

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

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LOYALTYONE, CO.

(the "**Applicant**")

**MOTION RECORD
(CRA TAX MATTERS RESOLUTION)**
(returnable October 17, 2025)

October 10, 2025

Cassels Brock & Blackwell LLP
Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Timothy Pinos LSO #: 20027U
Tel: 416.869.5784
tpinos@cassels.com

Ryan Jacobs LSO #: 59510J
Tel: 416.860.6465
rjacobs@cassels.com

Jeremy Bornstein LSO #: 65425C
Tel: 416.869.5386
jbornstein@cassels.com

Lawyers for the Applicant

TO: SERVICE LIST

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SERVICE LIST
(as of October 10, 2025)

Party	Contact
CASSELS BROCK & BLACKWELL LLP Suite 3200, Bay Adelaide Centre – North Tower 40 Temperance St. Toronto, ON M5H 0B4 Counsel to the Applicant	Ryan C. Jacobs Tel: 416.860.6465 rjacobs@cassels.com Timothy Pinos Tel: 416.869.5784 tpinos@cassels.com R. Shayne Kukulowicz Tel: 416.860.6463 skukulowicz@cassels.com Natalie E. Levine Tel: 416.860.6568 nlevine@cassels.com Michael Wunder Tel: 416.860.6484 mwunder@cassels.com Jeremy Bornstein Tel: 416.869.5386 jbornstein@cassels.com

Party	Contact
LOYALTY VENTURES INC. 8235 Douglas Avenue, Suite 1200 Dallas, Texas 75225	Cynthia Hageman EVP, General Counsel and Secretary generalcounsel@loyalty.com
AKIN GUMP STRAUSS HAUER & FELD LLP Bank of America Tower, 1 Bryant Park New York, New York 10036 2300 North Field Street, Suite 1800 Dallas, Texas 75201 Counsel to Loyalty Ventures Inc.	Philip C. Dublin Tel: 212.872.8083 pdublin@akingump.com Meredith A. Lahaie Tel: 212.872.8032 mlahaie@akingump.com Rachel Biblo Block Tel: 214.969.2736 rbibloblock@akingump.com
KSV RESTRUCTURING INC. 220 Bay Street, 13 th Floor PO Box 20 Toronto, Ontario M5J 2W4 Monitor	Noah Goldstein Tel: 416.932.6207 ngoldstein@ksvadvisory.com David Sieradzki Tel: 416.932.6030 dsieradzki@ksvadvisory.com Murtaza Tallat Tel: 416.932.6031 mtallat@ksvadvisory.com Meg Ostling Tel: 416.932.6022 mostling@ksvadvisory.com

Party	Contact
GOODMANS LLP 333 Bay Street, Suite 3400 Toronto, Ontario M5H 2S7 Counsel for the Monitor	Brendan O'Neill Tel: 416.849.6017 boneill@goodmans.ca Chris Armstrong Tel: 416.869.6013 carmstrong@goodmans.ca Peter Ruby Tel: 416.597.4184 pruby@goodmans.ca Kirby Cohen Tel: 416.849.6912 kcohen@goodmans.ca Meghan de Snoo Tel: 416.597.4164 mdesnoo@goodmans.ca Erik Axell Tel: 416.840.2579 eaxell@goodmans.ca
ALVAREZ & MARSAL INC. Royal Bank Plaza, South Tower 200 Bay Street, Suite 2900 Toronto, Ontario M5J 2J1 600 Madison Avenue, New York, New York 10022 Restructuring Advisor to the Applicant	Al Hutchens Tel: 416.847.5159 ahutchens@alvarezandmarsal.com Justin Karayannopoulos Tel: 416.847.5177 jkarayannopoulos@alvarezandmarsal.com Brian J. Fox Tel: 212.328.8610 bfox@alvarezandmarsal.com Richard Behrens Tel: 213.304.2062 rbehrens@alvarezandmarsal.com
PJT PARTNERS LP 280 Park Avenue New York, New York 10017 Financial Advisor to the Applicant	Jamie Baird baird@pjtpartners.com Daniel de Gosztonyi daniel.degosztonyi@pjtpartners.com

Party	Contact
BORDEN LADNER GERVAIS LLP Bay Adelaide Centre, East Tower 22 Adelaide Street West, Suite 3400 Toronto, Ontario M5H 4E3 Canadian Counsel to Bank of America, N.A. as Administrative Agent	Alex MacFarlane Tel: 416.367.6305 amacfarlane@blg.com Shane Pearlman Tel: 416.367.6693 SPearlman@blg.com Sam Babe Tel: 416.367.6182 SBabe@blg.com Graham Splawski gsplawski@blg.com
HAYNES AND BOONE LLP 2323 Victory Avenue, Suite 700 Dallas, Texas 75219 US Counsel to Bank of America, N.A. as Administrative Agent	Eli Columbus eli.columbus@haynesboone.com Frasher Murphy frasher.murphy@haynesboone.com Matthew Ferris matt.ferris@haynesboone.com

