



**Second Report of
KSV Restructuring Inc.
As Proposed Receiver of Drop
Technologies Inc.
and Related Companies**

December 3, 2025

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

NATIONAL BANK OF CANADA

APPLICANT

- AND -

**DROP TECHNOLOGIES INC. (FORMERLY KNOWN AS DROP LOYALTY INC.), DROP
TECHNOLOGIES USA INC., and DROP TECHNOLOGIES ULC**

RESPONDENTS

**APPLICATION UNDER SUBSECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY
ACT*, R.S.C. 1985, c. B-3, AS AMENDED AND SECTION 101 OF THE *COURTS OF JUSTICE
ACT*, R.S.O. 1990, c. C.43, AS AMENDED**

**SECOND REPORT OF
KSV RESTRUCTURING INC.
AS PROPOSED RECEIVER**

December 3, 2025

1.0 Introduction

1. This pre-filing report (the “**Report**”) is filed by KSV Restructuring Inc. (“**KSV**”) as proposed receiver and manager (the “**Receiver**”) of the property, assets and undertaking of Drop Technologies Inc. (“**DTI**”) and one of its two subsidiaries, Drop Technologies ULC (“**Drop ULC**” and with DTI, the “**Debtors**”). DTI’s other subsidiary, Drop Technologies USA Inc. (“**Drop USA**” and together with the Debtors, the “**Company**”), is not a debtor in the proposed receivership proceedings discussed herein.
2. As of the date of this Report, the Company was indebted to National Bank of Canada (“**NBC**”), the Company’s senior secured creditor, in the amount of approximately US\$7.3 million (the “**NBC Facility**”), before interest and costs, which continue to accrue.

3. KSV was engaged by NBC on December 12, 2023 to provide it with advisory services in respect of its loans to the Company (the “**Advisory Mandate**”).
4. On May 8, 2024, the Company and NBC entered into a Forbearance Agreement (the “**Forbearance Agreement**”). The Forbearance Agreement expired on April 1, 2025. The principal purpose of the Forbearance Agreement was to provide the Company the opportunity to carry out a sale process for its business and assets (the “**Sale Process**”).
5. The Company retained Raymond James Ltd. (“**Raymond James**”) in August 2024 as its investment banker to lead the Sale Process. As more fully detailed in this Report, the Sale Process culminated in the negotiation of a reverse vesting order (“**RVO**”) transaction (the “**Transaction**”) for the purchase of DTI’s shares by Drop Acquisition, Inc. (the “**Purchaser**”). The Transaction is unconditional except for approval by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”).
6. KSV understands that the principals of the Purchaser are investors in DTI, one of whom is a former observer to DTI’s board of directors (the “**Board**”) and one of whom was a former member of the Board. KSV further understands that the Company’s Chief Executive Officer, Derrick Fung, may have a role and interest in the Purchaser, although the Receiver is not aware of the terms of those arrangements, or whether they have been finalized.
7. In recent days, KSV learned that Drop ULC was struck from the Alberta Corporate Registry and dissolved as a corporation, pursuant to the Alberta Business Corporations Act, and that DTI is currently subject to a notice of intent to dissolve under the Canada Business Corporations Act, and will be struck from the federal corporate register if the default is not remedied. KSV understands that efforts are being made to address the outstanding corporate compliance issues with a view to returning both corporations to good standing in advance of the return of this motion.
8. NBC initially brought an application for the appointment of the Receiver on August 26, 2025. The application has been adjourned on two occasions to allow the Sale Process to be completed. With the terms of the Transaction now settled, NBC intends to seek the appointment of the Receiver, and if appointed, the Receiver intends to immediately seek approval of the Transaction by the Court.
9. Additional background information concerning the Company and the events leading to these proceedings is provided below in this Report, and in the Affidavit of John Karkoutlian, a Senior Director of Special Loans at NBC, sworn August 25, 2025.
10. If KSV is appointed Receiver, all materials filed in these proceedings will be made available on its website at www.ksvadvisory.com/experience/case/drop.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company and these proceedings;
 - b) summarize KSV's role as financial advisor to NBC;
 - c) summarize the Sale Process;
 - d) summarize the Transaction, which is documented in, *inter alia*, a Subscription Agreement dated December 3, 2025 (the "**Subscription Agreement**") between the Receiver and the Purchaser;
 - e) summarize the steps required to implement the Transaction (the "**Pre-Closing Reorganization**"), which are provided in Exhibit "A" to the Subscription Agreement;
 - f) discuss the implications of the Transaction for the Company's stakeholders, including NBC and DTI's shareholders;
 - g) provide the Receiver's rationale for recommending that the Court approve the Transaction and why, in the Receiver's view, it is appropriate that the Transaction be completed pursuant to the RVO;
 - h) recommend that the Court approve the distribution of the Transaction consideration to NBC;
 - i) explain the rationale for the incorporation of "**ResidualCo**" by the Receiver and why ResidualCo is required to be added as a debtor in these proceedings;
 - j) discuss service of the receivership application and the Receiver's motion material; and
 - k) provide the Receiver's recommendations in respect of its application for an order, among other things:
 - i. approving the Pre-Closing Reorganization;
 - ii. approving the RVO, Subscription Agreement, and the Transaction;
 - iii. approving the transfer to ResidualCo of the Company's rights, title and interest in and to the Excluded Assets and the Excluded Liabilities (as defined in the Subscription Agreement);
 - iv. approving the issuance to the Purchaser, and the Purchaser's subscription for and purchase from the Receiver, free and clear of all Encumbrances (other than Permitted Encumbrances), 100% of the newly issued common shares of the Company (the "**Purchased Shares**");
 - v. adding ResidualCo as a debtor in these receivership proceedings; and
 - vi. authorizing distributions of the Transaction consideration to NBC.

