



**Pre-Filing Report of  
KSV Restructuring Inc.  
as Proposed CCAA Monitor of  
LoyaltyOne, Co.**

**March 10, 2023**

## Contents

## Page

1.0	Introduction .....	1
1.1	Purposes of this Report.....	2
1.2	Restrictions .....	3
1.3	Currency .....	4
1.4	KSV's Qualifications to Act as Monitor .....	4
2.0	Background .....	4
2.1	Overview.....	4
2.2	LVI .....	5
2.3	Business of the Applicant.....	6
2.4	Employees .....	7
2.5	Financial Position.....	8
3.0	Creditors.....	9
3.1	Secured Creditors .....	9
3.2	Unsecured Creditors and other claims .....	10
4.0	Cash Flow Forecast.....	11
4.1	Intercompany Funding .....	12
5.0	Court Ordered Charges .....	12
5.1	Administration Charge .....	12
5.2	D&O Charge .....	13
5.3	Priority of Charges .....	13
6.0	Proposed Payment of Critical Vendor Obligations .....	14
7.0	The Continued Operation of the AIR MILES® Reward Program.....	14
8.0	Cash Management System .....	15
9.0	Stay of Proceedings re: Travel Services .....	15
10.0	Creditor Notification .....	16
11.0	Comeback Hearing.....	17
12.0	Conclusion and Recommendation .....	17

## Appendix

## Tab

Consent to Act as Monitor .....	A
Cash Flow Forecast and Management Report on Cash Flow Forecast .....	B
Monitor's Report on Cash Flow Forecast .....	C

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

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.

PRE-FILING REPORT OF KSV RESTRUCTURING INC. AS  
PROPOSED MONITOR

MARCH 10, 2023

## 1.0 Introduction

1. KSV Restructuring Inc. ("KSV") understands that LoyaltyOne, Co. (the "Applicant") intends to make an application to the Ontario Superior Court of Justice (Commercial List) (the "Court") under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), for an initial order (the "Initial Order") granting, among other things, the Applicant protection under the CCAA and appointing KSV as the CCAA monitor (in such capacity, the "Monitor").
2. KSV also understands that, in conjunction with the CCAA application, the Applicant's US parent, Loyalty Ventures, Inc. ("LVI") and certain affiliated entities have filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code to commence proceedings in the United States Bankruptcy Court for the Southern District of Texas (the "Chapter 11 Cases"). The Applicant is not a debtor in the Chapter 11 Cases.
3. The principal purposes of these CCAA proceedings are to create a stabilized environment to enable the Applicant to:
  - a) continue to operate in the ordinary course with the breathing space afforded by filing for protection under the CCAA, including to continue to operate the AIR MILES® Reward Program and to honour redemptions by Collectors (as defined below) of AIR MILES® reward miles in the normal course;
  - b) secure required debtor-in-possession ("DIP") financing from Bank of Montreal ("BMO" and, in such capacity, the "DIP Lender") to fund the Applicant's ongoing business and the restructuring proceedings pursuant to a US\$70 million DIP loan facility (the "DIP Facility"); and

- c) identify and complete a going-concern sale transaction pursuant to a Court-supervised sale and investment solicitation process (“SISP”). In this regard, the Applicant has entered into an Asset Purchase Agreement with BMO, the Applicant’s largest customer that, subject to Court approval, would be used as a stalking horse (the “Stalking Horse APA”) in the SISP. The purchase price under the Stalking Horse APA is US\$160 million, subject to certain adjustments.
- 4. No relief is being sought at the initial application in respect of the DIP Facility, the SISP or the Stalking Horse APA.
- 5. The Affidavit of Shawn Stewart, President of the Applicant, sworn March 10, 2023, in support of the CCAA application (the “Stewart Affidavit”), provides information in respect of the Applicant’s business and operations, including the reasons for the commencement of these CCAA proceedings.
- 6. If the Court grants the relief set out in the Initial Order, the Court materials filed in these proceedings will be made available by KSV on its website at <https://www.ksvadvisory.com/experience/case/loyaltyone> (the “Case Website”).
- 7. KSV is filing this report (“Report”) as proposed Monitor. If the Initial Order is granted by the Court, the Monitor will file a subsequent report to the Court in respect of the relief to be sought by the Applicant at the next hearing in these proceedings to be held within 10 days of the Initial Order (the “Comeback Hearing”).

## 1.1 Purposes of this Report

- 1. The purposes of this Report are to:
  - a) provide KSV’s qualifications to act as Monitor;
  - b) provide certain background information about the Applicant and its financial position;
  - c) report on the Applicant’s cash flow projection for the period March 10, 2023 to June 9, 2023 (the “Cash Flow Forecast”);
  - d) discuss the rationale for the following provisions in the Initial Order and related matters:
    - a charge in the amount of \$2 million (the “Administration Charge”) on the Applicant’s current and future property, assets and undertaking (collectively, the “Property”) to secure the fees and disbursements of the Monitor, counsel to the Monitor, Goodmans LLP (“Goodmans”), counsel to the Applicant, Cassels Brock & Blackwell LLP (“Cassels”), the Applicant’s restructuring advisor, Alvarez & Marsal Inc. (“A&M”), and the Applicant’s financial advisor, PJT Partners LP (“PJT”) (excluding any transaction fees payable to PJT);

- a charge on the Property in the amount of approximately \$10.5 million in favour of the directors and officers of the Applicant and its wholly-owned subsidiary, LoyaltyOne Travel Services Co./Cie Des Voyages LoyaltyOne (“Travel Services”) (the “D&O Charge” and, with the Administration Charge, the “Charges”), to secure the proposed indemnity in favour of the directors and officers in the Initial Order;
  - the proposed priority of the Charges;
  - a provision permitting the Applicant to pay certain pre-filing obligations to essential suppliers and contractors, subject to first obtaining the Monitor’s consent;
  - the stay of proceedings being extended to Travel Services;
  - the continued operation of the AIR MILES® Reward Program in the normal course, including by allowing the Applicant’s business partners (“Partners”) to issue new reward miles and for the Applicant’s AIR MILES® users (referred to as “Collectors”) to continue to earn and redeem reward miles, including reward miles earned before the start of this CCAA proceeding;
  - the continued use of the Applicant’s existing cash management system; and
  - the proposed methodology to provide notice of the CCAA proceedings to the Applicant’s creditors, including the Collectors; and
- e) provide the proposed Monitor’s recommendation regarding the relief sought by the Applicant in its application materials.