Party	Contact
BENNETT JONES LLP First Canadian Place 100 King Street West, Suite 3400 Toronto, Ontario M5X 1A4 Canadian Counsel to the Ad Hoc Term Loan B Lenders	Kevin J. Zych Tel: 416.777.5738 zychk@bennettjones.com Jesse Mighton Tel: 416.777.6255 mightonj@bennettjones.com Joshua Foster Tel: 416.777.7906 fosterj@bennettjones.com Thomas Gray Tel: 416.777.7924 grayt@bennettjones.com Robert W. Staley Tel: 416.777.4857 staleyr@bennettjones.com Preet Gill Tel: 416.777.6513 gillp@bennettjones.com
GIBSON, DUNN & CRUTCHER LLP 200 Park Ave New York, New York 10166 US Counsel to the Ad Hoc Term Loan B Lenders	Scott J. Greenberg sgreenberg@gibsondunn.com Steven A. Domanowski sdomanowski@gibsondunn.com Stephen Silverman ssilverman@gibsondunn.com AnnElyse S. Gains agains@gibsondunn.com
PIPER SANDLER & CO. 345 Park Ave, Suite 1200 New York, New York 10154 Financial Advisor to the Ad Hoc Term Loan B Lenders	James Kang james.kang@psc.com Alvin Kibaara alvin.kibaara@psc.com

Party	Contact
TORYS LLP 79 Wellington Street West, Suite 3300 Toronto, Ontario M5K 1N2 Canadian Counsel to Bank of Montreal as the DIP Lender and Stalking Horse Purchaser	David Bish Tel: 416.865.7353 dbish@torys.com Scott A. Bomhof Tel: 416.865.7370 sbomhof@torys.com Mike Noel Tel: 416.865.7378 mnoel@torys.com
SULLIVAN & CROMWELL LLP 125 Broad Street New York, New York 10004 US Counsel to Bank of Montreal as the DIP Lender and Stalking Horse Purchaser	Alexa J. Kranzley Tel: 212.558.7893 kranzleya@sullcrom.com C. Andrew Gerlach Tel: 212.558.4789 gerlacha@sullcrom.com
MORGAN STANLEY 1585 Broadway, 35th Floor New York, New York 10036 Advisor to Bank of Montreal as the DIP Lender and Stalking Horse Purchaser	Christopher R. Lee Tel: 212.761.7606 christopher.r.lee@morganstanley.com Winston Callaway winston.callaway@morganstanley.com
BREAD FINANCIAL HOLDINGS, INC. 3095 Loyalty Circle Columbus, Ohio 43219	General Counsel generalcounsel@breadfinancial.com
DAVIS POLK & WARDWELL LLP 450 Lexington Avenue New York, New York 10017 US Counsel to Bread Financial Holdings Inc.	Benjamin S. Kaminetzky Tel: 212.450.4259 ben.kaminetzky@davispolk.com Brian M. Resnick Tel: 212.450.4213 brian.resnick@davispolk.com

Party	Contact
STIKEMAN ELLIOTT LLP 5300 Commerce Court West 199 Bay Street Toronto, Canada M5L 1B9 Canadian Counsel to Bread Financial Holdings Inc.	Ashley Taylor Tel: 416.869.5236 ataylor@stikeman.com Maria Konyukhova Tel: 416.869.5230 mkonyukhova@stikeman.com RJ Reid Tel: 416.869.5214 rreid@stikeman.com
RBC INVESTOR SERVICES TRUST AS TRUSTEE OF THE RESERVE FUND RBC Centre 155 Wellington Street West, 3rd Floor Toronto, Ontario M5V 3L3	Charndee Minhas Tel: 416.974.5268 charndee.minhas@rbc.com
MCCARTHY TETRAULT 66 Wellington Street West Suite 5300, TD Bank Tower Box 48 Toronto, Ontario M5K 1E6 Counsel to RBC Investor Services Trust	Heather Meredith Tel: 416.601.8342 hmeredith@mccarthy.ca
ATTORNEY GENERAL OF CANADA DEPARTMENT OF JUSTICE Ontario Regional Officer, Tax Law Section 120 Adelaide Street West, Suite 400 Toronto, Ontario M5H 1T1 Fax: (416) 973.0810 Attorney General of Canada on behalf of His Majesty the King in Right of Canada as represented by the Minister of National Revenue	Edward Park Tel: 647.292.9368 Edward.park@justice.gc.ca Kevine Dias Kevin.Dias@justice.gc.ca Tessania Lawrence Tessania.Lawrence@justice.gc.ca

Party	Contact
CANADA REVENUE AGENCY 1 Front Street West Toronto, Ontario M5J 2X6 Fax: (416) 964.6411 Federal Taxation Authority	Pat Confalone Tel: 416.954.6514 pat.confalone@cra-arc.gc.ca
MINISTRY OF JUSTICE AND SOLICITOR GENERAL (ALBERTA) Legal Services 2nd Floor, Peace Hills Trust Tower 10011 – 109 Street Edmonton, Alberta T5J 3S8 Fax: (780) 427.2789	General Enquiries: Tel: 780.427.2711 ministryofjustice@gov.ab.ca
MINISTRY OF THE ATTORNEY GENERAL (SASKATCHEWAN) 300-1874 Scarth Street Regina, Saskatchewan S4P 4B3	Bronwyn Eyre, Minister of Justice and Attorney General jus.minister@gov.sk.ca
MINISTRY OF THE ATTORNEY GENERAL (MANITOBA) 104 Legislative Building 450 Broadway Winnipeg, Manitoba R3C 0V8 Fax: (204) 945.2517	Kevlin Goertzen, Minister of Justice Tel: 204.945.3728 minjus@leg.gov.mb.ca
HIS MAJESTY IN RIGHT OF ONTARIO REPRESENTED BY THE MINISTER OF FINANCE – INSOLVENCY UNIT Ontario Ministry of Finance – Legal Services Branch 11-777 Bay Street Toronto, Ontario M5G 2C8 Fax: (416) 325.1460	General Enquiries insolvency.unit@ontario.ca
ONTARIO MINISTRY OF FINANCE INSOLVENCY UNIT 6th floor, 33 King Street West Oshawa, Ontario L1H 8H5	General Enquiries Tel: 1.866.668.8297 insolvency.unit@ontario.ca