1.2 Currency

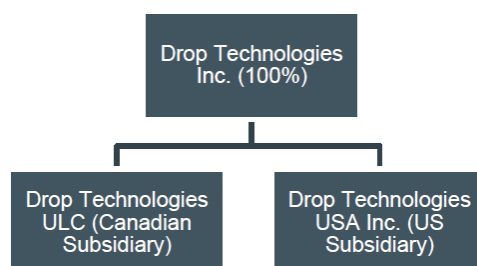
1. Canadian dollars are referenced herein as “C\$” and US dollars as “US\$”.

1.3 Restrictions

1. In preparing this Report, KSV has relied upon the Company’s unaudited financial information, books and records, information in the public domain, and discussions with the Company’s management (“**Management**”), certain members of the Company’s board of directors, NBC, NBC’s counsel and Raymond James.
2. KSV has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied upon to prepare this Report in a manner that complies with Canadian Auditing Standards (“**CAS**”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, KSV expresses no opinion or other form of assurance contemplated under the CAS in respect of such information. Any party (other than the Court) wishing to place reliance on the financial information should perform its own diligence.

2.0 Background

1. The Company was founded in 2015 by Mr. Fung and his brother Darren, the Chief Technology Officer, and is headquartered in Toronto, Ontario.
2. The Company’s corporate structure is as follows:



- DTI is the main operating entity and substantially all revenue is recorded in this entity.
- Drop USA was founded in 2019, was the employer of its US-based employees and pays certain US vendors.¹ The Company has advised the Receiver that Drop USA does not presently have any US-based employees, carry on active business operations, or hold any material contracts. Drop USA is a defendant in class action litigation commenced in the US.
- Drop ULC was founded in 2021. The Receiver understands that Drop ULC holds the Company’s intellectual property.

¹ Although Drop USA historically paid some US-based vendors, it does not hold the underlying contracts. These are understood to be held by DTI.

3. The Company has developed technology that supports loyalty reward programs. It operates an app-based rewards platform that allows consumers to earn points for purchases made at partner merchants, in exchange for which the Company gains access to detailed, anonymized consumer transaction data. Revenue is generated through three primary streams:
 - a) **Drop Mobile App:** The Company operates a mobile application that tracks consumers' debit and credit card purchases made with specific vendors and provides "Drop points" to consumers based on this spending. Drop points are either funded by external merchants or by the Company itself. When consumers reach certain point thresholds, the points can be redeemed for rewards (known as "**Card-Linked Offers**" or "**CLOs**").
 - b) **Data revenue:** The Company collects debit and credit transaction data from its mobile application and through an arrangement with a US-based consumer financial services company (the "**US Financial Services Company**"). This data provides visibility into consumer spending habits. The Company sells this data to various users, including hedge funds, investment banks, consulting firms and others. The data is sold as a service or piecemeal.
 - c) **Channel partnerships:** The Company provides "white label" targeted CLO services to customers of its channel partners (including financial institutions and/or credit card networks). The Company places campaigns with its channel partners who publish the CLOs to their clients. The Company earns a percentage commission on total merchant budget dollars spent through the marketing campaign which is shared with the channel partners.
4. The Receiver understands that the Company had approximately one million active app users, and through its strategic relationship with the US Financial Services Company, it accessed anonymized spending data for millions of consumers. The Company's proprietary technology platform integrates app and partner datasets into a unified database.
5. The Company's merchant network includes multiple consumer categories, including retail, travel, and food delivery, and the user base is primarily in North America.