## 1.2 Restrictions

1. In preparing this Report, KSV has relied upon the Applicant’s audited and unaudited financial information, books and records and discussions with the Applicant’s legal counsel (Cassels) and restructuring advisor (A&M).
2. KSV has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on 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 wishing to place reliance on the financial information should perform its own diligence.
3. An examination of the Cash Flow Forecast as outlined in the Chartered Professional Accountants of Canada Handbook has not been performed. Future oriented financial information relied upon in this Report is based upon the Applicant’s assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. KSV expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

### 1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in Canadian dollars.

### 1.4 KSV's Qualifications to Act as Monitor

1. KSV is a licensed trustee within the meaning of Section 2(1) of the *Bankruptcy and Insolvency Act* (Canada). KSV is not subject to any of the restrictions to act as monitor set out in Section 11.7(2) of the CCAA.
2. KSV has consented to act as Monitor in these proceedings should the Initial Order be granted. A copy of KSV's consent to act as Monitor is attached as Appendix "A".
3. KSV has significant experience acting as CCAA monitor and other court officer capacities in formal insolvency proceedings.
4. On January 24, 2023, KSV was retained by Cassels, on the Applicant's behalf, in contemplation of acting as proposed Monitor if these proceedings were commenced. Since that time, KSV has been involved with the Applicant's preparation for this filing, including reviewing and commenting on the proposed Initial Order and accompanying cash flow projections, as well as the DIP Facility, the SISF and the Stalking Horse APA. During that time, KSV has also obtained an understanding of the Applicant's financial and operational challenges.

## 2.0 Background

### 2.1 Overview

1. The Stewart Affidavit provides background information with respect to the Applicant's business and operations. Accordingly, that information is only summarized in this Report.
2. The Applicant is the main operating entity in respect of the AIR MILES® Reward Program business (the "AIR MILES® Business"). The Applicant is a Nova Scotia unlimited liability company that is extra-provincially registered in, among other provinces, Ontario.
3. The Applicant's headquarters and primary place of business is located at 351 King Street East in Toronto, Ontario. Its registered office is the office of its Nova Scotia counsel in Halifax, Nova Scotia. The Applicant's sole member is LVI Lux Financing S.ar.l, a Luxembourg-based entity.
4. LVI, the ultimate parent of the Applicant, is a Delaware corporation whose common shares are currently listed on the NASDAQ Capital Market under the symbol "LYLT".

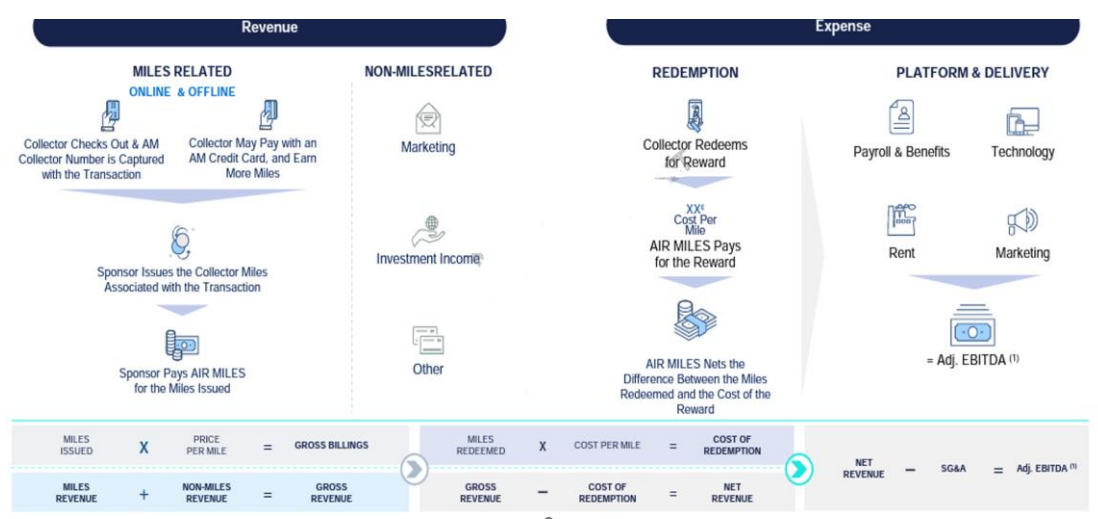
5. Prior to November 5, 2021, LVI, the Applicant, Travel Services and other subsidiaries of LVI (collectively, the “Loyalty Group”) were owned and operated by Bread Financial Holdings, Inc. (“BFH”), a US based company headquartered in Columbus, Ohio. BFH’s common shares are listed under the symbol “BFH” on the NYSE Capital Market. According to the Stewart Affidavit:
  - a) in November 2021, BFH undertook a transaction (the “Spinoff Transaction”) to separate the AIR MILES® Business and the Netherlands-based “BrandLoyalty” business into a newly created public company. Following the Spinoff Transaction, LVI was owned 19% by BFH, with the balance owned by BFH’s shareholders;
  - b) in the context of the Spinoff Transaction, LVI, among other things, borrowed (and the Applicant guaranteed) US\$675 million in debt, absorbed transaction costs of US\$25 million, and transferred the net proceeds of US\$650 million from the debt issuance to BFH. Following the Spinoff Transaction and as at the date of this Report, BFH continues to provide the Applicant with systems and other support services pursuant to a transition services agreement; and
  - c) in connection with the Chapter 11 Cases, it is contemplated that LVI will form a liquidating trust.

