



**Third Report of
KSV Restructuring Inc.
as CCAA Monitor of
LoyaltyOne, Co.**

May 8, 2023

Contents		Page
1.0	Introduction	1
1.1	Purposes of this Report.....	3
1.2	Restrictions	5
1.3	Currency	5
2.0	Background	5
2.1	Overview.....	5
2.2	Spinoff Transaction	6
2.3	Business of the Applicant.....	7
2.4	Employees	7
3.0	Creditors.....	8
3.1	Secured Creditors	8
3.2	Unsecured Creditors and Other Claims.....	9
4.0	SISP	9
4.1	Marketing Process	9
4.2	SISP Results.....	10
5.0	Transaction	11
5.1	Assigned Contracts.....	17
5.2	Amendment to Stalking Horse APA.....	19
5.3	Transaction Recommendation	19
5.4	Anticipated Timeline to Closing	20
6.0	Releases	21
7.0	Enhanced Powers of the Monitor.....	22
8.0	Cash Flow Forecast.....	23
9.0	Stay Extension	24
10.0	Conclusion and Recommendation	24

Appendices

Appendix	Tab
Pre-Filing Report of the Proposed Monitor dated March 10, 2023 (without appendices)...	A
First Report of the Monitor dated March 16, 2023 (without appendices).....	B
Letter to Torys dated April 28, 2023.....	C
Endorsement of Justice Conway dated May 1, 2023	D
Cash Flow Forecast and Management Report on Cash Flow Forecast.....	E
Monitor's Report on Cash Flow Forecast.....	F

**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.**

THIRD REPORT OF KSV RESTRUCTURING INC.

MAY 8, 2023

1.0 Introduction

1. Pursuant to an order (the "Initial Order") issued by the Ontario Superior Court of Justice (Commercial List) (the "Court") on March 10, 2023, LoyaltyOne, Co. (the "Applicant") was granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Restructuring Inc. ("KSV") was appointed monitor of the Applicant (in such capacity, the "Monitor"). The Initial Order also extended the CCAA stay and certain other relief to LoyaltyOne Travel Services Co./Cie Des Voyages LoyaltyOne, a non-applicant subsidiary of the Applicant ("Travel Services" and together with the Applicant, the "LoyaltyOne Entities").
2. Also on March 10, 2023, the Applicant's ultimate parent company, Loyalty Ventures Inc. ("LVI"), and three affiliated entities¹ (collectively, the "US Debtors"), filed voluntary petitions to commence proceedings under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "US Court") (the "US Proceedings"). The LoyaltyOne Entities are not debtors in the US Proceedings.
3. At a comeback hearing on March 20, 2023 (the "Comeback Hearing"), the Court issued:
 - a) an Amended and Restated Initial Order (the "ARIO"), which, among other things:
 - extended the stay of proceedings from March 20, 2023 to May 18, 2023;

¹ The affiliated Chapter 11 debtor entities are LVI Sky Oak LLC, LVI Lux Holdings S.à r.l. and Rhombus Investments L.P.

- approved a US\$70 million debtor-in-possession financing facility (the “DIP Facility”) made available from Bank of Montreal (“BMO” and, in such capacity, the “DIP Lender”) to allow the Applicant to: (i) operate its business and operations in the normal course during this proceeding and fund its restructuring efforts; and (ii) fund a secured intercompany loan to LVI (the “Intercompany DIP Loan”) in the maximum aggregate amount of US\$30 million, and granted a charge on the Property (as defined in the Initial Order) in favour of the DIP Lender in the maximum amount of US\$70 million (plus accrued and unpaid interest, fees and expenses) to secure the Applicant’s obligations under the DIP Facility (the “DIP Lender’s Charge”);
 - approved a transaction support agreement dated March 10, 2023 (the “Support Agreement”) entered into among LVI and certain of its direct and indirect subsidiaries, including the Applicant, and certain of the lenders under the Credit Agreement (as defined below) (collectively, with the agent and such other lenders that later entered into the Support Agreement, the “Consenting Stakeholders”);
 - approved the terms of two employee retention plans offered to the Applicant’s employees (the “Employee Retention Plans”) and granted a charge on the Property for the benefit of the participants of the Employee Retention Plans in the maximum aggregate amount of \$5.35 million;
 - approved an agreement dated July 11, 2022, among the Applicant, LVI, Akin Gump Strauss Hauer & Feld LLP, counsel to LVI and the Applicant, and PJT Partners LP (“PJT”), a US based investment banking firm, and granted a charge on the Property in favour of PJT in the maximum amount of US\$6 million to secure certain fees payable to PJT in connection with the completion of a restructuring or sale transaction (the “Transaction Fees”), as contemplated therein (the “Financial Advisor Charge”);
 - increased the charge on the Property in favour of the Monitor, Goodmans LLP (“Goodmans”), the Monitor’s legal counsel, Cassels Brock & Blackwell LLP (“Cassels”), the Applicant’s legal counsel, Alvarez & Marsal Inc. (“A&M”), the Applicant’s restructuring advisor, and PJT (excluding any Transaction Fees), from \$2 million to \$3 million; and
 - increased the charge on the Property in favour of the LoyaltyOne Entities’ directors and officers to secure the Applicant’s indemnity obligations in the ARIO from \$10.521 million to \$15.409 million (the “Directors’ Charge”); and
- b) a SISP Approval Order, which, among other things:
- approved a sale and investment solicitation process (the “SISP”) for the LoyaltyOne Entities’ business and assets, to be conducted by the Applicant, with the assistance of PJT and under the oversight of the Monitor;

- approved an Asset Purchase Agreement with BMO, the Applicant's largest customer, which provided for a purchase price of US\$160 million, subject to certain adjustments, plus the assumption of certain liabilities, to be used as a "stalking horse" bid in the SISP (as amended, the "Stalking Horse APA"); and
 - approved a break fee and expense reimbursement in favour of BMO (together, the "Bid Protections") and granted a charge on the Property in favour of BMO in the amount of US\$4 million as security for the potential payment of the Bid Protections.
4. On March 17, 2023, in connection with the US Proceedings, the US Debtors filed a Combined Disclosure Statement and Joint Chapter 11 Plan of Reorganization pursuant to Chapter 11 of the Bankruptcy Code (as applicable, the "Combined DS and Plan" or the "US Plan").
 5. On April 27, 2023, the Combined DS and Plan was approved and confirmed by the US Court. On May 1, 2023, the Court issued an order (the "Plan Performance Approval Order"), granting certain relief sought by the Applicant in connection with the US Plan, which relief was a condition precedent to the US Plan becoming effective.