6. The Company currently has 9 employees and contractors, including Derrick and Darren Fung².

3.0 Financial Information

3.1 Balance Sheet

1. The balance sheet below provides the Company's financial position as of July 31, 2025, being the most recent financial statements available to the Receiver. As noted below, the Company's cash and accounts receivable balances were C\$463,000 and C\$4.0 million, respectively, as of July 31, 2025. These balances were C\$718,000 and C\$3.6 million, respectively, as of November 30, 2025.

(Unaudited; Prepared by Management)	Book Value³
<u>Description</u>	<u>(C\$000s)</u>
ASSETS:	
Cash	463
Accounts Receivable	3,984
Other Assets	84
Total Assets	4,531
LIABILITIES	
Accounts Payable and Accrued Liabilities	8,253
NBC Facility	9,416
Convertible Notes	20,862
Other Liabilities	281
Total Liabilities	38,812
DEFICIT	
Share Capital	117,551
Contributed Surplus	4,990
Retained Earnings (Deficit)	(156,822)
Total Deficit	(34,281)
Total Liabilities and Deficit	4,531

2. As reflected by the balance sheet, the Company's capital structure is comprised of the following:
- a) approximately C\$117.6 million of share capital (common shares and preferred shares) raised in multiple rounds from over 100 investors;
 - b) approximately C\$20.9 million of convertible debt raised in multiple tranches; and

² KSV has been advised that Darren has a contract with the Company.

³ Points Inventory and an offsetting Points Liability is recorded on the Company's internal balance sheet. As these amounts are offsetting, they are excluded from the balance sheet summary, above. Both balances were C\$20.7 million as of July 31, 2025. They are recorded when Drop points are issued to consumers. Cash outflow occurs when points are redeemed by consumers.

- c) debt of approximately C\$9.4 million (before accrued interest and costs) owing under the NBC Facility.
- 3. The balance sheet also reflects:
 - a) accounts payable and accrued liabilities of approximately C\$8.3 million;
 - b) liabilities exceed assets by over C\$34 million; and
 - c) negative retained earnings of approximately C\$156.8 million, representing a history of significant recurring losses.
- 4. Early in the Advisory Mandate, Management advised KSV that the Company had negotiated payment arrangements with vendors representing the majority of the accounts payable balance. KSV has been advised that the Company failed to meet the terms of those arrangements and as a result, several of the Company's key vendors have discontinued providing critical services to the Company and are unwilling to do so until the arrears are addressed. As a result of the impaired state of the vendor relationships, the Company's operations have been substantially reduced in recent months.
- 5. As of November 30, 2025, the Company's cash balance had increased to approximately C\$718,000, largely by deferring payments to the critical vendors. KSV understands that payments are required immediately to several of these vendors, without which the Company's business and operations may not be repairable. KSV understands that certain of these payments will be made in the near term (or were made on or around December 3, 2025), such that the Company will be effectively illiquid after the payments are made.

3.2 Income Statement

- 1. The income statement below reflects the Company's financial results for its fiscal years ending December 31, 2023, and 2024, and the seven-month period ending July 31, 2025.

(C\$000s)	YTD July 2025	2024	2023
Sales	9,476	15,189	8,967
Gross Profit	2,146	6,178	3,911
Operating Expenses	5,197	7,832	15,130
Net Loss	(3,051)	(1,654)	(11,219)

- 2. As reflected by the income statement summary, the Company generated losses totaling approximately \$16 million between December 1, 2023 and July 31, 2025. Losses have continued since that date. Due to its ongoing losses and its illiquidity, the Company has been required to substantially reduce its operations in recent months.