## 2.2 LVI

1. LVI, the ultimate parent company of the Loyalty Group, describes itself in its financial statements as “a leading provider of tech-enabled, data-driven consumer loyalty solutions”. The Applicant is an indirect subsidiary of LVI.
2. The Loyalty Group is a leading global provider of campaign-based loyalty solutions for grocers and other high-frequency retailers. It owns and operates two primary business segments, being: (i) the AIR MILES® Business; and (ii) BrandLoyalty (the “BrandLoyalty Business”). The AIR MILES® Business operates in Canada. The BrandLoyalty Business is headquartered in Netherlands, but its operations span internationally, including in Europe, Middle East, Africa and Asia Pacific. The BrandLoyalty Business also has a limited presence in Canada.
3. The proposed Monitor understands that although LVI does not conduct active business operations of its own, it provides certain key corporate and back-office support functions, infrastructure and services for both the AIR MILES® Business and the BrandLoyalty Business, including information technology, legal, tax, human resources, accounting and treasury services (collectively, the “Intercompany Services”), pursuant to an intercompany services agreement (the “Intercompany Services Agreement”). The Applicant appears to be significantly reliant on LVI to operate its business in the normal course. According to the Stewart Affidavit, if LVI ceased or ceases to pay its liabilities in the ordinary course, there is a risk that the Intercompany Services required by the Applicant will be disrupted and/or stopped, and any such disruption would have a serious deleterious impact on the Applicant’s ability to complete a sale as a going concern under the SISP, potentially frustrating these CCAA proceedings.

## 2.3 Business of the Applicant

1. The AIR MILES® Business was originally launched in Canada in 1992 by Loyalty Management Group Canada Inc., a predecessor entity of the Applicant. In 1998, the AIR MILES® Business was acquired by BFH for approximately \$250 million. As noted above, in November 2021, LVI acquired the AIR MILES® Business and the BrandLoyalty Business as a result of the Spinoff Transaction.
2. The AIR MILES® Reward Program is a full-service outsourced loyalty program, which assists its Partners in acquiring and retaining loyal and continuing customers. The majority of the AIR MILES® Business is focused on a small group of Partners (historically called “Sponsors”), who pay the Applicant a fee per reward mile issued to, and in certain instances, when redeemed by, the Collectors. In return, the Applicant provides a number of services to both Partners and Collectors, including, but not limited to, all marketing (including the use of the AIR MILES® Reward Miles brand), analytics, customer services and redemption management.
3. The three primary parties involved in the AIR MILES® Reward Program are: (i) Partners; (ii) Collectors; and (iii) suppliers of travel and other rewards (the “Reward Suppliers”).
4. The AIR MILES® Business model is summarized in the diagram below.<sup>1</sup>



5. Over 10 million Canadians participate in the AIR MILES® Reward Program, and hundreds of thousands of Collectors have reward miles that would entitle them to redeem for value in excess of \$1,000 at any given time.
6. To provide assurances to Collectors and Partners that funds are available to satisfy the Applicant’s obligations to provide rewards for redeemed AIR MILES® reward miles, the Applicant’s corporate predecessor established a fund of investments (the “Reserve Account”) for the benefit of Collectors to fund redemptions. The Reserve Account is governed by an Amended and Restated Redemption Reserve Agreement dated December 31, 2001 (as amended, the “Redemption Reserve Agreement”).

<sup>1</sup> This schematic was sourced from LVI’s Lender Presentation (September 2021).



RBC Investor Services Trust (the “Reserve Trustee”) was granted a security interest over the Reserve Account pursuant to the Reserve Security (defined below). Pursuant to the Redemption Reserve Agreement, the Applicant is required to maintain the Reserve Account in an amount equal to the value of the actual and reasonably expected redemptions of reward miles, taking into account the time value of money (the “Required Reserve Amount”). According to the Stewart Affidavit, as at March 2, 2023, there is approximately US\$566 million in the Reserve Account.

7. BMO is the Applicant’s most significant Partner. In 2022, BMO issued approximately 50% of all reward miles issued. BMO participates in the AIR MILES® Reward Program under a Program Participation Agreement, issues AIR MILES® branded credit cards and subscribes for additional services from AIR MILES® to assist in its marketing activities. Other significant Partners include Shell and Metro.
8. The Applicant operates from leased premises in Toronto, and also maintains an office in Vancouver to comply with applicable travel agency regulations in British Columbia. The Applicant’s Calgary and Montreal premises are presently subleased.

## **2.4 Employees**

1. The Applicant employs approximately 750 employees across Canada (including approximately 70 presently on leave). The Applicant’s employees are not unionized and the Applicant does not maintain any registered pension plans.
2. As of March 9, 2023, the Applicant’s accrued vacation pay obligation was approximately \$2 million. The Applicant is current on its payments in respect of its group registered retirement savings plan and deferred profit-sharing plan, other than those associated with the upcoming payroll which is due and expected to be paid on March 10, 2023. Consistent with past practice, these amounts have been funded in advance of the payment date.

## 2.5 Financial Position

1. The Applicant's most recent unaudited balance sheet as at January 31, 2023 is provided below.

Description	Book Value (CAD \$000s)
Cash and cash equivalents	29,950
Accounts receivable	198,872
Other current assets	15,887
Redemption settlement assets, restricted	802,919
<b>Total Current Assets</b>	<b>1,047,628</b>
Property, plant and equipment	67,507
Goodwill	246,108
Other	44,134
<b>Total Non-current Assets</b>	<b>357,750</b>
<b>Total Assets</b>	<b>1,405,378</b>
Accounts payable and accrued liabilities	48,420
Deferred revenue	1,014,155
Other current liabilities	30,919
<b>Total Current Liabilities</b>	<b>1,093,495</b>
Other liabilities	16,904
Deferred revenue – services	120,720
Long term operating lease liability	52,962
<b>Total Non-current Liabilities</b>	<b>190,586</b>
<b>Total Liabilities</b>	<b>1,284,081</b>
<b>Equity</b>	<b>121,297</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,405,378</b>

2. As the Applicant is a guarantor and not a borrower under the Credit Agreement (as defined below), the Credit Agreement obligations are not reflected on its non-consolidated balance sheet. Recognition of that secured obligation would eliminate any equity reflected on the Applicant's financial statements and cause a material deficiency.
3. The following is a brief description of certain material line items on the Applicant's balance sheet:
  - a) Accounts Receivable: Primarily consists of an income tax receivable with a book value of approximately \$97 million that is subject to an ongoing dispute with Canada Revenue Agency, and which, according to the Stewart Affidavit, BFH caused LVI (purportedly on behalf of the Applicant) to assign to BFH in connection with the Spinoff Transaction. Also includes accounts receivable owing from Partners.
  - b) Redemption settlement assets, restricted: Redemption settlement assets consist of restricted cash, mutual funds and securities available-for-sale and are designated for settling redemptions by collectors of the AIR MILES® Reward Program. These are effectively due on demand and are the investments and funds that were on deposit in the Reserve Account as at January 31, 2023.