1.1 Purposes of this Report

1. The purposes of this report (the "Third Report") are to:
 - a) provide background information regarding the Applicant and these proceedings;
 - b) summarize the results of the SISP;
 - c) summarize the terms of the Stalking Horse APA, including an amendment to the Stalking Horse APA dated May 3, 2023 (the "APA Amendment"), and provide the Monitor's recommendation regarding Court approval of the transaction contemplated by the Stalking Horse APA (the "Transaction");
 - d) discuss the need for an order under section 11.3 of the CCAA assigning certain contracts and agreements of the Applicant to 14970144 Canada Inc., an affiliate of BMO ("Newco"), where consent to assignment from the counterparty is required, but for which the consent to assignment remains outstanding (the "Assigned Contracts");
 - e) discuss the need to enhance and expand the Monitor's powers in this CCAA proceeding upon closing of the Transaction and immediately following the deemed resignation of the Applicant's directors and officers;
 - f) report on the Applicant's cash flow projection for the period May 8, 2023 to July 28, 2023 (the "Cash Flow Forecast");
 - g) set out the Monitor's basis for its support of the Applicant's request that the stay of proceedings be extended from May 18, 2023 to July 14, 2023; and

- h) recommend the Court issue the following Orders:
- i. an Approval and Vesting Order (“AVO”), among other things:
 - approving the Transaction;
 - following the Monitor’s delivery of the Monitor’s certificate substantially in the form attached as Schedule “A” to the proposed AVO (the “Monitor’s Certificate”), transferring and vesting all of the Applicant’s right, title and interest in and to the Travel Services Shares (as defined below) in 14970179 Canada Inc., an affiliate of BMO (“TS Holdco”), and all of the Applicant’s right, title and interest in and to the balance of the Purchased Assets (as defined in the Stalking Horse APA) and in Newco, in each case free and clear of and from any and all claims, liabilities, liens, and encumbrances, other than the Permitted Encumbrances (as defined in the Stalking Horse APA);
 - following delivery of the Monitor’s Certificate, directing the Applicant to repay in full all obligations owing under the DIP Facility and discharging the DIP Lender’s Charge;
 - following delivery of the Monitor’s Certificate, directing the Applicant to pay in full the Transaction Fees owing to PJT and discharging the Financial Advisor Charge;
 - discharging the Bid Protections Charge; and
 - approving certain releases in favour of the Released Parties (as defined below);
 - ii. an Assignment Order (the “Contract Assignment Order”) which, among other things, following delivery of the Monitor’s Certificate, assigns all of the Applicant’s rights and obligations in the Assigned Contracts to Newco; and
 - iii. an Order (the “Ancillary Relief Order”) that, among other things:
 - following delivery of the Monitor’s Certificate, provides that all of the current directors and officers of the Applicant (other than certain officers of the Applicant who will remain employed Applicant upon closing) will be deemed to resign, and authorizes and empowers the Monitor to exercise any powers which may be properly exercised by a board of directors or any officers of the Applicant; and
 - extending the stay of proceedings to July 14, 2023.

2. In considering the relief to be sought at the Applicant's motion returnable May 12, 2023, particularly the proposed AVO, the Monitor is cognizant of the significant shortfall projected to be incurred by the principal economic stakeholders in this proceeding, being the Credit Agreement Lenders (defined below), who are owed approximately US\$656 million of principal funded debt, which is guaranteed by the Applicant on a senior secured basis. The Credit Agreement Lenders are the fulcrum creditors in both this CCAA proceeding and the US Proceedings. Pursuant to and subject to the terms of the Support Agreement, the requisite majority of Credit Agreement Lenders, being the Consenting Stakeholders, have consented to the relief sought by the Applicant in relation to the Transaction. At this time, the Monitor understands that Credit Agreement Lenders holding in excess of 72% of the aggregate outstanding principal amount under the Credit Agreement, which exceeds the requisite threshold under the Credit Agreement, have executed the Support Agreement and support all of the relief sought at this motion.

1.2 Restrictions

1. In preparing this Third Report, the Monitor has relied upon the Applicant's audited and unaudited financial information, books and records and discussions with the Applicant's management, its legal counsel (Cassels), restructuring advisor (A&M) and financial advisor (PJT).
2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this Third Report in a manner that complies with Canadian Auditing Standards ("CAS") pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor 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 Applicant's 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 Third 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. The Monitor 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 Third Report are in Canadian dollars.

2.0 Background

2.1 Overview

1. The LoyaltyOne Entities operate the marketing program known as the AIR MILES® Reward Program (the "AIR MILES® Reward Program" or "AIR MILES®"). The Applicant is a Nova Scotia unlimited liability company that is headquartered in Toronto, Ontario.

2. LVI is the ultimate parent of the Applicant. LVI is a Delaware corporation whose common shares are quoted on OTC Markets Group Inc.'s Pink Open Market under the symbol "LYLTQ".
3. The Affidavit of Shawn Stewart, President of the Applicant, sworn March 10, 2023 in support of the CCAA application (the "First Stewart Affidavit"), the Monitor's Pre-Filing Report dated March 10, 2023 (the "Pre-Filing Report") and the Monitor's First Report to Court dated March 16, 2023 (the "First Report") provide detailed background information with respect to the Applicant's business and operations, including the reasons for the commencement of this CCAA proceeding and the rationale for the Orders granted at the Comeback Hearing. Copies of the Pre-Filing Report and First Report, each without appendices, are attached as Appendices "A" and "B", respectively.
4. All Court materials filed in this proceeding are available on the Monitor's website at the following link: <https://www.ksvadvisory.com/experience/case/loyaltyone>.
5. All US Court materials filed in the US Proceedings are available at the following link: <https://cases.ra.kroll.com/LVI/Home-Index>.

2.2 Spinoff Transaction

1. 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. ("Bread"), a US based company headquartered in Columbus, Ohio. Bread's common shares are listed under the symbol "BFH" on the NYSE Capital Market. According to the First Stewart Affidavit:
 - a) in November 2021, Bread undertook a transaction (the "Spinoff") to separate the AIR MILES[®] business and the Netherlands-based "BrandLoyalty" business into a new public company, LVI. Following the Spinoff Transaction, LVI was owned 19% by Bread, with the balance owned by Bread's shareholders; and
 - b) in the context of the Spinoff, 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 Bread, and LVI's subsidiaries (including the Applicant) transferred an additional US\$100 million of cash to Bread. Following the Spinoff and as at the date of this Third Report, Bread continues to provide the Applicant with systems and other support services pursuant to a Transition Services Agreement dated November 5, 2021, between Bread and LVI (the "Bread TSA") (discussed further in Section 5.1 below).
2. Pursuant to the US Plan, LVI will form a Liquidating Trust (as defined in the US Plan) upon implementation of the US Plan to hold, investigate and pursue, as appropriate, claims and causes of action against the Bread Parties (as defined in the US Plan) in connection with the Spinoff. These claims appear to be LVI's only material remaining asset.

2.3 Business of the Applicant

1. The AIR MILES® Reward Program is a full-service outsourced loyalty program, which assists its business partners (“Partners”) in acquiring and retaining loyal and continuing customers. The majority of the AIR MILES® Reward Program is focused on a small group of Partners, who pay the Applicant a fee per reward mile issued to, and in certain instances, when redeemed by, the users of the AIR MILES® Reward Program (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.
2. The three primary parties involved in the AIR MILES® Reward Program are: (i) Partners; (ii) Collectors; and (iii) suppliers of travel and other rewards.
3. Over 10 million Canadians participate in the AIR MILES® Reward Program as Collectors, 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.
4. 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”). RBC Investor Services Trust (the “Reserve Trustee”) was granted a security interest over the Reserve Account pursuant to an Amended and Restated Security Agreement dated December 31, 2001 (the “Reserve Security Agreement”). 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.
5. 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.
6. 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. Other than the Vancouver office, all of the Applicant’s premises (including those in Montreal and Toronto) are either partially or completely subleased.

2.4 Employees

1. The Applicant employs approximately 700 employees across Canada (including approximately 45 presently on leave). The Applicant’s employees are not unionized and the Applicant does not maintain any registered pension plans.

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”), a group of lenders (collectively, the “Credit Agreement Lenders”) and Bank of America N.A., 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.
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.

3.1.2 The Reserve Account and the Reserve Security

1. As described above, the Reserve Account was established to provide security in favour of the Reserve Trustee for the benefit of Collectors. The Reserve Trustee holds, for the benefit of Collectors, 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 pursuant to the Reserve Security Agreement.

3.1.3 BMO

1. As referenced above, BMO is the DIP Lender in this CCAA proceeding. Pursuant to the ARIO, the Court approved the DIP Facility in the maximum amount of US\$70 million and granted a corresponding DIP Lender's Charge to secure advances under the DIP Facility (plus accrued and unpaid interest, fees and expenses).
2. As of the date of this Third Report, the Applicant has drawn the full principal amount of the DIP Facility .

