOC's outstanding Class B Subordinate Voting Shares, which represents a voting position of 4.7%.

Further information on the transaction, the background and approval process can be found at the following link. [Notice of Meeting and Management Information Circular - Nov 30 2022 - Final.pdf \(selectopportunitiescorporation.com\)](https://selectopportunitiescorporation.com/Notice%20of%20Meeting%20and%20Management%20Information%20Circular%20-%20Nov%2030%202022%20-%20Final.pdf)

## **Disclosure of Outstanding Share Data**

As at June 30, 2024, there were 1,511,994 Class A Shares and 3,706,443 Class B Shares of the Corporation outstanding.

## **Litigation**

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a determination could adversely affect the Corporation's performance and the market price for the Corporation's securities.

In August 2021, a proposed class action complaint was brought in the Superior Court of the State of California relating to the sale of BZ Holdings, Inc. ("**BZ**"), a Delaware corporation, to Centerfield Media Parent, Inc., which was accomplished by merger approved by BZ's board of directors in December 2020. The proposed representative plaintiffs are three former common shareholders of BZ, purporting to represent a class of other common shareholders. As a result of the merger transaction, which was managed and approved by a special committee of the BZ board of directors, who were advised by sophisticated U.S. legal counsel and an investment banking advisor, the preferred shareholders recovered some, but not all of their investments, and the common shareholders did not receive any compensation. The defendants named in the complaint are BZ's board of directors, certain officers of BZ, BZ's financial adviser, and certain preferred shareholders who the plaintiffs allege promoted and approved the merger. CSOC, was a preferred shareholder of BZ and CDS & Co. is named in the complaint as the registered holder of CSOC's preferred shares. CDS & Co. has not been served with the complaint. Upon motions by the other defendants, on February 22, 2022, the court stayed the lawsuit on jurisdictional grounds. The

Corporation denies the allegations in the complaint and, if necessary, will vigorously defend the action.

### **Other MD&A Requirements**

Additional information relating to the Corporation is available on SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

### **FORWARD-LOOKING STATEMENTS**

*This report may contain forward-looking statements and information within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words “seeks”, “expects”, “believes”, “estimates”, “will”, “target” and similar expressions. The forward-looking statements reflect the current expectations of CSOC regarding future results or events and are based on information currently available to it. Certain material factors and reasonable assumptions were applied in providing these forward-looking statements. All forward looking statements in this press release are qualified by these cautionary statements. CSOC believes that the expectations reflected in forward-looking statements are based upon reasonable assumptions; however, CSOC can give no assurances that the actual results or developments will be realized. These forward-looking statements are subject to several risks and uncertainties that could cause actual results or events to differ materially from current expectations. Readers, therefore, should not place undue reliance on any such forward-looking statements. Further, a forward-looking statement speaks only as of the date on which such statement is made. CSOC undertakes no obligation to publicly update any such statement or to reflect new information or the occurrence of future events or circumstances except as required by securities laws. These forward-looking statements are made as of the date of this report.*

*Additional information about CSOC is available under its SEDAR profile at [www.sedarplus.ca](http://www.sedarplus.ca).*