- c) Property and Equipment: Primarily consists of computer software and development, furniture and equipment and leasehold improvements.
- d) Deferred Revenue: The deferred revenue associated with AIR MILES® redemptions is recognized into revenue when redeemed by Collectors.

## 3.0 Creditors

### 3.1 Secured Creditors

#### 3.1.1 The Credit Facilities

1. LVI, Brand Loyalty Group B.V., Brand Loyalty Holding B.V. and Brand Loyalty International B.V. (collectively, the “Borrowers”) and a group of lenders (collectively, the “Credit Agreement Lenders”) for whom Bank of America N.A. acts as administrative agent (the “Credit Agreement Agent”) entered into a credit agreement dated as of November 3, 2021 (as amended, the “Credit Agreement”) whereby the Credit Agreement Lenders established credit facilities for the Borrowers. Certain of LVI’s subsidiaries, including the Applicant (but not Travel Services), are guarantors under the credit Agreement (collectively, the “Guarantors”).
2. Pursuant to the terms of the Credit Agreement, the Credit Agreement Lenders made available the following facilities (collectively, the “Credit Facilities”): (i) a US\$175 million Term Loan A facility for the Borrowers due November 3, 2026 (“Term Loan A”); (ii) a US\$500 million Term Loan B facility for the Borrowers due November 3, 2027 (“Term Loan B”); and (iii) a revolving credit facility in the maximum amount of US\$150 million for LVI due November 3, 2026 (the “Revolver”). As of March 9, 2023, there was approximately US\$656 million of principal estimated to be outstanding under the Credit Facilities, plus an additional approximately US\$8 million in respect of letters of credit. The proposed Monitor understands LVI is presently unable to draw additional amounts under the Revolver as a result of LVI being unable to make the representations required to draw on that facility.
3. The obligations under the Credit Agreement are secured by, among other things, a first priority security interest in all present and after-acquired personal property of the Borrowers and the Guarantors, including the Applicant (including shares and other equity interests owned by them), excluding the Excluded Property (as defined in the Credit Agreement) (the “Credit Agreement Collateral”). The Credit Agreement defines Excluded Property to include, among other things, redemption settlement assets of the Applicant that are required to be reserved for collectors in the AIR MILES® Reward Program, together with all investments thereof and all interest, dividends and other amounts earned or derived therefrom. As such, the Reserve Account (together with all interest, dividends and other amounts earned or derived therefrom) does not form part of the Credit Agreement Collateral.

4. Goodmans has provided an Ontario law opinion to KSV that, subject to customary assumptions and qualifications, the security relating to the Credit Agreement creates a validly perfected security interest in favour of the Credit Agreement Agent in the Credit Agreement Collateral. If appointed Monitor, KSV will obtain security opinions under the laws of any other applicable provinces as necessary and update the Court accordingly.

### 3.1.2 The Reserve Account and the Reserve Security

1. As described above, the Reserve Account was established to provide certain security in favour of the Reserve Trustee for the benefit of Collectors. The Reserve Trustee holds, as security for the performance by the Applicant of its obligations to Collectors, a first-ranking security interest in (among other things) the investments held in the Reserve Account and the proceeds thereof for the benefit of Collectors pursuant to an Amended and Restated Security Agreement dated December 31, 2001 (the "Reserve Security").
2. Goodmans has provided an Ontario law opinion to KSV that, subject to customary assumptions and qualifications, the Reserve Security creates a validly perfected security interest in favour of the Reserve Trustee in (among other things) the investments and proceeds thereof held in the Reserve Account. If appointed Monitor, KSV will obtain security opinions under the laws of any other applicable provinces as necessary and update the Court accordingly.

### 3.1.3 Other Secured Creditors

1. Wells Fargo Equipment Finance Company has filed a registration under the *Personal Property Security Act* (Ontario) ("Ontario PPSA") in connection with photocopiers, printers, video conferencing equipment and other office equipment. KSV understands that the Applicant no longer has the equipment referred to in this registration.

## 3.2 Unsecured Creditors and other claims

1. Based on the Applicant's books and records, the unsecured obligations primarily consist of:
  - a) \$18.1 million owing to various contractors and other vendors in respect of goods and services provided to the Applicant for which the Applicant has been invoiced. Additional amounts are accrued but not yet invoiced;
  - b) \$7.7 million owing to the Reward Suppliers for redemptions by Collectors (which includes the Reward Supplier obligations of Travel Services); and
  - c) \$960,000 owing to the landlord in respect of the Toronto leased location for unpaid March 2023 rent obligations.
2. Further information concerning the Applicant's liabilities is provided in the Stewart Affidavit.

## 4.0 Cash Flow Forecast

1. The Applicant, with the assistance of A&M, as its restructuring advisor, has prepared a Cash Flow Forecast for the thirteen-week period March 10, 2023 to June 9, 2023, which the proposed Monitor has reviewed and discussed with A&M. The Cash Flow Forecast and the Applicant's statutory report thereon pursuant to Section 10(2)(b) of the CCAA are attached as Appendix "B".
2. The proposed Monitor notes the following in respect of the Cash Flow Forecast:
  - a) Receipts are primarily driven by the issuance of reward miles from Partners to Collectors. Partners pay a per mile fee to the Applicant based on reward miles issued and, in certain cases, reward miles redeemed by Collectors.
  - b) Reserve Account Funding reflects funds transferred to the Reserve Account to cover reward redemptions by Collectors.<sup>2</sup> It is not contemplated that the Applicant will fund any amounts to the Reserve Account until after the Comeback Hearing as the next such payment is not due until the end of March 2023.
  - c) Operating disbursements include client services spend, data and technology, collector experience and marketing services, commodity tax and other taxes payable, general corporate expenditures and capital expenditures.
  - d) Corporate intercompany transfers include, without limitation, monthly payments from the Applicant to LVI under the Intercompany Services Agreement, and to BFH pursuant to a transition services agreement entered into in connection with the Spinoff Transaction (the "TSA").<sup>3</sup> The Applicant requires the services provided by LVI and BFH pursuant to the foregoing arrangements to operate in the normal course. Corporate intercompany transfers also include payments from the Applicant to LVI in respect of insurance coverage.
3. Based on the proposed Monitor's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. The proposed Monitor's statutory report on the Cash Flow Forecast is attached as Appendix "C".