3.2 Unsecured Creditors and Other Claims

1. Based on the Applicant's books and records, as at the date of this Third Report, the Applicant's pre-filing unsecured obligations primarily consist of approximately \$14 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 may be owing in respect of pre-filing amounts that have not yet been invoiced. In addition, the Applicant has not advanced a claims process.
2. Of the total pre-filing unsecured obligations, the Monitor understands that approximately \$6 million will not be paid in connection with the Transaction, as these amounts relate either to: (i) pre-filing liabilities under contracts that are Excluded Contracts (as defined in the Stalking Horse APA), which will not be cured; or (ii) pre-filing obligations that are not associated with any contracts, which obligations will not be assumed by Newco.

4.0 SISP²

4.1 Marketing Process

1. The Applicant, with the assistance of PJT and under the supervision of the Monitor, has carried out the SISP in accordance with the SISP Approval Order. A summary of the SISP is as follows:
 - a) following the issuance of the SISP Approval Order, the Applicant and PJT launched the SISP on March 23, 2023 by distributing an interest solicitation letter detailing the acquisition opportunity (the "Teaser") to potential purchasers and investors. The Monitor notes that the Stalking Horse APA and this acquisition opportunity were also disclosed in detail in the Applicant's CCAA Application materials and in a press release issued by BMO announcing the signing of the Stalking Horse APA, and accordingly, the acquisition opportunity was in the public domain as of March 10, 2023;
 - b) the Teaser was sent to 48 prospective purchasers, comprised of Canadian and US operators, financial groups and other strategic parties, including certain parties that contacted the Monitor directly. In compiling the list of prospective purchasers, PJT sought input from the Applicant, the Credit Agreement Lenders and the Monitor;

² Capitalized terms in this section have the meaning provided to them in the SISP unless otherwise defined herein.

- c) attached to the Teaser was a bid process letter, a form of confidentiality agreement (“CA”) and clean team agreement (“CTA” and together with the CA, the “Confidentiality Documents”). The Confidentiality Documents were in a form substantially similar to those executed by BMO. Parties that executed the Confidentiality Documents were provided: (i) a confidential information memorandum (“CIM”) containing more detailed information regarding the acquisition opportunity; (ii) a detailed financial model and (iii) the opportunity to access an online data room managed by PJT;
- d) the data room contained certain historical and projected financial information and certain other relevant diligence information, including operational metrics, employee information and material contracts and agreements. An electronic copy of the Stalking Horse APA was also made available in the data room;
- e) the SISP provided that a “Qualified Bid” must, among other things, provide aggregate consideration, payable in full on closing, in an amount of at least US\$165 million, such amount being the sum of (i) the purchase price payable under the Stalking Horse APA (US\$160 million), (ii) the Bid Protections under the Stalking Horse APA (US\$4 million); and (iii) a US\$1 million minimum bid increment; and
- f) pursuant to the SISP, the deadline for interested parties to submit a Qualified Bid was 5:00 p.m. (Eastern Time) on April 27, 2023 (the “Bid Deadline”).

4.2 SISP Results

1. Based on information provided by PJT, a summary of the results of the SISP is as follows:
 - a) 48 parties were sent the Teaser and the Confidentiality Documents;
 - b) six parties executed the Confidentiality Documents and were provided the CIM and financial model. They were also given the opportunity to access the data room to perform additional due diligence following their review of the CIM and financial model; and
 - c) no Qualified Bids were received prior to the Bid Deadline (April 27, 2023).
2. On April 28, 2023, Cassels sent a letter to Torys LLP (“Torys”), counsel to BMO, notifying BMO, among other things, that the Stalking Horse APA was deemed to be the Successful Bid in the SISP. A copy of that letter is attached as Appendix “C”.

5.0 Transaction³

1. The Stalking Horse APA contemplates a transaction whereby BMO, through TS Holdco and Newco, will purchase all or substantially all of the operating assets of the Applicant, including all of the issued and outstanding shares in the capital of Travel Services (the “Travel Services Shares”), and assume certain liabilities in connection with the AIR MILES[®] business.⁴
2. The following constitutes a summary description of the Stalking Horse APA only. Reference should be made directly to the Stalking Horse APA for all of its terms and conditions. A copy of the Stalking Horse APA, as amended, is attached as an exhibit to the Affidavit of Shawn Stewart sworn May 3, 2023 in support of this motion (the “Fourth Stewart Affidavit”).
3. The key terms and conditions of the Stalking Horse APA are provided below.

- **Purchased Assets:** Substantially all of the Applicant’s right, title and interest in the Applicant’s business and operating assets, including the Travel Services Shares.
- **Purchase Price:** The Purchase Price is comprised of:
 - a) a cash payment of US\$160,259,861.40, subject to the Purchase Price Adjustments (as defined below) (the “Cash Purchase Amount”); and
 - b) the amount of the Assumed Liabilities as of the Closing Time.

BMO shall pay any applicable Transfer Taxes in addition to the Estimated Purchase Price.

- **Purchase Price Adjustments:** Comprised of:
 - a) the Final Reserve Deficiency, being the amount, if any, required to fund any Reserve Deficiency in the Reserve Fund (i.e. the Reserve Account) on Closing;
 - b) the Final Trade Creditor Amount, being the Trade Creditor Amount, if any, on Closing. The Trade Creditor Amount represents non-contract-based trade creditor liabilities incurred after the Filing Date and on or prior to the Closing Date that were contemplated to be paid prior to the Closing Date under the Cash Flow Forecast, but that are not paid and such non-payment is not in the Ordinary Course; and

³ Capitalized terms in this section have the meaning provided to them in the Stalking Horse APA unless otherwise defined herein.

⁴ Pursuant to the Stalking Horse APA, BMO (i) designated TS Holdco to acquire the Travel Services Shares, and (ii) designated Newco to acquire all of the Purchased Assets other than the Travel Services Shares and to assume all of the Assumed Liabilities. As contemplated by the Stalking Horse APA, prior to Closing, BMO will assign to TS Holdco and Newco, as applicable, BMO’s rights and obligations under the Stalking Horse APA. However, unless the context requires otherwise, this Third Report refers generally to BMO as the buyer.

- c) the Final Cure Cap Adjustment, being a reduction for any Cure Costs in excess of US\$10 million (collectively, (a) to (c) are referred to herein as the “Purchase Price Adjustments”).

- **Monitor’s Comments on the Purchase Price Adjustments:** As at the date of this Third Report, based on discussions with A&M, the Monitor understands that:

- a) the Reserve Account was in a surplus position as at March 31, 2023, being the date of the most recent Trust Certificate, and accordingly, there may not be any Purchase Price Adjustment for this item;
- b) the Applicant has been paying all Trade Creditor Amounts incurred after the Filing Date in the Ordinary Course as contemplated by the Cash Flow Forecast, and is projected to continue to do so until Closing, and accordingly, it does not appear that there will be any Purchase Price Adjustment for this item; and
- c) the Applicant’s Assumed Contracts analysis reflects Cure Costs that are projected to be under US\$10 million, which does not expect to exceed the Cure Cost Cap, and accordingly, it does not appear that there will be any Purchase Price Adjustment for this item.

Notwithstanding the above, Purchase Price Adjustments, if any, cannot be finalized until after the Closing Date, which the parties are currently targeting to be June 1, 2023.