4.0 KSV's Advisory Mandate

1. KSV's engagement letter for its Advisory Mandate states that the Advisory Mandate will terminate if KSV is appointed to act in an insolvency proceeding involving the Company, at which point it will be an independent officer of the court, subject to statute and the order appointing it. The Advisory Mandate does not preclude KSV from acting as a court officer in a court-supervised insolvency proceeding involving the Company.

5.0 Sale Process

1. Raymond James is an investment bank with significant experience in the technology sector. The Company retained Raymond James to conduct the Sale Process based on its experience in the sector. NBC consented to the retention of Raymond James.
2. In order to assist the Company's liquidity during the Sale Process, and to allow the Sale Process to be carried out on an orderly basis, NBC and the Company entered into the Forbearance Agreement, pursuant to which the Company was not required to pay interest and principal to NBC during the "Forbearance Period", which has since expired.
3. From August 2024 to mid-2025, Raymond James canvassed 73 prospective purchasers and investors, made information available to prospective purchasers in an online data room and arranged management meetings for several prospective purchasers. NBC, with the assistance of KSV, monitored the Sale Process and received updates from Raymond James regarding its efforts.
4. Of the parties that participated in the Sale Process, 22 executed confidentiality agreements and performed due diligence. Prospective purchasers were advised that the assets available to be acquired included the Company's business, assets and the Company's tax attributes, including non-capital losses totaling approximately C\$140 million.
5. A total of four parties (including the Purchaser) submitted expressions of interest at various times during the Sale Process.
6. Company A⁴ submitted a non-binding LOI on January 27, 2025, and Company B submitted a non-binding LOI on September 12, 2025. Both parties withdrew their LOIs shortly after conducting further diligence.
7. In November 2025, the Purchaser and Company C remained interested in completing a transaction, but neither was able to submit a definitive offer as they had not had the opportunity to complete due diligence and/or their offers remained conditional, primarily on financing and review of additional information concerning the business.
8. Throughout the Sale Process, the Company's financial position eroded materially, and by October 2025 had become untenable, which created urgency to complete a transaction. As a result, on November 14, 2025, Raymond James, in consultation with the Company and NBC, sent the two parties that remained interested in the opportunity a letter (the "**Offer Requirement Letter**") requiring each party to submit a final and binding bid along with a non-refundable deposit by no later than Tuesday November 18, 2025 (the "**Bid Deadline**"). The parties were advised that upon receipt of the offers

⁴ The names of these parties have not been identified in this Report. KSV can provide them to the Court if it wishes to have them.

and an acceptable non-refundable deposit, an offer would be selected, subject to certain approvals and consents required by NBC. A copy of the Offer Requirement Letter is provided in **Appendix “A”**.

9. Offers were received from the Purchaser and Company C. The Purchaser's offer was selected as it was for greater value and had fewer conditions.

6.0 Transaction⁵

1. The following section provides an overview of the Transaction. The information in this section is provided in summary format only. A copy of a redacted version of the Subscription Agreement is attached as **Appendix “B”**⁶.
 - a) **Purchaser**: a corporation incorporated pursuant to the laws of Delaware.
 - b) **Purchased Shares**: pursuant to the Subscription Agreement, the Receiver shall issue to the Purchaser, and the Purchaser shall subscribe for and purchase from the Receiver, free and clear of all Encumbrances (other than Permitted Encumbrances), 100% of the newly issued common shares of the Company;
 - c) **Pre-Closing Reorganization**: Exhibit “A” to the Subscription Agreement provides the steps and transactions to be completed prior to closing (collectively, the “**Implementation Steps**”), which are summarized as follows:
 - i. the Purchaser pays the Deposit to the Receiver;
 - ii. the Receiver incorporates and organizes ResidualCo with nominal consideration for common shares;
 - iii. ResidualCo is added to the Receivership Proceedings as a Debtor;
 - iv. One day prior to the Closing Date, the Purchaser shall have paid to the Receiver the Closing Payment, to be held in trust and released in accordance with these Implementation Steps;
 - v. Effective as of the Closing Time, the following steps shall take place sequentially in accordance with the Approval and RVO:
 - a. all Employees designated by the Purchaser as Terminated Employees will be terminated by the Receiver;
 - b. the Excluded Assets, the Excluded Contracts, and the Excluded Liabilities shall be transferred to, and vest in, ResidualCo;
 - c. the Articles of Reorganization in respect of DTI shall be filed by the Receiver with the applicable Governmental Authority, and shall be deemed to be effective;

⁵ Defined terms in this section of the Report have meanings provided to them in the Subscription Agreement.