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<sup>2</sup> As described in the Stewart Affidavit, once a month in relation to the previous month, the Applicant must deliver a certificate to the Reserve Trustee setting out the (i) Required Reserve Amount; (ii) value of the Reserve Account; (iii) amount of any deficiency or excess in the Reserve Account compared to the Required Reserve Amount; and (iv) value of any deposit required to correct such deficiency. The Applicant must fund the Reserve Account within 30 days of any month for which the foregoing certificate shows a deficiency in such amount as required pursuant to the terms of the Redemption Reserve Agreement to address the deficiency.

<sup>3</sup> As described in the Stewart Affidavit, the Applicant historically paid approximately US\$500,000 per month to LVI pursuant to the Intercompany Services Agreement, of which LVI remitted approximately US\$160,000 to BFH pursuant to the TSA on account of services provided by BFH thereunder for the benefit of the Applicant. The proposed Monitor understands that the Applicant has been made a direct beneficiary of the TSA, with the result being that the Applicant will now make payment directly to BFH for any services provided by BFH to the Applicant under the TSA. Payments by the Applicant to LVI under the Intercompany Services Agreement going forward will therefore be reduced to exclude amounts paid by the Applicant to BFH under the TSA.

4. It is contemplated that the Applicant will be able to fund its business from its own cash on hand until the Comeback Hearing. As such, although the Applicant has entered into the DIP Facility, approval of the DIP Facility will not be sought until the Comeback Hearing.

#### **4.1 Intercompany Funding**

1. As discussed above and in the Stewart Affidavit, the Applicant's parent company, LVI, provides the Intercompany Services to the AIR MILES® Business, including information technology, legal, tax, insurance, human resources, accounting and treasury services. The Applicant is heavily reliant on LVI and these Intercompany Services to operate its business in the normal course.
2. The proposed Monitor has been advised by A&M that LVI has limited liquidity. As described in the Stewart Affidavit, the Applicant recently funded an \$18 million intercompany loan to LVI and made various payments under the Credit Agreement on behalf of LVI, which it had not done historically.
3. In light of LVI's liquidity position, the DIP Facility contemplates that the Applicant will on-lend a portion of its DIP borrowings to LVI on a super-priority basis to facilitate the provision of the Intercompany Services as well as fund the costs of the Chapter 11 Cases (the "Intercompany DIP Loan"). The proposed Monitor will provide further information in respect of the proposed Intercompany DIP Loan in advance of the Comeback Hearing.

## **5.0 Court Ordered Charges**

### **5.1 Administration Charge**

1. The Applicant is seeking an Administration Charge in an initial amount not to exceed \$2 million to secure the fees and expenses of the Monitor, counsel to the Monitor (Goodmans), counsel to the Applicant (Cassels), the Applicant's restructuring advisor (A&M), and the monthly work fee and expenses of the Applicant's financial advisor, PJT.
2. The Administration Charge is a customary provision in an initial order in a CCAA proceeding – it is required to provide security to the professionals engaged to assist a debtor company and to protect them if the debtor is unable to pay professional fees and costs during the CCAA process.
3. The Applicant has worked with Cassels, A&M and the proposed Monitor to estimate the proposed amount of the Administration Charge.
4. KSV believes that the Administration Charge is reasonable and appropriate in the circumstances given the complexities of the Applicant's proceedings, the Applicant's liquidity position, the unpaid professional fees as of the date of this Report and the professional fees that will continue to be incurred until the Comeback Hearing. Accordingly, the professionals require the benefit of the Administration Charge to protect them for their pre-filing fees related to preparing for these proceedings, as well as for their fees and costs that will be incurred until the Comeback Hearing. Without such protection, the professionals are unlikely to be prepared to continue to provide services in these proceedings.

## 5.2 D&O Charge

1. The proposed D&O Charge provides protection for the directors and officers should the Applicant fail to pay certain obligations arising after the CCAA filing date which may give rise to liability for directors and officers, including sales taxes, payroll and vacation pay. The Cash Flow Forecast contemplates that payroll and sales taxes will continue to be paid in the ordinary course and the Applicant is projected to have sufficient liquidity to do so provided the DIP Facility is approved at the Comeback Hearing.
2. The directors and officers shall only be entitled to the benefit of the D&O Charge to the extent that they do not have coverage under any directors' and officers' insurance policy or to the extent such coverage is insufficient to pay an indemnified amount.
3. As provided in the table below, the amount of the D&O Charge was estimated by the Applicant, with the assistance of A&M (the Applicant's restructuring advisor), taking into consideration current vacation pay liability and the estimated peak payroll and sales tax obligations that can accrue during the ten-day period prior to the Comeback Hearing:

(unaudited)	Amount (CAD\$000s)
Wages (including accrued bonus programs)	2,430
Unremitted source deductions	375
Vacation pay	2,152
Benefits and RRSP contributions – employer portion	84
Unremitted HST	5,277
Provincial sales tax	204
<b>Total D&amp;O Charge</b>	<b>10,522</b>

4. The proposed Monitor has reviewed the backup provided by the Applicant in respect of the potential obligations to be covered by the D&O Charge and is of the view that the D&O Charge is reasonable in the circumstances as the continued involvement of the directors and officers is beneficial to the Applicant and these proceedings.

## 5.3 Priority of Charges

1. Each of the Charges is proposed to rank in priority to all other encumbrances against the Property, other than (a) any Person with a properly perfected purchase money security interest under the Ontario PPSA or other applicable legislation, (b) the Reserve Trustee in respect of the Reserve Security, and (c) any Person that has not been served with notice of the application for the Initial Order.
2. At the Comeback Hearing, the Applicant intends to seek to have the Charges (as well as certain other priority charges to be sought) rank in priority to the encumbrances of any Person other than those encumbrances described in (a) and (b) above.
3. The Applicant proposes the Charges have the following priority as between them (amounts presented below are those proposed to be granted in the Initial Order – any increases to the amounts covered by the Charges will be addressed at the Comeback Hearing):



- a) First, the Administration Charge (to a maximum of \$2,000,000); and
- b) Second, the D&O Charge (to a maximum of \$10,521,000).