- **Delivery of Estimate:** As the Cash Purchase Amount will be reduced for the Purchase Price Adjustments (if any), it is not possible to determine the Cash Purchase Amount as at the Closing Date. Accordingly, the Applicant shall deliver to BMO not later than two Business Days prior to closing a certificate detailing its good faith estimate of the Estimated Cash Purchase Amount, determined based on the estimated Purchase Price Adjustments. As set out below, BMO shall pay the Estimated Cash Purchase Amount at Closing.
- **Payment at Closing:** BMO shall satisfy the Estimated Cash Purchase Amount at Closing by paying in cash:
 - a) US\$10 million (the Adjustment Escrow Amount) into an escrow account maintained by the Monitor, to be held as security for the Settlement Payment pending the calculation of the Final Cash Purchase Price; and
 - b) the balance of the Estimated Cash Purchase Amount to the Applicant (or as otherwise directed).⁵

⁵ The proposed AVO contemplates the Applicant directing BMO to pay obligations outstanding under the DIP Facility directly to the DIP Lender at Closing.

- **Closing Statement and the Monitor's Dispute Resolution Role:** Section 3.4 of the Stalking Horse APA sets out the terms and procedures for preparing and delivering the final Closing Statement in order to determine, among other things, the Purchase Price Adjustments and the resulting Final Cash Purchase Amount, including:
 - a) **Draft Closing Statement:** Within 90 days following Closing, BMO will provide a Draft Closing Statement to the Applicant and the Monitor, setting out its calculation of the Purchase Price Adjustments and the resulting Settlement Payment;
 - b) **Objection Period:** Within 30 days following delivery of the Draft Closing Statement, the Applicant shall notify BMO and the Monitor of any objections to the Draft Closing Statement by sending a Notice of Objection stating the basis of the objection(s);
 - c) **Settlement of Dispute:** BMO and the Applicant shall work to resolve any objections within 20 days, failing which any Disputed Items may be submitted by either of the parties to the Monitor for determination as an expert (and not as an arbitrator). Unless arbitration is commenced in accordance with Section 3.4(e) of the Stalking Horse APA, the determination of the Monitor shall be final and binding on BMO and the Applicant;
 - d) **Arbitration:** In the event that: (i) the Monitor's determination of the Settlement Payment is greater than 10% (in either direction) of BMO's calculation of the Settlement Payment as set out in the Draft Closing Statement; and (ii) the Applicant, BMO or both dispute the Monitor's position, the disputing party shall send the other party a Notice of Arbitration within five days of the Monitor's delivery of its position, following which the dispute shall be finally resolved in accordance with the arbitration provisions contained within Section 3.4(e) of the Stalking Horse APA; and
 - e) **Escrow Release:** On the Settlement Date, being the third Business Day following the latter of (i) the date the Applicant and BMO agree or are deemed to agree to the Closing Statement, (ii) the date on which the Monitor delivers its position, or (iii) the date on which the arbitrator has made a determination, BMO and the Applicant shall provide a joint notice and direction to the Monitor, pursuant to the Stalking Horse APA and the Escrow Agreement, for the release of the Adjustment Escrow Amount (US\$10 million) consistent with the final determination of the Cash Purchase Amount.
- **Reserve Fund:** If the Value of the Reserve Fund as of the Closing Date is greater than the Final Value of the Reserve Fund, the excess shall be removed from the Reserve Fund and paid to the Applicant or, as designated by the Applicant, the administrative agent under the Credit Agreement.

- **Excluded Assets:** Include, among other things:
 - a) assets, if any, that (i) are located exclusively outside of Canada, and (ii) do not relate to the Business;
 - b) the Applicant's Claims against Bread and its affiliates and their respective present and former directors and officers;
 - c) Excluded Contracts, which include, among other things, certain real property and related contracts, contracts related to employee benefits and human resources, intercompany contracts and the Credit Agreement;
 - d) cash advanced pursuant to the DIP Facility;
 - e) cash paid in satisfaction of the Purchase Price;
 - f) Excluded Cash, being cash in the amount of US\$2 million;
 - g) Tax Attributes, including as relates to the Tax Dispute between the Applicant and CRA;
 - h) certain intellectual property; and
 - i) machinery, equipment and other tangible personal property (other than Inventory), provided that BMO may, up until seven days prior to Closing, designate any such personal property to be Purchased Asset.

- **Assumed Liabilities:** Include:
 - a) all liabilities and obligations arising under the Assumed Contracts from and after the Closing Date, including all Cure Costs;
 - b) all liabilities and obligations arising from and after the Closing Date pursuant to or in respect of Permits and Licenses;
 - c) all of the Applicant's present and future liabilities and obligations under the Redemption Reserve Agreement and the Reserve Security;
 - d) all trade obligations payable or accrued (including, for certainty, customer credit balances and open purchase orders) of the Business from and after the Closing Date;
 - e) the BMO LCs;
 - f) all liabilities and obligations of the Applicant to any Collector in respect of the AIR MILES[®] Reward Program; and
 - g) all liabilities and obligations to Assumed Employees, as described in more detail in Section 8.10 of the Stalking Horse APA.

- **Excluded Liabilities:** All liabilities, other than the Assumed Liabilities, and specifically including:
 - a) all intercompany obligations, except those between the Applicant and Travel Services;
 - b) all obligations under the Credit Agreement and related guarantees;
 - c) all obligations relating to any Excluded Assets and Excluded Contracts;
 - d) all obligations under the Employee Retention Plans;
 - e) all obligations relating to those Employees whose employment is not assumed by BMO pursuant to the terms of the Stalking Horse APA;
 - f) all obligations relating to the Applicant's employee benefit plans;
 - g) all liabilities for Taxes of the Applicant;
 - h) all professional and administrative costs in connection with the Transaction and this CCAA proceeding;
 - i) Excluded Claims; and
 - j) all claims of the Applicant or any of its affiliates that are unrelated to the Purchased Assets or the Assumed Liabilities.

- **Employee Matters:** BMO will offer employment to all Employees of the Applicant located in Canada on the terms and conditions described in the Stalking Horse APA, including compensation terms substantially similar, in the aggregate, as those existing with the Applicant immediately prior to Closing for a period of one year following the Closing. The Monitor understands that accrued vacation pay owing to Employees of the Applicant as at Closing, estimated to be approximately US\$1.4 million, will be paid by the Applicant in full prior to or immediately after Closing. The Applicant's accrued vacation pay obligations will not be assumed by BMO. Any Assumed Employee whose employment commences with BMO on a date after Closing shall remain an employee of the Applicant until the date such employee's employment commences with BMO and until such date shall continue to receive employment compensation and benefits from the Applicant, and continue to provide services exclusively to the Applicant consistent with the services provided by such employee prior to Closing.

- **Representations and Warranties:** The Applicant has provided various representations and warranties to BMO, including in respect of: organizational matters; authorization and enforceability; the Reserve Fund; consents; its financial statements and other financial matters; material contracts, customers and suppliers; and, various matters pertaining to the Business and Travel Services. None of these representations and warranties survive Closing and the Purchased Assets shall be sold and delivered to BMO on an "as is, where is" basis.

- **Target Closing Date:** June 1, 2023.
- **Outside Date:** June 30, 2023.
- **Conditions to Closing:** Include, among other things:
 - (i) **Mutual Conditions:**
 - i. the Initial Order, ARIO, SISP Approval Order, AVO and Contract Assignment Order shall have been obtained and shall be Final;
 - ii. the Reserve Agreement Assignment and Assumption Agreement shall have been executed by each of the Applicant and BMO; and
 - iii. the Competition Act Approval shall have been obtained. The Monitor understands that this condition has been satisfied.
 - (ii) **Buyer Conditions:**
 - i. the AVO shall have been obtained by no later than May 31, 2023, or such later date as BMO may agree to in writing, and shall be Final;
 - ii. the Fundamental Representations (Seller) shall be correct in all but *de minimis* respects on the Closing Date; certain representations and warranties pertaining to consents and Material Contracts shall be true and correct in all material respects on the Closing Date; and, except as would not have or would not reasonably be expected to have a Material Adverse Effect, either individually or in the aggregate, all other representations and warranties of the Applicant shall be true and correct as of the date of the Stalking Horse APA and the Closing;
 - iii. from the date of the Stalking Horse APA, there shall not have occurred any Material Adverse Change;
 - iv. BMO shall have received Consents and Approvals in respect of Contracts with Material Customers, Material Suppliers (including the WestJet Contract) and any Permits and Licenses from a Governmental Authority. The status of this condition is discussed further in Section 5.1 below; and
 - v. BMO shall have obtained any consents that are necessary, as determined in its sole discretion, acting reasonably, to effect the Reserve Agreement Assignment and Assumption.

