



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

August 22, 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**

RESPONDENT

**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**

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

August 22, 2025

1.0 Introduction

1. This pre-filing report (the “**Report**”) is filed by KSV Restructuring Inc. (“**KSV**”) as proposed receiver and manager of the property, assets and undertaking of Drop Technologies Inc. (formerly Drop Loyalty Inc.) (“**Drop**”) and its subsidiaries, Drop Technologies USA Inc. (“**Drop USA**”), and Drop Technologies ULC (“**Drop ULC**”) (collectively, the “**Company**”).
2. As of the date of this Report, the Company was indebted to National Bank of Canada (“**NBC**”) in the amount of approximately US\$7.3 million (the “**NBC Facility**”), before interest and costs which continue to accrue. Each of Drop USA and Drop ULC are secured guarantors of Drop’s indebtedness owing to NBC.

3. On December 12, 2023, KSV was engaged by NBC to provide advisory services in respect of NBC's loans to the Company (the "**Advisory Mandate**"). The Advisory Mandate included, among other things, reviewing the Company's historical financial information and its financial projections, monitoring the Company's financial performance and considering the Company's restructuring options.
4. On May 8, 2024, the Company and NBC entered into a Forbearance Agreement (the "**Forbearance Agreement**"). The forbearance expired on April 1, 2025.
5. The principal purpose of the forbearance was to allow the Company the opportunity to conduct a sale process for its businesses and assets so that it could complete a transaction that would repay NBC in full.
6. The Company retained Raymond James Ltd. ("**Raymond James**") as its investment banker for the purpose of marketing its business for sale (the "**RJ Sale Process**"). The RJ Sale Process commenced in August 2024 and continues to today. No offers have been submitted in the Sale Process, notwithstanding the long duration and breadth of that process.
7. The principal purpose of the proposed receivership proceedings is to allow the Company's business to continue to operate on a going-concern basis while a Court-supervised sale process (the "**Sale Process**") for the Company's business and assets is carried out by a receiver.

1.1 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide background information about the Company;
 - b) summarize KSV's role as financial advisor to NBC;
 - c) summarize the Sale Process; and
 - d) recommend that the Court issue an order (the "**Sale Process Order**") approving the Sale Process.

1.2 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, 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.

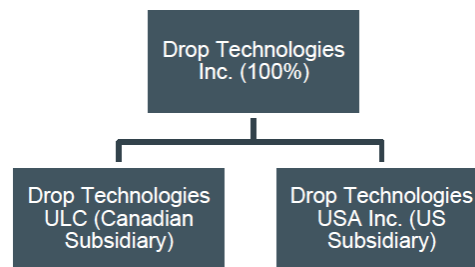
3. Additional background information concerning the Company and the events leading to these proceedings is provided in the Affidavit of John Karkoutlian sworn August 20, 2025 (the “**Karkoutlian Affidavit**”).
4. If KSV is appointed receiver, all materials filed in these proceedings will be made available on its website at <https://www.ksvadvisory.com/experience/case/drop>.

1.3 Currency

1. Currency references are as noted in this Report.

2.0 Background

1. The Company was founded in 2015 by Derrick Fung (Chief Executive Officer) and his brother Darren (Chief Technology Officer) and is headquartered in Toronto, Ontario.
2. The Company’s organizational structure is as follows:



- a) Drop is the main operating company and substantially all revenue is generated by this entity.
 - b) Drop ULC was founded in 2021 for tax reasons and holds the Company’s intellectual property.
 - c) Drop USA is the employer of its US-based employees and pays certain US vendors.
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:** Drop 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**”). Drop earns revenue from the sale of “Drop points”, which are points or reward units issued to their users on behalf of consumer merchants.