⁶ KSV intends to file a supplemental report with an unredacted version of the Subscription Agreement in advance of the return of this motion. The only redacted information in the purchase price and the payment mechanisms related thereto.

- d. the Existing Equity shall be redeemed and cancelled for no consideration pursuant to the Approval and RVO and the Articles of Reorganization;
 - e. the Receiver shall issue the Purchased Shares to the Purchaser;
 - f. the Purchase Price (other than the Retained Liabilities retained by the Purchased Entities) shall be released to the Receiver for the benefit of ResidualCo, and the Purchase Price payable at Closing shall be satisfied in accordance with the terms of the Subscription Agreement;
 - g. the Receiver shall fund the Wind Down Reserve from the balance of the Deposit and the Closing Payment and hold such amount in trust for the benefit of the parties entitled thereto; and
 - h. Closing shall be deemed to have occurred.
- d) **Excluded Assets:** includes \$150,000 of the Company's present cash balance, the Excluded Contracts and the shares and any other interest owned in Drop USA, as set out in Schedule "A" to the Subscription Agreement;
- e) **Retained Assets:** the shares of Drop ULC, Intellectual Property, equipment, Retained Contracts, Permits and Licenses, Books and Records, Business, tax losses, undertakings, any excise deposit held by Canada Revenue Agency, accounts receivables, and cash in the bank account at Closing, if any. The Retained Assets would not include the Excluded Assets or the Excluded Contracts.
- f) **Purchase Price:** the purchase price consideration is up to \$● million comprised of:
- the Deposit;
 - cash due on Closing;
 - the retention of the Retained Liabilities (described below);
 - the Financing Payment to be payable to the Receiver within 15 days of the closing of the financing round (the "**Equity Raise**") with the terms substantially set out in the term sheet attached to the Subscription Agreement;
 - as applicable, accounts receivable to be collected (the "**Collected Receivable Payments**") and/or the uncollected receivables payment (the "**Uncollectible Receivables Payment**"), each as further described below; and
 - in respect of each Terminated Employee, an amount up to \$2,000, subject to an aggregate cap of \$15,000.
- g) **Retained Liabilities:** the Purchaser will assume any and all liabilities related to the Retained Contracts and Retained Assets, as set out in Schedule "E" of the Subscription Agreement.

- h) **Collection of Accounts Receivables:** The Purchaser shall use its commercially reasonable efforts to collect accounts receivables of Drop that remain outstanding on the Closing Date during the Collection Periods (collectively defined in the Subscription Agreement as 30 days after Closing, 31 to 60 days after Closing, 61 to 90 days after Closing, and 91 to 180 days after Closing, and each a “**Collection Period**”). Within 15 days after each Collection Period, the Purchaser shall pay the Receiver the amount of any Closing Date Receivables collected during such Collection Period provided that the aggregate total amount payable by the Purchaser to the Receiver shall not exceed C\$● million. If the total amount of Closing Date Receivables collected by the Purchaser during the Collection Periods is less than \$●, the Purchaser shall, within 15 days of the end of the last Collection Period, pay to the Receiver the difference between \$● and the amount of Closing Date Receivables collected by the Purchaser by the end of the Collection Period.
- i) **Employees:** the Receiver understands that the Purchaser intends to retain substantially all of the Company’s employees; provided, however, that the Purchaser shall have the right to identify any employees whose employment with the Company it wishes to terminate, and the Company shall terminate the employment of such employees with effect immediately before the Closing Date.
- j) **Excluded Liabilities:** consist of the Company’s debts and obligations other than the Retained Liabilities, which Excluded Liabilities shall be transferred to, and assumed in full by, ResidualCo. A non-exhaustive list of Excluded Liabilities is set out in Schedule “F” of the Subscription Agreement.
- k) **Transfers to Residualco:** on the Closing Date, prior to the sale of the Purchased Shares, the Excluded Liabilities shall be assumed by ResidualCo through the RVO. With the benefit of the Wind Down Reserve, ResidualCo will file an assignment in bankruptcy.
- l) **Representations and Warranties:** consistent with the terms of a standard insolvency transaction, i.e., on an “as is, where is” basis, with limited representations and warranties.
- m) **Material Conditions:** the only material conditions precedent are that the Court shall have issued the Appointment Order and the Approval and Reverse Vesting Order.
- n) **Closing:** subject to Court approval, Closing is expected to occur on or prior to the Outside Date (defined in the Subscription Agreement as thirty days after the granting of the Approval and RVO, or such later date and time as the Parties may agree to in writing, each acting reasonably).