(iii) Seller Conditions

- i. all the Fundamental Representations (Buyer) shall be correct in all but *de minimis* respects on the Closing Date; and, except as would not have or would not reasonably be expected to have a Material Adverse Effect, either individually or in the aggregate, all other representations and warranties of BMO shall be true and correct in all material respects as of the date of the Stalking Horse APA and the Closing;
 - ii. the AVO shall have been obtained by no later than May 31, 2023, or such later date as the Applicant may agree to in writing, and shall be Final; and
 - iii. all amounts due and payable by BMO under the BMO Sponsorship Agreement as of the Closing Date shall have been paid in accordance with the terms of the BMO Sponsorship Agreement.
- **Termination:** The Stalking Horse APA can be terminated by BMO and/or the Applicant:
 - (i) if Closing has not taken place by the Outside Date;
 - (ii) if the Court, or any other court or Governmental Authority (including the Competition Bureau) takes action to restrain, enjoin or otherwise prohibit the transactions contemplated by the Stalking Horse APA and such action is not capable of opposition or appeal, subject to certain restrictions;
 - (iii) if any of the Closing conditions in favour of BMO or the Applicant, as applicable, are not satisfied, waived or performed by the earlier of: (i) the date specified therefor, or (ii) the Closing Date; and
 - (iv) if there has been a material violation or breach by a party of any covenant, representation or warranty that would prevent the satisfaction of any Closing condition in favour of the other party on the Closing Date and such violation or breach has not been waived or cured in accordance with the Stalking Horse APA.

5.1 Assigned Contracts

1. The Stalking Horse APA provides that all contracts that are not Excluded Contracts will be Assumed Contracts. The Applicant and BMO have been working diligently to identify the Excluded Contracts, however, as a result of certain delays in identifying contracts, including because the Applicant does not have a centralized database of contracts, the Applicant and BMO agreed to extend the time by which the Excluded Contracts must be identified to five business days before the Closing.

2. Based on the current list of Assumed Contracts, the Applicant has determined that there are 231 Assumed Contracts that require the consent of the counterparties (the “Consent Right Counterparties”) to assign their respective contracts. Beginning on April 12, 2023, the Applicant sent letters to the Consent Right Counterparties to seek their consent to the assignment of their Assumed Contract. The letters sent on April 12, 2023 did not identify BMO as the successful bidder; however, it advised the Consent Right Counterparties that the Applicant will require their consent in connection with a transaction resulting from the SISP. The letter also quantified the Cure Cost applicable to each Assumed Contract so that parties could reconcile any difference between the books and records of the Applicant and the Consent Right Counterparties, to the extent there were any differences. As at the date of this Third Report, consents from approximately 138 Consent Right Counterparties remain outstanding.
3. The Applicant is seeking the Contract Assignment Order, among other things, ordering that all of the rights and obligations of the Applicant under the Assigned Contracts – being the contracts for which the consents remain outstanding – shall be assigned, conveyed, transferred and assumed by Newco notwithstanding any restriction in any such Assigned Contract relating to the assignment thereof as it may not be possible for the Applicant to have all consents back prior to the target closing date (June 1, 2023). The Monitor is supportive of the Contract Assignment Order and the related contract assignment as: (a) each of these contracts have been identified by the Applicant and BMO as necessary to the continued operation of the Applicant’s business and are required by BMO to avoid an operational disruption following Closing; (b) the proposed Contract Assignment Order is a condition to the proposed Transaction and requires that any Cure Costs be paid such that the Consent Right Counterparties are not prejudiced by the granting of the Contract Assignment Order; and (c) notwithstanding the proposed Contract Assignment Order, the Applicant, with the assistance of A&M, is continuing to follow up with those Consent Right Counterparties for which the consent remains outstanding.
4. Earlier in these proceedings, when the March 9, 2023 agreement under which LVI assigned to the Applicant all of LVI’s right and interest in the services being provided under the Bread TSA for the benefit of the Applicant (the “Partial TSA Assignment Agreement”) was identified as potentially being assigned by the Applicant to BMO under the Stalking Horse APA, Bread advised that it would object to any such assignment. This potential dispute was referenced in the Endorsement of the Honourable Justice Conway dated May 1, 2023, a copy of which is attached as Appendix “D”.
5. As provided for in the APA Amendment, the Applicant and BMO have agreed that the Partial TSA Assignment Agreement in respect of the Bread TSA will be an Excluded Contract under the Stalking Horse APA, and accordingly, is not an Assigned Contract. Further, no contract to which Bread is a party is being assigned to BMO (or its purchaser designees) under the Stalking Horse APA.

5.2 Amendment to Stalking Horse APA

1. On May 3, 2023, the Applicant and BMO entered into the APA Amendment to address certain employment related and other matters. The effects of the APA Amendment are summarized below:
 - a) certain fixed assets and equipment will be Excluded Assets;
 - b) BMO will immediately offer employment to those employees on approved leaves of absence, except for employees on long-term disability which will have a requirement to start work with BMO within 18 months of the Closing Date;
 - c) 21 employees of the Applicant will remain with the Applicant for a short period of time following Closing in order to assist the Applicant with certain necessary corporate and windup matters (the "Transitioning Employees"). The Transitioning Employees' employment with BMO will commence upon completion of the transition matters;
 - d) BMO agreed to increase the cash portion of the purchase price (subject to adjustments) from US\$160 million to US\$160,259,861.40 and
 - e) pursuant to section 12.4(b) of the Stalking Horse APA, BMO (i) designated TS Holdco, an affiliate of BMO, to acquire the Travel Services Shares, and (ii) designated Newco, an affiliate of BMO, to acquire all of the Purchased Assets other than the Travel Services Shares and to assume all of the Assumed Liabilities. Pursuant to section 12.4(b), this designation does not limit, relieve or affect the obligations of BMO to pay the Estimated Purchase Price at Closing, and/or any other obligations of BMO under this Stalking Horse APA to the extent not performed by TS Holco or Newco.
2. A copy of the APA Amendment is attached as an exhibit to the Fourth Stewart Affidavit.