- b) **Data revenue:** Drop collects debit and credit transactional 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. It 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:** Drop provides white label targeted CLO services to customers of its channel partners (including financial institutions and/or credit card networks). Drop places campaigns with its channel partners who publish the CLOs to their clients. Drop earns a percentage commission on total merchant budget dollars spent through the marketing campaign which is shared with the channel partners. This is the fastest growing segment of the Company’s business.
4. The Company advises that it has approximately one million active app users, and through its strategic relationship with the US Financial Services Company, has access to anonymized spending data for roughly 19 million consumers. The Company’s proprietary technology platform integrates app and partner datasets into a unified database.
 5. The Company’s merchant network spans multiple categories, including retail, travel, and food delivery, and the user base is primarily concentrated in North America.
 6. The Company currently has approximately 15 employees, including Derrick Fung.

3.0 Financial Information

3.1 Balance Sheet

1. The balance sheet below reflects the Company’s financial position as of April 30, 2025. As noted below, the Company’s cash balance was approximately C\$1.5 million as of April 30, 2025. It declined to approximately C\$203,000 as of July 29, 2025.

(Unaudited; Prepared by Management)	Book Value¹
<u>Description</u>	<u>(C\$000s)</u>
ASSETS:	
Cash	1,515
Accounts Receivable	5,857
Other Assets	112
Total Assets	7,484

¹ Points Inventory and a fully offsetting Points Liability are recorded on the Company’s internal balance sheet. For presentation purposes, both balances have been excluded from the balance sheet herein. Both balances were C\$20.5 million as of April 30, 2025.

LIABILITIES	
Accounts Payable and Accrued Liabilities	8,995
NBC Facility	9,416
Convertible Notes	20,862
Other Liabilities	380
Total Liabilities	39,653
DEFICIT	
Share Capital	117,551
Contributed Surplus	4,990
Retained Earnings (Deficit)	(154,710)
Total Deficit	(32,169)
Total Liabilities and Deficit	7,484

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
 - c) approximately C\$9.4 million (before accrued interest and costs) under the NBC Facility.
3. The balance sheet also reflects:
 - a) liabilities exceed assets by more than C\$30 million; and
 - b) negative retained earnings of approximately C\$155 million, reflecting a history of recurring losses.
4. Additionally, most of the Company's vendors are past due and the Company has negotiated payment plans with several of its vendors.

3.2 Income Statement

1. The income statement below reflects the Company's financial results for the two fiscal years ended December 31, 2023, and 2024, and the four-month period ended April 30, 2025.

(Unaudited; Prepared by Management) (C\$000s)	YTD April 2025	2024	2023
Sales	6,458	15,189	8,967
Gross Profit	1,513	6,178	3,911
Operating Expenses	2,446	7,832	15,130
Net Loss	(933)	(1,654)	(11,219)

2. As reflected by the table above, the Company has generated and continues to generate significant losses.
3. Since March 2024, the Company's liquidity shortfall has been partially addressed through accommodations from NBC, including deferring substantially all payments of principal and interest since that time.

4.0 KSV's Prior Mandate

1. As noted above, KSV's Advisory Mandate included, amongst other things, reviewing the Company's historical financial results, assessing its financial projections, considering the Company's restructuring options and monitoring the RJ Sale Process.
2. 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. The primary purpose of the receivership is to complete a sale of the Company's business and assets on a timely basis.
2. The recommended Sale Process is summarized in the table below. The complete details of the Sale Process are provided in the Sale Process Order. KSV intends to attempt to re-engage with parties that participated in the RJ Sale Process, and to identify and contact additional parties that may have an interest in the opportunity. KSV will also contact any parties that have expressed an interest directly to the Company, provided KSV is advised of these parties.
3. To be permitted into the process, and to perform due diligence, prospective purchasers will be required to sign a new confidentiality agreement ("**CA**"), even if they signed one during the RJ Sale Process.

4. The Sale Process contemplates that representatives of the Company may participate in the Sale Process. Participants in the Sale Process will be apprised of this possibility as these individuals may also be involved in management presentations to potential bidders. KSV, if appointed Receiver, would attend all management presentations.
5. Given the Company's limited liquidity, offers for the Company's business and assets are to be submitted approximately 30 days after launch of the Sale Process. It is contemplated that offers will be required to be submitted in the form of a template asset purchase agreement ("**APA**") which will be made available in the data room. Changes to the APA will be required to be blacklined or otherwise clearly marked. The proposed timeline is provided in the table below.