7.0 Urgency

1. KSV, as proposed Receiver, is of the view that there is urgency to complete the Transaction for the following reasons:
 - a) the Company has significant negative cash flow which will require it to cease operating in the near term if the Transaction is not completed, resulting in the loss of any remaining goodwill associated with the business and the termination of the remaining employees;

- b) absent approval of the Transaction, there is no party that is prepared to continue to finance the Company's operations, including NBC;
- c) critical vendor relationships need to be addressed immediately, including those integral to the continued operations of the business;
- d) the continued uncertainty in the business has resulted in a substantial risk that key employees will resign; and
- e) there are no other viable options for the business that would result in a continuation of the business given the situation with the critical vendors. If the business does not resume operating in the very near term, the Company is likely to be liquidated forthwith. Given the nature of the Company's assets, recoveries in a liquidation would be nominal; negative recoveries are possible.

8.0 Recommendation

1. The Receiver recommends that the Court approve the Transaction and issue the RVO for the following reasons:
 - a) in the Receiver's view, the Sale Process was carried out on an orderly basis by a reputable investment banker with technology sector experience. The focus of the Sale Process was to identify a going-concern transaction. The Transaction represents the best available financial outcome in the circumstances;
 - b) the opportunity was marketed for approximately 15 months. The Receiver does not believe that further time marketing the Company's business and assets for sale would result in a superior transaction;
 - c) the Transaction is structured as a share deal that provides for the retention by the Company of certain of its liabilities and preserves its tax attributes, both of which enhance the value of the Transaction;
 - d) the Transaction preserves employment for most or all of the Company's existing workforce;
 - e) absent the Transaction, the Company is projected to run out of liquidity in the near term and accordingly, the Company will likely be liquidated;

- f) the liquidation value of the Company is nominal. In a liquidation, the collectability of the accounts receivable (the Company's most material tangible asset) would be impaired as the Company would not be able to fulfill its obligations to its customers, likely resulting in damage claims from the customers. Additionally, the Company's intellectual property and tax attributes did not generate any other acceptable bids in the Sale Process;
- g) NBC, as the Company's principal economic stakeholder, has consented to the Transaction notwithstanding the substantial shortfall it will incur on its exposure to the Company. NBC is not prepared to fund the Company to continue the Sale Process or to conduct another one;
- h) by using an RVO structure to complete the Transaction, the Company's business and tax attributes will be preserved, which is critical to the Purchaser. The Transaction could not be completed if the Purchaser was uncertain as to the acquisition of the Retained Assets; and
- i) in the Receiver's view, the terms and conditions of the Subscription Agreement are commercially reasonable. KSV, as proposed Receiver, was involved in the negotiation of the Subscription Agreement and the structure of the Transaction.

8.1 RVO Considerations

1. The Receiver believes it is necessary and appropriate for the Transaction to be completed pursuant to an RVO. In forming its view, the Receiver considered the issues raised by this Court in the CCAA proceedings of *Payslate Inc.* and the considerations in the *Harte Gold* case, which are set out below.

a) *Why is the RVO necessary in this case?*

The Company's tax attributes represent a valuable asset to the Purchaser and their acquisition is a key term of the Transaction.

In addition to the receivership option contemplated herein, consideration was also given to completing the Transaction through a CCAA plan of arrangement; however, no party is prepared to sponsor a Plan given there is no value for any stakeholder in these proceedings other than NBC. Additionally, the cost of drafting a Plan, convening a meeting of creditors to vote on the Plan and conducting a claims process would be wasteful in the circumstances as NBC is the only creditor with an economic interest. The Receiver understands that NBC would not fund such a process, including the Company's operations during the process, which would need to include significant amounts to pay the arrears owing to critical vendors. The delay and uncertainty on the Company's business resulting from a Plan process would also cause employees to consider employment opportunities with a more stable employer. The RVO effectively provides all the benefits of a Plan, while providing more certainty, with less cost, risk and instability.