5.3 Transaction Recommendation

1. The Monitor recommends that the Court issue an order approving the Transaction for the following reasons:
 - a) in the Monitor's view, the SISP was commercially reasonable and conducted in accordance with the SISP Approval Order, including the timelines it established, which allowed the opportunity for the market to be broadly canvassed and provided an opportunity for parties to perform due diligence. No Qualified Bids were received before the Bid Deadline, and accordingly, the Stalking Horse APA was deemed to be the Successful Bid in the SISP;
 - b) the Transaction provides for the greatest recovery available in the circumstances and will be more beneficial to creditors than a sale or disposition in a bankruptcy given that the Applicant has nominal tangible assets, and accordingly, its liquidation value is negligible relative to its secured obligations;

- c) the Consenting Stakeholders were consulted in the development and negotiation of the Stalking Horse APA and the SISP and have consented to the specific relief requested pursuant to the proposed AVO;
 - d) the Transaction provides a going-concern solution for the Applicant. It contemplates the continuation of the Applicant's operations and preserves employment for all of the Applicant's approximately 700 employees on terms and conditions that are substantially similar to their existing terms;
 - e) PJT, which has extensive experience in M&A transactions and deep knowledge of the Applicant, is of the view that the Transaction is the best transaction currently available to the Applicant and the consideration to be received, taken as a whole, is fair and reasonable given the facts and circumstances of the Applicant and this CCAA proceeding; and
 - f) the Monitor does not believe that further time spent marketing the Applicant's business and assets will result in a superior transaction. Moreover, the Applicant does not have the funding required to continue its business and operations, nor this CCAA proceeding, during any further marketing process.
2. The AVO also provides that, upon delivery of the Monitor's Certificate, the Applicant shall repay (or cause to be repaid) the DIP Lender (BMO) in full in respect of the obligations owing under the DIP Facility, which are secured by the DIP Lender's Charge. The AVO also provides that, upon delivery of the Monitor's Certificate, the Applicant shall pay (or cause to be paid) to PJT its Transaction Fees (approximately US\$5.8 million⁶), which are secured by the Financial Advisor Charge. Pursuant to the AVO, after the payments referenced above, both the DIP Lender's Charge and Financial Advisor Charge, as well as the Bid Protections Charge given that no amounts are payable thereunder, shall be automatically released and terminated without any further action.

5.4 Anticipated Timeline to Closing

- 1. The Outside Date in the Stalking Horse APA is June 30, 2023. The Monitor understands that the Applicant and BMO are working diligently to close the Transaction prior to that date, with a target Closing date of June 1, 2023.
- 2. At this time, the Monitor understands that obtaining the AVO and the Contract Assignment Order (and such orders becoming final) and the receipt of the remaining required Consents and Approvals are the final significant conditions precedent to the Transaction.

⁶ This amount is net of a portion of PJT's monthly work fees, which is to be credited against the Transaction Fees in accordance with its engagement letter which has been approved by this Court pursuant to the ARIO.

6.0 Releases⁷

1. The proposed AVO provides for a broad release of all claims relating to the Applicant, Travel Services, the business, operations, assets, Property and affairs of the Applicant or Travel Services, the administration and/or management of the Applicant or Travel Services, or this CCAA proceeding, or the Stalking Horse APA Agreement (and closing documents related thereto), the Support Agreement, any agreement, document, instrument, matter or transaction involving the Applicant or Travel Services arising in connection with or pursuant to any of the foregoing, and/or the consummation of the Transaction, against (a) the current and former directors, officers, employees, legal counsel, agents and advisors of the LoyaltyOne Entities (other than Joseph L. Motes III and any other person who, at any time after November 5, 2021, has also served as a director, officer, or employee of (i) Bread or (ii) any other entity that, at any time after November 5, 2021, was or is a direct or indirect subsidiary of Bread), (b) the Monitor and its legal counsel; (c) BMO (including in its capacity as DIP Lender), its affiliates and their respective current and former directors, officers, employees, legal counsel, agents and advisors; and (d) the Consenting Stakeholders and their respective current and former directors, officers, employees, legal counsel, agents and advisors (collectively, the “Released Parties”).

2. The proposed release does not release: (i) any claim that is not permitted to be released pursuant to section 5.1(2) of the CCAA, (ii) any actual fraud, gross negligence or willful misconduct on the part of any Released Parties, or (iii) any obligations of any of the Released Parties under or in connection with the Stalking Horse APA, the Support Agreement, the Closing Documents (as defined in the Stalking Horse APA), the Definitive Documents (as defined in the ARIO) and/or any matter involving the LoyaltyOne Entities arising in connection with or pursuant to any of the foregoing.

3. In the Monitor’s view:
 - a) the Released Parties have been (and will be) essential in facilitating this CCAA proceeding and the proposed Transaction, which will ultimately see the Applicant’s business continue for the benefit of its key stakeholders. Of note in this regard: (i) the efforts of the LoyaltyOne Entities’ directors and officers, who agreed to continue in their role through this CCAA proceeding, assisting with institutional knowledge of the LoyaltyOne Entities’ business and operations, have been integral in achieving the proposed Transaction; (ii) BMO, including in its role as DIP Lender, financed this CCAA proceeding, and has played a critical role in the development and structuring of the proposed Transaction that will see the Applicant’s business continue as a going concern; and (iii) the Consenting Stakeholders, who through the Support Agreement have been key in the development and structuring of virtually all relief sought in this CCAA proceeding;

⁷ The following constitutes a summary of the release provisions of the AVO. Reference should be made directly to the proposed AVO for a complete understanding of the terms of the proposed release.

- b) the release is connected to the proposed Transaction, including in that it will facilitate the closing of the Transaction and distributions to secured creditors by providing comfort to the LoyaltyOne Entities' directors and officers as it relates to the eventual discharge of the Directors' Charge;
- c) the release is appropriately tailored given the exclusions noted above, including as it relates to preserving the potential claims against the Bread Parties; and
- d) similar releases are provided pursuant to the US Plan.

7.0 Enhanced Powers of the Monitor

1. Upon closing of the Transaction, the Applicant's officers and directors will be deemed to have resigned (subject to limited exceptions). The Applicant has determined, in consultation with the Monitor and the advisors to the Credit Agreement Lenders, that given the Applicant's short-term employment of the Transitioning Employees and the fact that there are certain matters that remain to be dealt with in this CCAA proceeding following the closing of the Transaction, it is appropriate to expand the powers of the Monitor to allow the Monitor to direct the Applicant in its ongoing administration of the estate.
2. In this regard, in addition to the Monitor's powers and duties as set out in the ARIO or otherwise granted in these CCAA proceedings, the Applicant is seeking to enhance the Monitor's powers, as detailed in paragraph 5 of the proposed Ancillary Relief Order (the "Enhanced Powers"), to enable the Monitor to exercise any powers which may be properly exercised by a board of directors or any officers of the Applicant to cause the Applicant, through the Applicant's Assistants (as defined in the ARIO) (then engaged, if any) to, among other things:
 - a) take any and all actions and steps, and execute all agreements and documents, on behalf of the Applicant in order to facilitate the performance of any of the Applicant's powers or obligations, including as contemplated by the Support Agreement and the Stalking Horse APA (including with respect to any post-closing matters in respect of the Transaction);
 - b) prosecute any litigation claims now pending or instituted in the future with respect to the Applicant for the benefit of stakeholders;
 - c) facilitate the winding-down or liquidation of the Applicant and the realization of all of the Applicant's remaining assets not sold pursuant to the Transaction;
 - d) deal with certain matters pertaining to proceeding between the Applicant and His Majesty the King pending before the Tax Court of Canada; and
 - e) claim any and all insurance refunds or tax refunds to which the Applicant is entitled.

3. In the absence of any directors and officers of the Applicant, the Monitor is of the view that the items included in the Enhanced Powers are all items that the Monitor is well positioned to supervise and direct the Applicant's administration, through the Applicant's Assistants who have significant institutional knowledge, and will help to maximize cost efficiencies for the benefit of the Applicant's creditors. As such, the granting of the Enhanced Powers is reasonable and appropriate in the circumstances.
4. The Ancillary Relief Order also provides for the continued cooperation among the Applicant and the Consenting Stakeholders, notwithstanding the Closing of the Transaction, including through the continued consultation with the advisors to the Consenting Stakeholders and to pay the reasonable and documented fees and expenses of the advisors to the Consenting Stakeholders in connection with this proceeding. The Monitor believes this provision is reasonable given, *inter alia*, the substantial shortfall expected to be incurred by the Consenting Stakeholders on their advances under the Credit Facilities.
5. Similarly, the Ancillary Relief Order requires the continued cooperation of the Applicant's former employees, agents, directors, officers and others as reasonably required by the Applicant. To the extent any such parties are employees of BMO (or its purchaser designees) at the time such request is made, the Applicant has agreed that all such requests will not materially interfere with the employees' day to day duties or activities for BMO (or its purchaser designees), will not cause liability to BMO (or its purchaser designees), and will be at the Applicant's sole expense.