Summary of Sale Process		
Milestone	Description of Activities	Timeline
<i>Phase 1 – Sale Process Materials</i>		
Prepare marketing materials	➤ KSV to prepare a Teaser, CA and virtual data room ("VDR")	Pre-Filing and Week 1
<i>Phase 2 – Marketing</i>		
Stage 1	➤ Market introduction, including: <ul style="list-style-type: none"> • Teaser to be sent to prospective purchasers identified by KSV and to parties who expressed an interest during the RJ Sale Process; • Email canvassing and direct outreach to prospects; and • Correspond with prospective purchasers to market the opportunity and to gauge interest. 	Week 1 and 2
Stage 2	➤ KSV to provide information to prospective purchasers that have signed the CA, including access to the VDR and Management meetings, if possible. ➤ KSV to facilitate diligence by prospective purchasers, including by uploading additional information requested by interested parties, as available, to the VDR. ➤ KSV will prepare a template APA, which will be uploaded to the VDR.	Week 1 and 2 to the Bid Deadline
Stage 3	➤ Prospective purchasers to submit APAs or other proposals in the form of the template APA, with changes blacklined.	Approximately 30 days following launch of the Sale Process, subject to such extensions as may be necessary to facilitate the Sale Process, in the discretion of the Receiver, in consultation with NBC.
<i>Phase 3 – Offer Review, Negotiations and Closing</i>		

Summary of Sale Process		
Milestone	Description of Activities	Timeline
Stage 1	<ul style="list-style-type: none"> ➤ Further bidding - prospective purchasers may be asked to re-submit APAs on one or more occasions to generate the best possible outcome in the process. ➤ The Receiver will have the right to conduct an auction if multiple competitive offers are received. The terms of the auction are included in the Sale Process Order. 	<p>As soon as possible after the Bid Deadline.</p> <p>Rounds of bidding to be determined by the Receiver.</p>
Stage 2	<ul style="list-style-type: none"> ➤ Select successful bidder and finalize definitive documents. 	Estimated to be one week after the Bid Deadline
Stage 3	<ul style="list-style-type: none"> ➤ Motion for sale approval and close transaction. 	As soon as possible after selection of a successful bidder
Stage 4	<ul style="list-style-type: none"> ➤ Close transaction 	As soon as possible following Court approval

6. A summary of certain of additional attributes of the Sale Process is as follows:
- the Company and its business and assets will be marketed on an “as is, where is” basis;
 - KSV will have the right to reject all offers, including the highest offer;
 - KSV, acting reasonably and in consultation with NBC, will have the right to amend the timelines to the extent necessary to generate the best possible results in the Sale Process; and
 - any transaction will be subject to Court-approval.

5.1 Sale Process Recommendation

- KSV recommends that the Court issue an order approving the Sale Process for the following reasons:
 - the contemplated Sale Process is fair, open and transparent and will allow KSV to canvass the market broadly on an orderly but expedited basis to obtain the highest and best price in the circumstances;
 - Raymond James has already conducted an extensive marketing process. KSV intends to attempt to re-engage with parties that have participated in the RJ Sale Process, and to identify and contact additional parties that may have an interest in the opportunity;
 - There should be no delay in commencing the Sale Process – KSV has significant knowledge of the business from its role as financial advisor to NBC and marketing materials are contemplated to be completed by the date of the receivership application or shortly thereafter. Given the Company’s illiquidity, KSV is of the view that it is important to launch the Sale Process immediately;

- d) The Sale Process is flexible and will allow KSV to establish procedures it believes necessary to maximize value; and
- e) NBC supports the terms of the Sale Process.

6.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that the Court make an order Granting the relief detailed in Section 1.1(1)(d) of this Report.

* * *

All of which is respectfully submitted,

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

KSV Restructuring Inc.

Per: Robert Kofman, President