## 6.0 Proposed Payment of Critical Vendor Obligations

1. On its application for the Initial Order, the Applicant is seeking a provision permitting it to make payments to certain critical vendors integral to the operation of the AIR MILES® Business in respect of obligations arising prior to the commencement of its CCAA proceedings, including insurance, security, phone and internet, payment processing, utilities, website maintenance, IT services and marketing for its corporate operations. Certain of these obligations are owed to vendors and independent contractors with specific skills that cannot be easily replaced.
2. The Applicant seeks authorization to pay these obligations subject to the consent of the Monitor, with the Monitor considering, among other factors, whether:
  - a) the supplier or service provider is considered critical to the business and ongoing operations of the Applicant and whether the payment is required to ensure ongoing supply;
  - b) the proposed payment is expected to preserve, protect or enhance the value of the Applicant's property or business; and
  - c) the applicable supplier or service provider is otherwise required to continue to provide goods or services to the Applicant after the date of the Initial Order pursuant to the terms of the proposed Initial Order.
3. The proposed Monitor is familiar with provisions of orders under the CCAA permitting the debtor company to pay specific pre-filing obligations, where appropriate. In certain circumstances, such payments are required or appropriate to preserve the value of a debtor's business for the benefit of stakeholders. KSV is aware of the Applicant's reliance on certain critical suppliers to sustain operations, including critical technology infrastructure and subscription service providers.
4. For the foregoing reasons, KSV is supportive of the Applicant's request for the inclusion of a provision authorizing it to pay certain pre-filing obligations owing to critical vendors. KSV will review each proposed payment in accordance with the foregoing criteria prior to providing (or not providing) the Monitor's required consent, with a view to ensuring that payments to suppliers/contractors in respect of pre-filing obligations are limited to those reasonably necessary in the circumstances.

## 7.0 The Continued Operation of the AIR MILES® Reward Program

1. The Applicant intends to continue operating the AIR MILES® Reward Program in the ordinary course. In doing so, Partners are expected to continue working cooperatively with the Applicant, including as mandated by the Initial Order. The Cash Flow Forecast contemplates that the Applicant will continue to contribute to the Reserve Account and use Reserve Account funds to satisfy Collector redemptions and Reward Supplier obligations in the normal course, including obligations to airlines, tour



operators, logistics and warehousing providers, retail brokers and other providers of hard goods.

2. The Applicant believes the ability to fund and utilize the Reserve Account is necessary to honour Collector redemptions and crucial to preserving Collector and Partner confidence, and is therefore necessary to preserve the value of the AIR MILES® Business.

## 8.0 Cash Management System

1. The Applicant's cash management system (the "Cash Management System") is detailed in the Stewart Affidavit, and accordingly, is not repeated in this Report.
2. In connection with this CCAA proceeding, the Applicant is seeking the authority to continue to operate the Cash Management System to maintain the funding and banking arrangements already in place.
3. The proposed Monitor believes that it is necessary for the Applicant to continue using its existing Cash Management System as the Cash Management System includes the necessary accounting controls to enable the Applicant to trace funds and ensure that all transactions are adequately documented and readily ascertainable. A material change to the Applicant's Cash Management System is likely to disrupt operations, which is not in the interest of the Applicant or its stakeholders.

## 9.0 Stay of Proceedings re: Travel Services

1. Travel Services is not an applicant in this proceeding (or the Chapter 11 Cases) but is the subject of certain relief sought in the Applicant's CCAA application. It is a Nova Scotia unlimited liability company that is a wholly owned subsidiary of the Applicant. Travel Services is a licensed travel agent which, as agent for the Applicant, arranges travel services for Collectors in exchange for the redemption of reward miles and/or cash.
2. The Applicant is requesting that the stay of proceedings apply to Travel Services to ensure that: (i) Travel Services continues to have the ability to assist the Applicant by providing the travel agency services necessary to the AIR MILES® Business; and (ii) funds can flow uninterrupted as required between the Applicant's operating accounts, the Reserve Account and Travel Services.
3. The proposed Monitor believes it is reasonable and appropriate for the stay of proceedings to apply to Travel Services as it will assist in continuing normal course operations of the Applicant and will enhance the Applicant's ability to maximize value in these proceedings by pursuing the SISP and completing the transaction contemplated by the Stalking Horse APA (or another value maximizing transaction), as the Applicant's equity interest in Travel Services is contemplated to be a purchased asset under the Stalking Horse APA. It would be detrimental to the Applicant's ability to successfully complete a transaction under the SISP if proceedings were commenced or other steps taken against Travel Services.

## 10.0 Creditor Notification

1. Due to the large number of Collectors and the sensitive nature of personal information related to the Collectors, the Applicant is requesting that the Monitor be relieved of its obligations under the CCAA to: (i) provide notice of this CCAA proceeding to Collectors holding reward miles balances that would entitle the Collectors to redeem for items with a cost to the Applicant of at least \$1,000 (the “Specified Collectors”) in accordance with the applicable regulations; and (ii) make the required information related to Specified Collectors publicly available on the creditor’s list. The Applicant estimates that there are hundreds of thousands of Specified Collectors, approximately 13% of which have not provided a valid email address.
2. Instead, and in addition to the required publication of notice of this CCAA proceeding by the Monitor in the *National Post* (National Edition), the Applicant proposes to publish a statement on the AIR MILES® business website ([www.airmiles.ca](http://www.airmiles.ca)) and send an email notification to all of the Specified Collectors for whom the Applicant has current email addresses in the form attached in Exhibit “N” to the Stewart Affidavit.
3. The proposed Monitor believes the relief sought is appropriate in the circumstances. The proposed Monitor intends to treat the information related to Specified Collectors as confidential and will not release this information to stakeholders, absent further order of the Court.
4. The proposed Initial Order requires the Monitor to:
  - a) publish without delay a notice in the national edition of the *National Post* (National Edition) newspaper containing the information prescribed under the CCAA; and
  - b) within five days of the granting of the Initial Order to:
    - i. make the Initial Order publicly available in the manner prescribed under the CCAA;
    - ii. send, in the prescribed manner, a notice to every known creditor (other than the Specified Collectors) with a claim against the Applicant of more than \$1,000 advising that the order is publicly available; and
    - iii. prepare a list, showing the names and addresses of those creditors (other than the Specified Collectors), and the estimated amounts of those claims based on the Applicant’s books and records, and make it publicly available in the prescribed manner.
5. If appointed Monitor, KSV will also post the Initial Order and all motion materials on the Case Website.