8.0 Cash Flow Forecast

1. The Applicant, with the assistance of A&M, has prepared the Cash Flow Forecast for the period May 8, 2023 to July 28, 2023. The Cash Flow Forecast and the Applicant's statutory report on the cash flow pursuant to Section 10(2)(b) of the CCAA is attached as Appendix "E".
2. The Cash Flow Forecast reflects that the Applicant will have sufficient liquidity until July 28, 2023.
3. Based on the Monitor's review of the Cash Flow Forecast, the cash flow assumptions appear reasonable. The Applicant has been operating in accordance with previous cash flow forecasts filed with this Court, for which the underlying assumptions are consistent with this extended Cash Flow Forecast.
4. The Cash Flow Forecast does not include an estimate for professional fees to be incurred post-closing of the Transaction. Since the Applicant's intention is to return to Court to seek approval of a distribution motion shortly following closing of the Transaction in early to mid June, 2023, a revised Cash Flow Forecast will be filed with this Court at that time, which will include a holdback for the estimated post-closing fees and costs of these proceedings. The Monitor believes this approach is reasonable given, among other things, the Applicant is projected to have sufficient liquidity to fund the costs of these proceedings until the next Court appearance.
5. The Monitor's statutory report on the Cash Flow Forecast is attached as Appendix "F".

9.0 Stay Extension

1. The stay of proceedings currently expires on May 18, 2023. The Applicant is requesting an extension of the stay of proceedings until July 14, 2023 to align with the outside date of the Transaction and the maturity date of the DIP Facility (being June 30, 2023), including a short two-week buffer to allow the Applicant the time to prepare materials and return to Court to seek other and further relief, including under the Monitor's Enhanced Powers, to cause the Applicant to seek authority to make distributions of a portion of the Transaction proceeds to the Applicant's secured creditors.
2. The Monitor supports the request for an extension of the stay of proceedings for the following reasons:
 - a) the Applicant has been acting, and continues to act, in good faith and with due diligence;
 - b) no creditor will be prejudiced by the extension being sought;
 - c) it will provide the Applicant the time required to work with BMO and their respective legal counsel to complete the Transaction;
 - d) as of the date of this Report, neither the Applicant nor the Monitor is aware of any party opposed to an extension; and
 - e) based on the Cash Flow Forecast, the Applicant is projected to have sufficient liquidity to fund its operations until July 14, 2023.

10.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make the orders granting the relief detailed in Section 1.1(1)(h) of this Report

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

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

Appendix “A”



**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.: _____

**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 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.
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 9, 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 recommendations 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 share are currently listed on the NASDAQ Capital Market under the symbol "LYLT".

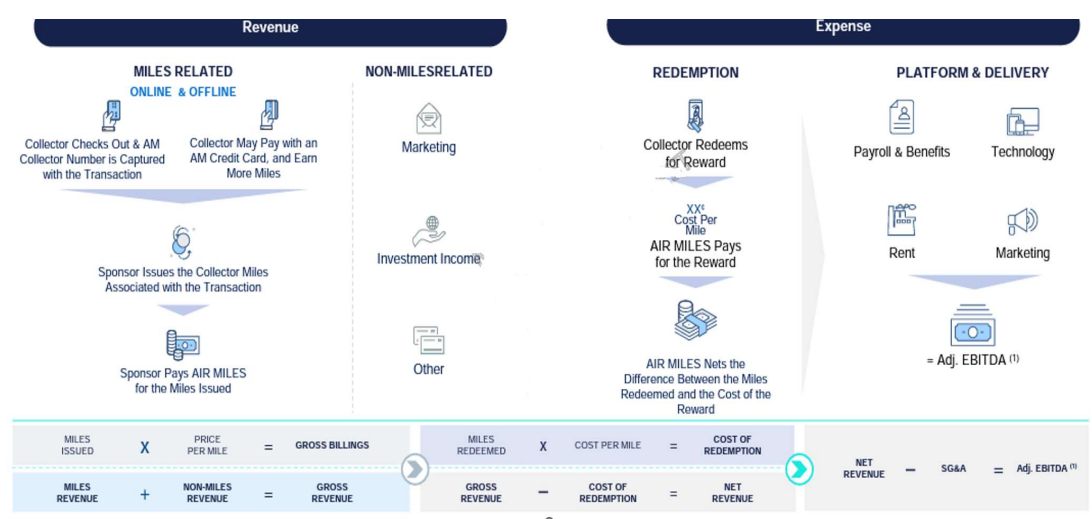
5. Prior to November 5, 2021, LVI, the Applicant, Travel Services and other subsidiaries of LVI (collectively, the “Loyalty Group”) were owned and operated by Bread Financial Holdings, Inc. (“BFH”), a US based company headquartered in Columbus, Ohio. BFH’s common shares are listed under the symbol “BFH” 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 commence litigation concerning the Spinoff Transaction and seek, among other things, damages for breach of fiduciary duty by BFH and a former director of LVI and the Applicant, and to have the US\$650 million transfer from LVI to BFH avoided as a fraudulent transfer.

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 SISF, 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.¹



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”).

¹ 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

- 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
Total Current Assets	1,047,628
Property, plant and equipment	67,507
Goodwill	246,108
Other	44,134
Total Non-current Assets	357,750
Total Assets	1,405,378
Accounts payable and accrued liabilities	48,420
Deferred revenue	1,014,155
Other current liabilities	30,919
Total Current Liabilities	1,093,495
Other liabilities	16,904
Deferred revenue – services	120,720
Long term operating lease liability	52,962
Total Non-current Liabilities	190,586
Total Liabilities	1,284,081
Equity	121,297
Total Liabilities & Equity	1,405,378

- 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.
- The following is a brief description of certain material line items on the Applicant's balance sheet:
 - 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.
 - 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. The Applicant estimates that approximately 20% of AIR MILES® reward points are never redeemed.

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 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.² 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").³ 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".

² 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) the Required Reserve Amount; (ii) the value of the Reserve Account; (iii) the amount of any deficiency or excess in the Reserve Account compared to the Required Reserve Amount; and (iv) the 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.

³ 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 – employee portion	84
Unremitted HST	5,277
Provincial sales tax	204
Total D&O Charge	10,522

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 amongst 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 Reward Supplier obligations and redemptions 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 is in the interest of 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 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) 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 “B”



**First Report of
KSV Restructuring Inc.
as CCAA Monitor of
LoyaltyOne, Co.**

March 16, 2023

Contents		Page
1.0	Introduction	1
1.1	Purposes of this Report.....	3
1.2	Restrictions	3
1.3	Currency and Definitions.....	4
2.0	Background	4
2.1	Overview.....	4
3.0	DIP Facility	5
3.1	Cash Flow Forecast	6
3.2	Intercompany DIP Loan	8
3.3	Recommendation.....	10
4.0	SISP and Stalking Horse APA	11
4.1	SISP	11
4.2	Solicitation of Interest.....	12
4.3	Qualified Bids.....	13
4.4	Auction.....	13
4.5	The Stalking Horse APA	14
4.6	Bid Protections.....	20
4.7	Considerations Regarding the Stalking Horse APA.....	21
4.8	SISP Recommendation.....	21
5.0	Support Agreement	22
6.0	Financial Advisor	23
6.1	PJT	23
6.2	Financial Advisor Agreement	23
7.0	Employee Retention Plans	24
7.1	Retention Plan	25
7.2	Key Employee Retention Plan.....	25
7.3	Employee Retention Plans Recommendation	26
8.0	Stay Extension and Related Relief	27
9.0	Court Ordered Charges	28
9.1	Proposed Charges and Priority of the Charges	28
9.2	Administration Charge Increase	29
9.3	D&O Charge Increase.....	29
10.0	Monitor's Activities since the Filing Date.....	30
11.0	Conclusion and Recommendation	31

Appendices

Appendix	Tab
Pre-Filing Report dated March 10, 2023 (without appendices)	A
Cash Flow Forecast.....	B
Intercompany DIP Term Sheet	C
DIP Comparative Analysis	D
Break Fee Comparative Analysis.....	E

ONTARIO

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

SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDEDAND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF LOYALTYONE, CO.