Party	Contact
MINISTRY OF THE ATTORNEY GENERAL (NEW BRUNSWICK) Chancery Place, 2nd Floor, Room 2001 P.O. Box 6000 Fredericton, New Brunswick E3B 1E0 Fax: (506) 453.3651	General Enquiries Tel: 506.462.5100 justice.comments@gnb.ca
DEPARTMENT OF JUSTICE AND PUBLIC SAFETY (PEI) Fourth Floor, Shaw Building, South 95 Rochford Street P.O. Box 2000 Charlottetown, Prince Edward Island C1A 7N8	General Enquiries Tel: 902.368.4550 deptips@gov.pe.ca
DEPARTMENT OF JUSTICE AND PUBLIC SAFETY (NL) P.O. Box 8700 St. Johns, Newfoundland and Labrador A1B 4J6	General Enquiries Tel: 709.729.5902 justice@gov.nl.ca
QUEBEC Ministère du Revenu du Québec C.P. 8025 Succursale Desjardins Montréal, QB H5B 0A8	
AGENCE DU REVENU DU QUEBEC 3800 De Marly Street/rue de Marly) Secteur 5-2-8 Quebec, QC G1X 4A5 Avocats pour Agence du revenu du Québec	General Counsel notif-montreal@revenuquebec.ca Me Daniel Cantin Tel: 418.558.4379 danielcantin@revenuquebec.ca
REORG RESEARCH	Legal Team legalteam@reorg.com

Party	Contact
AIR CANADA Legal Department P.O. Box 7000 Airport Station Dorval, QC, H4Y 1J2 Or 7373 Cote Vertu Road West Saint-Laurent, QC H4S 1Z3	Louise-Hélène Sénécal Tel.: 514.422.5826 Louise-helene.senecal@aircanada.ca Adham Shalabi Tel: 514.422.5991 Adham.shalabi@aircanada.ca
DENTONS CANADA LLP 77 King Street West Suite 400 Toronto, Ontario M5K 0A1 Counsel to American Express	Heidi Clark Tel: 416.863.4626 heidi.clark@dentons.com John Salmas Tel: 416.863.4737 john.salmas@dentons.com
BORDEN LADNER GERVAIS LLP Bay Adelaide Centre, East Tower 22 Adelaide St. W Toronto, ON M5H 4E3 Counsel to First Gulf KFC Development Limited	Adam Perzow aperzow@blg.com Roger Jaipargas rjaipargas@blg.com
FIRST GULF KFC DEVELOPMENT LIMITED 351 King St E 13th Floor Toronto, ON M5A 0L6	Kathryn Borgatti kathryn.borgatti@greatgulf.com
METRO 5559 Dundas Street West Toronto, On M9B 1B8	Steve Kahansky Steve.Kahansky@metro.ca Roy Shimron Roy.Shimron@metro.ca Alain Tadros alain.tadros@metro.ca Simon Rivet srivet@metro.ca

Party	Contact
MILLER THOMSON LLP 1000 De La Gauchetiere Street West Suite 3700 Montreal QC H3B 4W5 Counsel to Metro	Bertrand Giroux 514.879.4071 bgiroux@millerthomson.com
AVISON YOUNG 222 Bay Street Suite 2500 Toronto, ON M5J 2W4	
LABOUR PROGRAM EMPLOYMENT AND SOCIAL DEVELOPMENT CANADA 165 rue de l'Hotel-de-Ville Street Gatineau, QC K1A 0J2	Ayesha Laldin Ayesha.Laldin@justice.gc.ca Julie Matte julie.l.matte@servicecanada.gc.ca
ALBERTA JUSTICE, LEGAL SERVICES DIVISION, GOVERNMENT OF ALBERTA 9th Floor, Peace Hills Trust 10011-109 Street Edmonton, AB T5J 3S8 Canada Counsel to Alberta Tax and Revenue Administration	Lisa Friesenhan Lisa.Friesenhan@gov.ab.ca Rachelle Sorgiovanni Rachelle.Sorgiovanni@gov.ab.ca