## 11.0 Comeback Hearing

1. If the Initial Order is granted, the Applicant intends to return to Court within ten days to seek two orders at the Comeback Hearing: (i) an Order approving the SISP and the Stalking Horse APA as the stalking horse bid in the SISP, including contemplated bid protections in favour of BMO and a related priority charge; and (ii) an Amended and Restated Initial Order, among other things, (a) increasing the amount of the Charges, (b) approving the DIP Facility (including the Intercompany DIP Loan) and granting a related priority charge, and (c) approving certain employee retention plans and a related priority charge.
2. As referenced above, if appointed as Monitor, KSV will file a report providing its views on the relief the Applicant is seeking at the Comeback Hearing in advance of same.

## 12.0 Conclusion and Recommendation

1. Based on the foregoing, KSV respectfully recommends that this Honourable Court make an Initial Order granting the Applicant's CCAA application on the terms of the draft Initial Order set out in the Applicant's application record.

\* \* \*

All of which is respectfully submitted,

*KSV Restructuring Inc.*

**KSV RESTRUCTURING INC.,  
IN ITS CAPACITY AS PROPOSED MONITOR OF  
LOYALTYONE, CO.  
AND NOT IN ITS PERSONAL CAPACITY**

## Appendix “A”

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

**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.**

Applicant

**CONSENT OF THE PROPOSED MONITOR**

KSV Restructuring Inc. hereby consents to act as Court-appointed monitor of LoyaltyOne, Co. (the “**Applicant**”) in respect of these proceedings, subject to the granting of an initial order under the *Companies' Creditors Arrangement Act* (Canada) in the form included in the Applicant's application record.

Dated as of March 7, 2023

**KSV Restructuring Inc.**

Per:

\_\_\_\_\_  
Name: Noah Goldstein

Title: Managing Director

**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.:

22

Applicant

**ONTARIO**

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

Proceeding commenced at Toronto

**CONSENT OF THE PROPOSED MONITOR**

**GOODMANS LLP**

Barristers & Solicitors  
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Lawyers for the KSV Restructuring Inc.  
as Proposed CCAA Monitor of LoyaltyOne, Co.

## **Appendix “B”**

## DIP Agreement Cash Flow Projections

### LoyaltyOne (Airmiles)

(Unaudited, \$USD in millions)

Week Ending	Notes	Week 1 17-Mar	Week 2 24-Mar	Week 3 31-Mar	Week 4 7-Apr	Week 5 14-Apr	Week 6 21-Apr	Week 7 28-Apr	Week 8 5-May	Week 9 12-May	Week 10 19-May	Week 11 26-May	Week 12 2-Jun	Week 13 9-Jun	13 Week Total
<b>Receipts</b>	[2]	\$ 2.4	\$ 0.7	\$ 7.0	\$ 19.9	\$ 3.3	\$ 1.4	\$ 3.6	\$ 20.8	\$ 1.6	\$ 1.3	\$ 3.9	\$ 4.8	\$ 20.6	\$ 91.4
<b>Disbursements</b>															
Reserve Account Funding	[3]	-	(10.3)	(22.8)	-	-	-	-	(15.0)	-	-	-	-	(14.0)	(62.1)
Operating Disbursements	[4]	(3.8)	(6.0)	(0.8)	(0.6)	(3.4)	(0.6)	(4.1)	(1.9)	(0.9)	(0.9)	(0.5)	(2.0)	(3.3)	(29.0)
Payroll	[5]	-	(2.4)	-	(2.4)	-	(2.4)	-	(2.4)	-	(2.4)	-	(2.4)	-	(14.2)
Corporate Interco Transfers	[6]	-	(2.4)	(2.8)	(2.5)	(2.0)	(2.3)	(13.1)	-	-	-	-	-	-	(25.1)
Non-Operating Disbursements	[7]	(0.3)	(0.6)	(4.1)	(0.7)	(0.6)	(0.6)	(2.8)	(0.3)	(0.3)	(0.1)	(0.1)	(0.7)	(2.8)	(13.8)
Professional Fees	[8]	-	(1.1)	(5.8)	(0.3)	(5.3)	-	(3.8)	(0.3)	(3.9)	-	(3.1)	(0.3)	0.3	(23.5)
DIP Interest & Fees	[9]	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Disbursements</b>		<b>(4.1)</b>	<b>(22.7)</b>	<b>(36.3)</b>	<b>(6.5)</b>	<b>(11.2)</b>	<b>(5.9)</b>	<b>(23.7)</b>	<b>(19.9)</b>	<b>(5.1)</b>	<b>(3.4)</b>	<b>(3.7)</b>	<b>(5.4)</b>	<b>(19.8)</b>	<b>(167.7)</b>
<b>Net Cash Flow</b>		<b>\$ (1.7)</b>	<b>\$ (22.0)</b>	<b>\$ (29.3)</b>	<b>\$ 13.5</b>	<b>\$ (7.9)</b>	<b>\$ (4.5)</b>	<b>\$ (20.2)</b>	<b>\$ 1.0</b>	<b>\$ (3.4)</b>	<b>\$ (2.2)</b>	<b>\$ 0.2</b>	<b>\$ (0.5)</b>	<b>\$ 0.8</b>	<b>\$ (76.3)</b>
Beginning Cash Balance		15.4	13.7	14.7	14.9	28.3	20.4	15.9	13.2	14.2	10.8	8.6	8.8	8.3	15.4
Net Cash Flow		(1.7)	(22.0)	(29.3)	13.5	(7.9)	(4.5)	(20.2)	1.0	(3.4)	(2.2)	0.2	(0.5)	0.8	(76.3)
FX Impact		-	-	-	-	-	-	-	-	-	-	-	-	-	-
DIP Financing	[10]	-	23.0	29.5	-	-	-	17.5	-	-	-	-	-	(8.0)	62.0
<b>Ending Cash Balance</b>		<b>\$ 13.7</b>	<b>\$ 14.7</b>	<b>\$ 14.9</b>	<b>\$ 28.3</b>	<b>\$ 20.4</b>	<b>\$ 15.9</b>	<b>\$ 13.2</b>	<b>\$ 14.2</b>	<b>\$ 10.8</b>	<b>\$ 8.6</b>	<b>\$ 8.8</b>	<b>\$ 8.3</b>	<b>\$ 1.1</b>	<b>\$ 1.1</b>
<b>Memo: DIP Roll-Forwards</b>															
Beginning Balance - Drawn DIP		-	-	23.0	52.5	52.5	52.5	52.5	70.0	70.0	70.0	70.0	70.0	70.0	-
Draw / (Paydown)		-	23.0	29.5	-	-	-	17.5	-	-	-	-	-	(8.0)	62.0
<b>Ending Balance - Drawn DIP</b>		<b>\$ -</b>	<b>\$ 23.0</b>	<b>\$ 52.5</b>	<b>\$ 52.5</b>	<b>\$ 52.5</b>	<b>\$ 52.5</b>	<b>\$ 70.0</b>	<b>\$ 70.0</b>	<b>\$ 70.0</b>	<b>\$ 70.0</b>	<b>\$ 70.0</b>	<b>\$ 70.0</b>	<b>\$ 62.0</b>	<b>\$ 62.0</b>
Beginning Balance - PIK Fees & Interest		-	-	1.4	1.5	1.6	1.8	1.9	2.1	2.3	2.5	2.7	2.9	3.1	-
PIK DIP Fees & Interest		-	1.4	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	3.3
<b>Ending Balance - PIK Fees &amp; Interest</b>		<b>\$ -</b>	<b>\$ 1.4</b>	<b>\$ 1.5</b>	<b>\$ 1.6</b>	<b>\$ 1.8</b>	<b>\$ 1.9</b>	<b>\$ 2.1</b>	<b>\$ 2.3</b>	<b>\$ 2.5</b>	<b>\$ 2.7</b>	<b>\$ 2.9</b>	<b>\$ 3.1</b>	<b>\$ 3.3</b>	<b>\$ 3.3</b>
<b>Total Drawn DIP and PIK Fees &amp; Interest</b>		<b>\$ -</b>	<b>\$ 24.4</b>	<b>\$ 54.0</b>	<b>\$ 54.1</b>	<b>\$ 54.3</b>	<b>\$ 54.4</b>	<b>\$ 72.1</b>	<b>\$ 72.3</b>	<b>\$ 72.5</b>	<b>\$ 72.7</b>	<b>\$ 72.9</b>	<b>\$ 73.1</b>	<b>\$ 65.3</b>	<b>\$ 65.3</b>