- b) *Does the RVO structure produce an economic result at least as favourable as any other viable alternative?*

The RVO allows for the expedient conveyance of the Retained Assets and the Company's tax attributes to the Purchaser. Without an RVO, the ability to transfer the tax attributes would be at risk. NBC has advised the Receiver that it is not prepared to continue to fund the Company, meaning the Company's business and assets would need to be liquidated if the Transaction is not completed, resulting in a loss of employment, and nominal (if any) recoveries to NBC, as discussed above. The issuance of an RVO is a material condition of the Subscription Agreement and is integral to completing the Transaction. Accordingly, there does not appear to be any alternative viable option to an RVO.

The Receiver is also mindful that the Sale Process has already been conducted and that there is no money available to conduct a further process, including from NBC. The Receiver is strongly of the view that further time marketing the business for sale will not result in a superior transaction and would be prejudicial to NBC, the Company's employees, and other stakeholders.

- c) *Is any stakeholder worse off under the RVO structure than they would have been under any other viable alternative?*

In the Receiver's view, no stakeholders are prejudiced by the issuance of an RVO relative to their treatment and outcome under any other viable option (if any). In particular, the claims and liabilities being transferred to ResidualCo are unsecured and/or would receive no distribution under any transaction structure. Given the value of NBC's secured claims, and its significant projected shortfall, there would be no funds available for distribution to any of the Company's creditors subordinate to NBC under any other realization scenario.

- d) *Does the consideration being paid for the debtor's business reflect the importance and value of the licenses and permits (or other intangible assets) being preserved under the RVO structure?*

For the reasons noted in (a) above, in the Receiver's view, the value of the Company's tax attributes being preserved under the RVO structure is a critical consideration in structuring the Transaction. The consideration being paid by the Purchaser is directly attributable to their importance and value, which provides the best available outcome for stakeholders, including NBC, the Company's employees and vendors.

2. Based on the foregoing, the Receiver recommends that this Court approve the Transaction and grant the RVO.

9.0 Service and Notice

1. In preparing for this application, the Purchaser, the Receiver and their respective legal counsel were cognizant of the concerns raised by the supervising court in the *Payslate* matter as it relates to providing service to parties which may be affected by the granting of an RVO. In this regard:
 - a) service of NBC's application was sent to the Service List in these proceedings on August 21, 2025, around 3 months prior to the hearing of this application on December 9, 2025; and
 - b) in addition to the Service List in these proceedings, the materials related to the proposed RVO structure have been served on (i) the majority of contract counterparty/counterparties whose contracts will be assumed by the Purchaser (except for the Company's current employees); (ii) Canada Revenue Agency and; (iii) DTI's shareholders.
2. Affidavits of service will be filed as part of a confidential exhibit to be filed with the Court regarding service to customer contract parties and shareholders. As these contain proprietary or confidential information, the Receiver does not believe it is appropriate to make publicly available the personal contact information of DTI's shareholders.
3. Based on the foregoing, the Receiver believes that service of this application is adequate in the circumstances of this case.

10.0 ResidualCo

1. The proposed RVO authorizes the Receiver to incorporate ResidualCo for the purpose of completing the Transaction. It is contemplated that, pursuant to the terms of the RVO, the Excluded Assets and Excluded Liabilities would vest in ResidualCo and that ResidualCo would become a debtor company subject to these receivership proceedings upon the issuance of the order sought.
2. Other parties have registered security interests against the Company⁷; however, given the economics of this Transaction, there would be no funds available for distribution to these creditors under any circumstance. The Receiver is not aware of any deemed trust claims being transferred to ResidualCo. Accordingly, NBC is the only creditor with an economic interest in the Transaction and there does not appear to be any prejudice to the parties that will become creditors of ResidualCo should the relief sought be granted.

11.0 Distributions to NBC

1. As at December 2, 2025, the Company's indebtedness owing to NBC was approximately US\$7.3M, before interest and costs, which continue to accrue.
2. The order contemplates a cash distribution to NBC.

⁷ RBC has been served with a copy of these materials. This is discussed further in Section 11 below.