EMAIL SERVICE LIST

riacobs@cassels.com; skukulowicz@cassels.com; nlevine@cassels.com;
mwunder@cassels.com; jbornstein@cassels.com; generalcounsel@loyalty.com;
pdublin@akingump.com; mlahaie@akingump.com; rbibloblock@akingump.com;
ngoldstein@ksvadvisory.com; dsieradzki@ksvadvisory.com; mtallat@ksvadvisory.com;
mostling@ksvadvisory.com; boneill@goodmans.ca; carmstrong@goodmans.ca;
pruby@goodmans.ca; ahutchens@alvarezandmarsal.com;
jkarayannopoulos@alvarezandmarsal.com; bfox@alvarezandmarsal.com;
rbehrens@alvarezandmarsal.com; baird@pitpartners.com;
daniel.degosztanyi@pitpartners.com; amacfarlane@blq.com; spearlman@blq.com;
eli.columbus@haynesboone.com; frasher.murphy@haynesboone.com;
matt.ferris@haynesboone.com; zychk@bennettjones.com; mightonj@bennettjones.com;
fosterj@bennettjones.com; staleyr@bennettjones.com; sgreenberg@gibsondunn.com;
sdomanowski@gibsondunn.com; ssilverman@gibsondunn.com; agains@gibsondunn.com;
james.kang@psc.com; alvin.kibaara@psc.com; dbish@torys.com; sbomhof@torys.com;
mnoel@torys.com; kranzleva@sullcrom.com; gerlacha@sullcrom.com;
christopher.r.lee@morganstanley.com; winston.callaway@morganstanley.com;
generalcounsel@breadfinancial.com; ben.kaminetzky@davispolk.com;
brian.resnick@davispolk.com; pat.confalone@cra-arc.gc.ca; ministryofjustice@gov.ab.ca;
jus.minister@gov.sk.ca; minjus@leg.gov.mb.ca; insolvency.unit@ontario.ca;
justice.comments@gnb.ca; deptjps@gov.pe.ca; justice@gov.nl.ca; notif-montreal@revenuquebec.ca; danielcantin@revenuquebec.ca; grayt@bennettjones.com;
legalteam@reorg.com; Adham.shalabi@aircanada.ca; Louise-helene.senecal@aircanada.ca;
heidi.clark@dentons.com; john.salmas@dentons.com; chardeep.minhas@rbc.com;
aperzow@blq.com; rjaipargas@blq.com; kathryn.borgatti@greatgulf.com; tpinos@cassels.com;
Steve.Kahansky@metro.ca; Roy.Shimron@metro.ca; alain.tadros@metro.ca; srivet@metro.ca;
bgiroux@millerthomson.com; hmeredith@mccarthy.ca; ataylor@stikeman.com;
mkonyukhova@stikeman.com; Edward.park@justice.gc.ca; Kevin.Dias@justice.gc.ca;
Tessania.Lawrence@justice.gc.ca; kcohen@goodmans.ca; mdesnoo@goodmans.ca;
eaxell@goodmans.ca; Ayesha.Laldin@justice.gc.ca; julie.l.matte@servicecanada.gc.ca;
gillp@bennettjones.com; SBabe@blq.com; Lisa.Friesenhan@gov.ab.ca; gsplawski@blq.com;
Rachelle.Sorgiovanni@gov.ab.ca

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1	Notice of Motion dated October 10, 2025
2	Draft CRA Tax Matters Resolution Order

TAB 1

**ONTARIO
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IN THE MATTER OF THE *COMPANIES' CREDITORS
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(the "**Applicant**")

**NOTICE OF MOTION
(CRA TAX MATTERS RESOLUTION)**
(returnable October 17, 2025)

The Applicant will make a Motion before the Honourable Justice Steele of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on Friday, October 17, 2025 at 11:30 a.m., or as soon after that time as the Motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard

- ☐ In writing under subrule 37.12.1(1) because it is
[insert on consent, unopposed or made without notice];
- ☐ In writing as an opposed motion under subrule 37.12.1(4);
- ☐ In person;
- ☐ By telephone conference;
- ☒ By video conference.

THE MOTION IS FOR

- (a) An order substantially in the form attached at Tab 2 of the Applicant's Motion Record,

- (i) authorizing the Applicant to accept the tax resolution relating to a refund payment and set-off in respect of the 2013 and 2023 tax years (the “**CRA Tax Matters Resolution**”) as summarized at paragraphs (aa), (bb) and (cc) below and described in more detail in the Eleventh Report of KSV Restructuring Inc., in its capacity as Monitor of the Applicant (the “**Monitor**”), to be filed (the “**Eleventh Report**”);
 - (ii) authorizing, empowering and directing the Monitor to cause the Applicant to do all those things necessary to give effect to and to implement the CRA Tax Matters Resolution;
 - (iii) authorizing and directing the Monitor to deposit the CRA Tax Payment (as defined herein) in a segregated interest-bearing bank account of the Applicant (the “**CRA Tax Payment Account**”) as soon as practicable after receipt thereof;
 - (iv) authorizing and directing the Monitor to calculate the amount of all deductions from the CRA Tax Payment as described in the Eleventh Report (the “**Expense Deductions**”) and to transfer an amount equal to the Expense Deductions from the CRA Tax Payment Account and deposit such amount in the Applicant’s general bank account, subject to the terms of the proposed order; and
- (b) such further and other relief as this Court may deem just.