## DIP Agreement Cash Flow Projections

### LoyaltyOne Inc. - Forecast Assumptions

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#### LoyaltyOne (Airmiles) Forecast Notes

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- [1] The purpose of the projection is to present a cash flow forecast of LoyaltyOne Inc. for the period March 10, 2023 to June 9, 2023 in respect to its proceedings under the Companies' Creditor Arrangement Act ("CCAA").
- [2] Receipts: Primarily driven by collections from sponsors of the Airmiles rewards program. Sponsors pay a fee on a per mile basis on rewards miles issued.
- [3] Reserve Account Funding: Funds transferred to a restricted reserve account used to cover rewards redemptions for consumers of the Airmiles rewards program. The funding amount is driven by miles collected within the month netted against investment performance.
- [4] Operating Disbursements: General operating disbursements including for
  - o Client services spend
  - o Data & technology
  - o Collector experience & marketing services
  - o Commodity tax and income tax installment payments
  - o General corporate expenditures
  - o Capital expenditures
- [5] Payroll: Payroll & Benefits for LoyaltyOne employees.
- [6] Corporate Interco Transfers: Includes \$0.5M monthly payment from LoyaltyOne to Loyalty Ventures Inc. per intercompany services agreement. Also includes transfer of DIP proceeds through intercompany loans of \$24.6M during the projection period. The transfer of DIP proceeds will be used by Loyalty Ventures Inc. for coverage of general operating costs, professional fees, and other expenses related to the Chapter 11 process commencing in the U.S. Intercompany loans are subject to a 15% withholding tax.
- [7] Non-Operating Disbursements: Includes spend related to employee retention programs, independent director fees, withholding tax on intercompany loans, and other expenditures related to the CCAA proceedings.
- [8] Professional Fees: Includes fees for company advisors, lender advisors, and general case administration.
- [9] DIP Interest & Fees: Assumes 2% funding fee, 1.5% unused line fee, and 14% interest all paid in kind. All paid in kind DIP fees & Interest paid through sale proceeds at closing.
- [10] DIP Financing: Total DIP financing of \$70.0M funded into LoyaltyOne with \$62.0 million outstanding at closing. A portion of DIP proceeds will be loaned to Loyalty Ventures Inc., to fund general operating and Chapter 11 costs throughout the process.

**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.

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT**  
(paragraph 10(2)(b) of the CCAA)

The management of LoyaltyOne, Co. (the "Applicant") has developed the assumptions and prepared the attached statement of projected cash flow as of the 9<sup>th</sup> day of March, 2023, for the period March 10, 2023 to June 9, 2023 ("Cash Flow"). All such assumptions are disclosed in the notes to the Cash Flow.

The hypothetical assumptions are suitably supported and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Applicant and provide a reasonable basis for the Cash Flow.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1 using a set of hypothetical and probable assumptions set out therein. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 9<sup>th</sup> day of March, 2023.

**LOYALTYONE, CO.**



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Per: Shawn Stewart, President

## Appendix “C”

**COURT FILE NO.: CV-23-00696017-00CL**

**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.**

**PROPOSED MONITOR'S REPORT ON CASH FLOW STATEMENT**  
(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of LoyaltyOne, Co. (the "Applicant") as of the 9<sup>th</sup> day of March, 2023, consisting of a weekly projected cash flow statement for the period March 10, 2023 to June 9, 2023 ("Cash Flow"), has been prepared by the management of the Applicant for the purpose described in Note 1, using hypothetical and probable assumptions set out in the notes to the Cash Flow.

Our review consisted of inquiries, analytical procedures and discussions related to information supplied by the management, employees and advisors of the Applicant. We have reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Applicant or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 9<sup>th</sup> day of March, 2023.

A handwritten signature in blue ink that reads "KSV Restructuring Inc.".

**KSV RESTRUCTURING INC.  
IN ITS CAPACITY AS PROPOSED MONITOR OF  
LOYALTYONE, CO.**

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

PROCEEDING COMMENCED AT  
TORONTO

**PRE-FILING REPORT OF THE PROPOSED MONITOR**

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as Proposed CCAA Monitor of LoyaltyOne, Co.