3. KSV is not aware of any other secured creditors or any claim that ranks or may rank in priority to NBC, other than (i) the amounts secured under the Receiver's Charge, for which adequate provision for payment has been or will be made, and (ii) a registration in favour of Royal Bank of Canada in respect of collateral classifications, Accounts and Other. KSV is not aware of any amounts owing by the Company to RBC.
4. In advance of this Application, the Receiver instructed its legal counsel, Chaitons LLP ("**Chaitons**"), to provide an opinion on the validity and enforceability in the Province of Ontario of NBC's security granted by DTI, DTI ULC and DTI US. Chaitons' opinion provides that, subject to the customary assumptions and qualifications contained therein, the security granted by these entities to NBC is valid and enforceable. Chaitons has advised that the Intellectual Property Security Agreement appears to be registered in the United States only, and has not expressed any opinion with respect to the validity and enforceability of the security to the extent the laws of another jurisdiction may apply. Chaitons is presently finalizing its opinion, and if its final opinion identifies any concerns with respect to the validity and enforceability of the security granted to NBC, the Receiver will file a supplemental report before the hearing of this Application.
5. The Receiver intends obtain in advance of the return of this motion a security opinion under Alberta law but can do so if that becomes necessary. The Receiver notes that PPSA searches conducted against the Debtors in August 2025 (those searches are currently being updated) disclosed that NBC was the only party with registrations against each of the Debtors.

12.0 Anticipated Next Steps in these Proceedings

1. Subject to Court approval of the relief sought at this motion, the next steps in these proceedings include the following:
 - a) the Purchaser, the Receiver and their respective legal counsel intend to close the Transaction forthwith in accordance with the Subscription Agreement, and transactions contemplated by the Pre-Closing Reorganization;
 - b) upon closing of the Transaction, making distributions to NBC; and
 - c) shortly following closing of the Transaction, it is expected that ResidualCo will make an assignment in bankruptcy.

13.0 Conclusion and Recommendation

1. Based on the foregoing, the KSV respectfully recommends that the Court make an order granting the relief detailed in this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS PROPOSED RECEIVER OF
THE PROPERTIES, ASSETS AND UNDERTAKINGS OF
DROP TECHNOLOGIES INC. AND RELATED COMPANIES
AND NOT IN ITS PERSONAL OR IN ANY OTHER CAPACITY**

Appendix “A”

From:
To:
Cc:
Subject:

Drop Technologies - Process Update

[REDACTED]

Thank you for your ongoing interest in a transaction involving Drop Technologies and its related entities. The sale process must be advanced without further delay. We understand that you have submitted, or you are prepared to submit, an offer for the business and/or its assets. We ask that you remit any offer you wish to submit to us (with a copy to John Karkoutlian of NBC (john.karkoutlian@bnc.ca)) your final and binding bid, without conditions (including, without limitation, due diligence or financing), by no later than **Tuesday, November 18, 2025 at 5pm.**

You have been provided with a form of agreement in which we strongly recommend you submit with your offer. Upon receipt of the offer and an acceptable non-refundable deposit (as has been discussed with you), your offer will be provided to NBC's for review by its credit committee and to obtain its consent, as senior lender to Drop. That process will take no longer than three days, after which, assuming credit approval is granted, the parties will move forward with your offer on an exclusive basis. There is no intention to prolong the offer process any further. Accordingly, if your bid complies with the above, and NBC consents, it will be advanced promptly by the appropriate parties.

Regards,
Gilles

[Gilles Hickey](#)

Raymond James Ltd.
Director, Investment Banking
M: 647.302.2995

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Subject: Drop Technologies - Process Update [REDACTED]

[REDACTED]

Thank you for your ongoing interest in a transaction involving Drop Technologies and its related entities. The sale process must be advanced without further delay. We understand that you have submitted, or you are prepared to submit, an offer for the business and/or its assets. We ask that you remit any offer you wish to submit to us (with a copy to John Karkoutlian of NBC (john.karkoutlian@bnc.ca)) your final and binding bid, without conditions (including, without limitation, due diligence or financing), by no later than **Tuesday, November 18, 2025 at 5pm.**

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Regards,
Gilles

Gilles Hickey

Raymond James Ltd.
Director, Investment Banking
M: 647.302.2995

Appendix “B”