THE GROUNDS FOR THE MOTION ARE

Background

- (c) On March 10, 2023 (the “**Filing Date**”), the Applicant was granted protection under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”) pursuant to an initial order of this Court in this proceeding (the “**CCAA Proceeding**”);
- (d) on June 1, 2023, the Applicant closed a transaction with Bank of Montreal (“**BMO**”) to sell substantially all of its business and operations to affiliates of BMO pursuant to an asset purchase agreement approved by this Court on May 12, 2023 (the “**Sale Transaction**”);
- (e) CRA has assessed Federal and Provincial (excluding Alberta and Quebec) taxes, penalties and interest against the Applicant for the tax period beginning on January 1, 2023 and ending June 1, 2023, in the total amount of \$78,825,171.20, resulting in a total balance owing for that period (after the deduction of instalment payments of \$5,698,905.74 and credits of \$356,424.61 in the total amount of \$6,055,330.35) of \$72,769,840.82, as set out in the Notice of Assessment dated December 15, 2023 (the “**CRA Assessed Taxes**”);
- (f) Alberta Tax and Revenue Administration (“**Alberta TRA**”) has assessed taxes, penalties and interest for the Province of Alberta against the Applicant for the tax period-ending June 1, 2023, in the total amount of \$1,387,542.93, resulting in a total balance owing for that period (after the deduction of a credit of \$214.65) of \$1,387,328.28, as set out in the Notice of Assessment dated January 11, 2024 (the “**Alberta TRA Assessed Taxes**”);

- (g) pursuant to an Ancillary Relief Order granted by this Court on May 12, 2023 (the “**Ancillary Relief Order**”), upon closing of the Sale Transaction, the Applicant’s directors and officers were deemed to have resigned (other than certain officers of the Applicant who remained employed by the Applicant upon closing but later became employees of BMO) and the Monitor was authorized and empowered to exercise any powers which may be properly exercised by a board of directors or any officers of the Applicant;
- (h) pursuant to paragraph 5(h) of the Ancillary Relief Order, the Monitor requires the consent of certain of the Applicant’s secured lenders or further Order of this Court to cause the Applicant to settle with any creditor or other stakeholder of the Applicant, including any governmental authority;
- (i) on September 26, 2024, this Court granted a settlement authorization order approving the settlement entered into by the Applicant with His Majesty the King of the Applicant’s tax appeal relating to its 2013 tax assessment (the “**Tax Appeal**”);
- (j) the settlement resulted in a complete acceptance of the Applicant’s position on the substantive tax issue in dispute on the Tax Appeal on a without costs basis and required the prompt issuance of a Notice of Reassessment of the Applicant’s taxation year ending December 31, 2013 (the “**2013 Tax Year**”) by the Minister of National Revenue;
- (k) on March 5, 2025, CRA issued to the Applicant a Notice of Reassessment (the “**2013 CRA Reassessment**”) in respect of the Applicant’s 2013 Tax Year;

- (l) on May 2, 2025, a Statement of Account was issued by CRA to the Applicant reflecting a credit balance in the amount of \$74,136,564.04 in connection with the 2013 CRA Reassessment (the “**CRA Refund**”);
- (m) to date, CRA has not authorized payment of the CRA Refund to the Applicant because, prior to the settlement of the Tax Appeal, CRA and the Department of Justice (“**DOJ**”) on its behalf communicated to the Applicant and Monitor that in the event that the Applicant is successful on the Tax Appeal and to the extent that gross tax refunds became payable by the Crown in respect thereof, the CRA reserved the right of set-off as may be permitted by law (although no particular position regarding set-off was asserted at the time) (the “**CRA Setoff Claim**”);
- (n) the CRA Setoff Claim was previously described in the Monitor’s Seventh Report dated June 10, 2024, the Monitor’s Eighth Report dated September 16, 2024, the Monitor’s Tenth Report dated May 28, 2025, and is further described in the Eleventh Report;
- (o) Alberta TRA issued to the Applicant two Notices of Reassessment dated June 20, 2025 and June 30, 2025, respectively (the “**Alberta TRA Reassessments**”);
- (p) the Alberta TRA Reassessment dated June 20, 2025 is in respect of the Applicant’s taxation year ending December 31, 2013 and reflects a credit balance of \$4,419,419.96 consisting of adjustments to the Applicant’s Alberta income tax payable and an interest adjustment;
- (q) the Alberta TRA Reassessment dated June 30, 2025 is in respect of the Applicant’s taxation year ending December 31, 2022 and reflects a credit balance

of \$94,927.00 consisting of an adjustment to the Applicant's Alberta income tax payable and an interest adjustment;

- (r) the aggregate credit balance from the Alberta TRA Reassessments is \$4,514,346.96 (the "**Alberta TRA Refund**");
- (s) on July 24, 2025, Alberta TRA issued a cheque to the Applicant in the amount of \$3,271,277.44 (the "**Alberta TRA Partial Refund Cheque**"), which amount appears to represent the Alberta TRA Refund plus additional refund interest and additional adjustments less the Alberta TRA Assessed Taxes that Alberta TRA appears to have unilaterally set-off without the consent of the Applicant and the Monitor or order of the Court (the "**Alberta TRA Setoff**");
- (t) the Monitor received the Alberta TRA Partial Refund Cheque on July 31, 2025 and has deposited it into the Applicant's bank account, without prejudice to the Applicant's ability to claim for the balance of the Alberta TRA Refund and ongoing interest thereon;
- (u) on August 12, 2025 the Applicant wrote to Alberta TRA to advise that the Alberta TRA Setoff was made in violation of the ARIO and the Applicant demanded that Alberta TRA pay to the Applicant the remainder of the Alberta TRA Refund with interest without delay and, after having not received a response, the Applicant subsequently wrote to Alberta TRA on September 3, 2025 to reiterate its position and request a response on its earlier letter (collectively, the "**ARIO Violation Letters**");
- (v) on September 5, 2025, the Legal Services Division of Alberta Justice ("**Alberta Justice**") on behalf of Alberta TRA advised legal counsel to the Applicant, the

Monitor and legal counsel to the Monitor that it is considering the Applicant's position;

- (w) as of the date of this Notice of Application no subsequent correspondence has been received by the Applicant from Alberta Justice or Alberta TRA regarding the ARIO Violation Letters;
- (x) any setoff by CRA or Alberta TRA cannot practically be done without further order of this Court, as, among other things, any setoff effected by taxing authorities would reduce the refunds received by the Applicant and therefore the net proceeds available for distribution to creditors in this proceeding;

CRA Tax Matters Resolution

- (y) the Applicant, Monitor and their advisors, in close consultation with the advisors for the Applicant's significant stakeholders (namely, the ad hoc committee of senior secured lenders and Bread Financial Holdings, Inc. ("**Bread**")), have been engaged in lengthy litigation followed by extensive negotiations with CRA and the DOJ on CRA's behalf in respect of the Tax Appeal;
- (z) those negotiations ultimately resulted in a settlement reflecting a complete success for the Applicant on the Tax Appeal on a without costs basis and the subsequent agreement by CRA to the CRA Tax Matters Resolution;
- (aa) the CRA Tax Matters Resolution reflects the fact that (i) the Filing Date (March 10, 2023) falls in the middle of the tax year relating to the period for the CRA Assessed Taxes (January 1, 2023 to June 1, 2023), (ii) approximately 5% of the CRA

Assessed Taxes are agreed to relate to the pre-filing period and (iii) the CRA Refund relates exclusively to the pre-filing period;

(bb) the effect of the CRA Tax Matters Resolution is that, if approved by this Court, CRA will promptly issue the CRA Refund cheque to the Applicant in the amount of \$79,128,082.90 (being the full CRA Refund together with additional CRA Refund interest and adjustments calculated through September 4, 2025, net of approximately 5% of the CRA Refund amount, which would be set off against the balance owing in respect of the CRA Assessed Taxes that is attributable to the pre-filing period), plus accrued interest through the date of payment (such amount to be paid by CRA being, the **"CRA Tax Payment"**);

(cc) the CRA Tax Payment was derived as follows:

Initial 2013 Refund Amount	2013 Refund Amount inclusive of accrued interest and adjustments through September 4, 2025 (A)	Less: portion of the CRA Assessed Taxes attributable to the pre-filing period (B)	CRA Tax Payment (95% of 2013 Refund Amount) (A-B)
\$74,136,564.04	\$83,450,836.22	\$4,322,753.32	\$79,128,082.90 + accrued interest through date of payment

(dd) thus, the CRA Tax Matters Resolution provides for a payment by CRA to the Applicant in an amount equal to approximately 95% of the sum of the CRA Refund *plus* additional CRA Refund interest, in complete satisfaction of the CRA Setoff Claim;

(ee) DOJ on behalf of CRA was consulted on the proposed order being sought on this motion prior to the materials being served and the Applicant understands that the CRA is unopposed to the relief being sought including that the remaining balance

owing in respect of the CRA Assessed Taxes (the “**CRA Remaining 2023 Tax Claim**”) shall be an unsecured claim in this CCAA Proceeding and in any subsequent receivership or bankruptcy of the Applicant, and the relief is without prejudice to the rights of CRA to seek to set-off (as may be permitted) the CRA Remaining 2023 Tax Claim against future tax refunds owing to the Applicant that specifically relate to post-filing tax years;

- (ff) given the potential for the Applicant to be entitled to refunds in respect of other taxation years subsequent to the 2013 Tax Year and prior to the Filing Date, the CRA Tax Matters Resolution is without prejudice to any other tax matters affecting the Applicant or remaining tax liabilities or positions the Applicant or Monitor may take with respect to any federal or provincial taxes not addressed by the order being sought on this motion (including the rights of CRA to seek to set off the CRA Remaining 2023 Tax Claim (if permitted) against future tax refunds owing to the Applicant that are specifically relating to post-filing tax years), and notably does not impact certain taxation years subsequent to the 2013 Tax Year and prior to the 2023 tax year which the Applicant expects will be favourably reassessed by CRA in a manner consistent with the 2013 CRA Reassessment;
- (gg) the CRA Tax Matters Resolution does not resolve the Alberta TRA Setoff issues but the Applicant expects that in light of the favourable CRA Tax Matters Resolution, the Applicant and the Monitor will seek to negotiate a resolution with Alberta TRA with respect to the Alberta TRA Refund and Alberta TRA Setoff on the same basis—i.e. Alberta TRA would issue a payment, which together with the Alberta TRA Partial Refund Cheque, will be an amount equal to 95% of the sum of the Alberta TRA Refund plus additional Alberta TRA Refund interest, with the

remaining 5% to be set-off against a portion of the balance owing in respect of the Alberta TRA Assessed Taxes in complete satisfaction of the Alberta TRA Refund (plus additional Alberta TRA Refund interest) and the Alberta TRA Setoff, failing which the Applicant may require the assistance of this Court;

- (hh) the Applicant has also not received any correspondence from Revenu Québec regarding the Applicant's 2013 Tax Year and any related potential tax refunds the Applicant may be entitled to, which the Applicant and the Monitor continue to explore; to the extent there is a refund owing and Revenu Québec asserts a right to set off any assessed taxes, penalties and interest against the Applicant, the Applicant also expects that the Applicant and the Monitor will seek to negotiate a similar resolution with Revenu Québec;
- (ii) the CRA Tax Matters Resolution is the culmination of intensive efforts over many years by the Applicant, Monitor and their professional advisors to achieve a very favourable outcome for the Applicant's stakeholders;
- (jj) in the Applicant's view, the CRA Tax Matters Resolution represents (i) a fair and reasonable resolution that is principled in fact and law as it relates to the CRA Refund, CRA Assessed Taxes and CRA Setoff Claim, resulting in the Applicant being guaranteed to receive almost the entirety of the CRA Refund, and (ii) a significant success for the Applicant and its stakeholders having regard for the attendant risks and costs associated with litigating these issues;
- (kk) while there are ongoing disputes within this CCAA Proceeding as to which creditors may be the ultimate beneficiaries of the net tax payments received by the Applicant (i.e., all unsecured creditors versus Bread only), those disputes have not

been determined by this Court and may, at least initially, be the subject of a mediation among the parties which has been consensually scheduled to be held November 3-4, 2025;

- (II) the Applicant and the Monitor have kept key stakeholders (in particular Bread and its counsel and counsel to the ad hoc committee of senior secured lenders and the administrative agent) apprised on a regular basis of all material developments in respect of the negotiations with CRA and DOJ, timely responded to numerous diligence requests by those stakeholders and hosted meetings to consult with and address questions and consider input provided by those stakeholders in connection with the negotiation of the CRA Tax Matters Resolution;
- (mm) as described in the Eleventh Report, the Monitor is supportive of the CRA Tax Matters Resolution, and is of the view that a resolution of the CRA Setoff Claim and receipt of the CRA Tax Payment on the terms described herein is fair and reasonable, appropriate and in the best interests of the Applicant and all of its creditors;
- (nn) counsel to Bread and counsel to the administrative agent for the senior secured lenders have advised the Applicant and Monitor that their clients are similarly supportive of the CRA Tax Matters Resolution; and

Other Grounds

(oo) in addition to the other grounds set forth in this Notice of Motion, the Applicant relies on:

- (i) the provisions of the CCAA, including section 11, and the inherent and equitable jurisdiction of this Honourable Court;
- (ii) rules 1.04, 1.05, 2.03, 3.02, 16 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended, and section 137 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended; and
- (iii) such further and other grounds as the lawyers may advise.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the Motion:

- (a) The Eleventh Report and the appendices attached thereto; and
- (b) such further and other evidence as the lawyers may advise and this Court may permit.

October 10, 2025

Cassels Brock & Blackwell LLP

Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Timothy Pinos LSO #: 20027U

Tel: 416.869.5784
tpinos@cassels.com

Ryan Jacobs LSO #: 59510J

Tel: 416.860.6465
rjacobs@cassels.com

Jeremy Bornstein LSO #: 65425C

Tel: 416.869.5386
jbornstein@cassels.com

Lawyers for the Applicant

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LOYALTYONE, CO.

Court File No. CV-23-00696017-00CL

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

PROCEEDING COMMENCED AT
TORONTO

**NOTICE OF MOTION
(CRA TAX MATTERS RESOLUTION)**

Cassels Brock & Blackwell LLP

Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Timothy Pinos LSO #: 20027U

Tel: 416.869.5784
tpinos@cassels.com

Ryan Jacobs LSO #: 59510J

Tel: 416.860.6465
rjacobs@cassels.com

Jeremy Bornstein LSO #: 65425C

Tel: 416.869.5386
jbornstein@cassels.com

Lawyers for the Applicant

TAB 2

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

THE HONOURABLE	)	FRIDAY, THE 17 th
	)	
JUSTICE STEELE	)	DAY OF OCTOBER, 2025

IN THE MATTER OF THE *COMPANIES' CREDITORS
ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR
ARRANGEMENT OF LOYALTYONE, CO.

(the "**Applicant**")

**ORDER
(CRA TAX MATTERS RESOLUTION)**

THIS MOTION made by the Applicant, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), for an order, *inter alia*, (i) authorizing the Applicant to accept the tax resolution as between Canada Revenue Agency ("**CRA**"), the Applicant and KSV Restructuring Inc., in its capacity as Monitor of the Applicant (the "**Monitor**") in respect of the 2013 and 2023 tax years (the "**CRA Tax Matters Resolution**") as set out in the Notice of Motion and described in more detail in the Eleventh Report of the Monitor, dated October [●], 2025 (the "**Eleventh Report**"); (ii) authorizing, empowering and directing the Monitor to cause the Applicant to do those things necessary to give effect to and to implement the CRA Tax Matters Resolution; (iii) authorizing and directing the Monitor to deposit the CRA Tax Payment in a segregated interest-bearing bank account of the Applicant as soon as practicable after receipt thereof; (iv) authorizing and directing the Monitor to calculate the amount of the Expense Deductions and to transfer an amount equal to the Expense Deductions from the CRA Tax Payment Account (as defined below) and deposit such amount in the Applicant's general bank account, subject to the terms hereof; and (v) granting certain related relief, was heard this day by Zoom videoconference.

ON READING the Notice of Motion of the Applicant, the Eleventh Report, filed, and on hearing the submissions of counsel to the Applicant, counsel to the Monitor, counsel to the Consenting Stakeholders, counsel to the Agent, counsel to CRA, counsel to Bread Financial Holdings Inc. and such other counsel as were present, no one else appearing although duly served as appears from the affidavit of service of Matteo Clarkson-Maciel sworn October [●], 2025, filed.

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
2. **THIS COURT ORDERS AND DECLARES** that all terms not otherwise defined herein shall have the meaning ascribed to them in the ARIO or the Eleventh Report, as applicable.

CRA TAX MATTERS RESOLUTION

3. **THIS COURT ORDERS** that the Applicant is authorized to accept the CRA Tax Matters Resolution.
4. **THIS COURT ORDERS** that pursuant to paragraph 5(h) of the Ancillary Relief Order of this Court made in this proceeding, the Monitor is hereby authorized, empowered and directed to cause the Applicant to do those things necessary to give effect to and to implement the terms of the CRA Tax Matters Resolution.
5. **THIS COURT ORDERS** that the Monitor is hereby authorized and directed to deposit the CRA Tax Payment into a segregated interest-bearing bank account of the Applicant (the “**CRA Tax Payment Account**”) as soon as practicable after receipt thereof.
6. **THIS COURT ORDERS** that the Monitor is hereby directed to calculate the amount of the Expense Deductions and shall set out its calculation in a report to be served on the Service List (the “**Expense Deductions Report**”). The Monitor is thereafter authorized to transfer an amount equal to the Expense Deductions from the CRA Tax Payment Account and to deposit such amount in the Applicant’s general bank account whereupon it shall form part of the Applicant’s cash on hand (and subject to the existing orders of this Court, as applicable), unless an objection

to the amount of the Expense Deductions is received in writing (setting out the basis of the objection and the specific amounts objected to with reasonable particularity) by the Monitor and the Applicant from an interested party within thirty (30) days of the issuance of the Expense Deductions Report, in which case the matter shall be promptly resolved by the Applicant, the Monitor and the relevant interested party(ies) or referred to this Court by the Monitor for resolution.

7. **THIS COURT ORDERS** that, except as provided for in paragraph 6 of this Order, the Applicant and the Monitor shall not without further order of the Court (a) make any distributions of the CRA Tax Payment, or (b) without prejudice to the rights of parties under existing orders of the Court, utilize any portion of the CRA Tax Payment for fees or any other expenses of the Applicant or the Monitor.

8. **THIS COURT ORDERS** that the CRA Remaining 2023 Tax Claim cannot be set-off against any future tax refunds that may be owing to the Applicant for taxation years subsequent to the 2013 tax year and prior to the 2023 tax year.

9. **THIS COURT ORDERS** that the CRA Remaining 2023 Tax Claim shall be an unsecured claim in this CCAA Proceeding and in any subsequent receivership or bankruptcy of the Applicant.

WITHOUT PREJUDICE TO OTHER TAX MATTERS

10. **THIS COURT ORDERS** that the CRA Tax Matters Resolution and this Order is without prejudice to the rights of the Applicant, the Monitor and CRA (and the Department of Justice on its behalf) as it relates to any other tax matters affecting the Applicant or remaining tax liabilities of the Applicant or positions such parties may take with respect to any federal or provincial taxes in each case not addressed by this Order, including the rights of CRA to seek to set off the CRA Remaining 2023 Tax Claim (if permitted) against future tax refunds owing to the Applicant that specifically relate to post-filing tax years.

GENERAL

11. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby

respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

12. **THIS COURT ORDERS** that the Applicant and the Monitor be at liberty and are each hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

13. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Toronto time on the date of this Order.

Steele, J.

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF LOYALTYONE, CO.

Court File No. CV-23-00696017-00CL

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

PROCEEDING COMMENCED AT
TORONTO

**ORDER
(CRA TAX MATTERS RESOLUTION)**

Cassels Brock & Blackwell LLP
Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Timothy Pinos LSO #: 20027U
Tel: 416.869.5784
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**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

PROCEEDING COMMENCED AT
TORONTO

**MOTION RECORD
(CRA TAX MATTERS RESOLUTION)**
(returnable October 17, 2025)

Cassels Brock & Blackwell LLP

Suite 3200, Bay Adelaide Centre – North Tower
40 Temperance St.
Toronto, ON M5H 0B4

Timothy Pinos LSO #: 20027U

Tel: 416.869.5784
tpinos@cassels.com

Ryan Jacobs LSO #: 59510J

Tel: 416.860.6465
rjacobs@cassels.com

Jeremy Bornstein LSO #: 65425C

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jbornstein@cassels.com

Lawyers for the Applicant