FIRST REPORT OF KSV RESTRUCTURING INC.

MARCH 16, 2023

1.0 Introduction¹

1. Pursuant to an order (the "Initial Order") issued by the Ontario Superior Court of Justice (Commercial List) (the "Court") on March 10, 2023 (the "Filing Date"), LoyaltyOne, Co. (the "Applicant") was granted protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), and KSV Restructuring Inc. was appointed monitor of the Applicant (in such capacity, the "Monitor"). The Initial Order also extended the CCAA stay and certain other relief to LoyaltyOne Travel Services Co./Cie Des Voyages LoyaltyOne, a non-applicant subsidiary of the Applicant ("Travel Services" and together with the Applicant, the "LoyaltyOne Entities").
2. The comeback hearing is scheduled to be heard on March 20, 2023 (the "Comeback Hearing").
3. On March 10, 2023, the Applicant's US parent, Loyalty Ventures Inc. ("LVI") and three affiliated entities commenced proceedings by filing voluntary petitions for relief under Chapter 11 of Title 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas (the "US Court") (the "US Proceedings"). The LoyaltyOne Entities are not debtors in the US Proceedings.
4. The principal purposes of this CCAA proceeding 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 of AIR MILES[®] reward miles in the normal course;

¹ All terms not defined in the Introduction section are defined in the sections that follow.

- 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 proceeding, as well as the Intercompany DIP Loan (as defined and discussed below) 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, will be used as a stalking horse in the SISP (the “Stalking Horse APA”). The purchase price under the Stalking Horse APA is US\$160 million, subject to certain potential adjustments as described herein.
5. The Applicant is seeking the following Orders at the Comeback Hearing:
- a) an Amended and Restated Initial Order (the “ARIO”), among other things:
- authorizing the Applicant to enter into a transaction support agreement dated March 10, 2023 (the “Support Agreement”) among the Consenting Stakeholders (as defined below) and LVI and certain of its direct and indirect subsidiaries, including the Applicant, and approving the Support Agreement, *nunc pro tunc*, and directing the Applicant to comply with its obligations thereunder;
 - extending the stay of proceedings from March 20, 2023 to May 18, 2023;
 - approving the US\$70 million DIP Facility to allow the Applicant to: (i) operate its business and operations in the normal course during this proceeding and fund its restructuring efforts; and (ii) fund a secured intercompany loan to LVI (the “Intercompany DIP Loan”) in the maximum aggregate amount of US\$30 million, and granting a charge in favour of the DIP Lender in the maximum amount of US\$70 million (plus accrued and unpaid interest, fees and expenses) to secure the obligations under the DIP Facility (the “DIP Lender’s Charge”);
 - approving the Employee Retention Plans (as defined below) and granting a charge on the Applicant’s current and future assets, property and undertaking (collectively, the “Property”) for the benefit of the participants of the Employee Retention Plans (the “Employee Retention Plans Charge”) in the maximum aggregate amount of \$5.35 million;
 - approving an agreement dated July 11, 2022, among the Applicant, LVI, Akin Gump Strauss Hauer & Feld LLP, counsel to LVI and the Applicant, and PJT Partners LP (“PJT”) (the “Financial Advisor Agreement”) and granting a charge on the Property in favour of PJT in the maximum amount of US\$6 million to secure PJT’s Success Fee (as defined below) in connection with the completion of a successful restructuring or sale transaction, as contemplated therein (the “Financial Advisor Charge”);
 - increasing the maximum charge on the Property in favour of the Administration Professionals (as defined below) from \$2 million to \$3 million (the “Administration Charge”); and

- increasing the maximum amount of the charge on the Property in favour of the LoyaltyOne Entities' directors and officers to secure the Applicant's indemnity obligations in the ARIO (the "D&O Charge") from \$10.521 million to \$15.409 million; and
- b) a SISP Approval Order, among other things:
- approving the SISP, to be conducted by the Applicant, with the assistance of PJT and under the oversight of the Monitor; and
 - authorizing and empowering the Applicant to enter into the Stalking Horse APA, *nunc pro tunc*, approving a break fee and expense reimbursement in favour of BMO (together, the "Bid Protections") and granting a charge on the Property in favour of BMO in the amount of US\$4 million as security for payment of the Bid Protections (the "Bid Protections Charge").

1.1 Purposes of this Report

1. The purposes of this report (the "First Report") are to:
 - a) summarize the relief sought by the Applicant at the Comeback Hearing;
 - b) provide the Court with an update on the Monitor's activities since the granting of the Initial Order; and
 - c) provide the Monitor's recommendations regarding the relief sought by the Applicant at the Comeback Hearing.
2. In considering the relief sought by the Applicant at the Comeback Hearing, the Monitor is cognizant of the significant shortfall projected to be incurred by the principal economic stakeholders in this proceeding, being the Credit Agreement Lenders, who are owed approximately US\$656 million of principal funded debt, plus additional amounts in respect of outstanding letters of credit, which is guaranteed by the Applicant on a senior secured basis. Pursuant to and subject to the terms of the Support Agreement, the requisite majority of Credit Agreement Lenders have consented to all of the substantive relief sought at the Comeback Hearing, including approval of the SISP, the Stalking Horse APA (including the Bid Protections), the DIP Facility, the Intercompany DIP Loan, the Employee Retention Plans and the various related Charges ranking in priority to the security granted by the Applicant in favour of the Credit Agreement Lenders.

1.2 Restrictions

1. In preparing this First Report, the Monitor has relied upon the Applicant's audited and unaudited financial information, books and records and discussions with the Applicant's legal counsel, Cassels, Brock & Blackwell LLP ("Cassels") and Alvarez & Marsal Inc. ("A&M"), the Applicant's restructuring advisor.

2. The Monitor has not audited or otherwise attempted to verify the accuracy or completeness of the financial information relied on to prepare this First Report in a manner that complies with Canadian Auditing Standards (“CAS”) pursuant to the Chartered Professional Accountants of Canada Handbook and, accordingly, the Monitor 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 Applicant’s cash flow forecast from March 10, 2023 to June 9, 2023 (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 First 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. The Monitor expresses no opinion or other form of assurance on whether the Cash Flow Forecast will be achieved.

1.3 Currency and Definitions

1. Unless otherwise noted, all currency references in this First Report are in Canadian dollars.
2. Capitalized terms used herein and not otherwise defined have the meaning given to them in the Monitor’s Pre-Filing Report dated March 10, 2023 (the “Pre-Filing Report”). A copy of the Pre-Filing Report (without appendices) is attached as Appendix “A”.

2.0 Background

2.1 Overview

1. The LoyaltyOne Entities operate the marketing program known as the AIR MILES® Reward Program (the “AIR MILES® Reward Program” or “AIR MILES®”).
2. The Affidavit of Shawn Stewart, President of the Applicant, sworn March 10, 2023 in support of the CCAA application (the “First Stewart Affidavit”), and the Pre-Filing Report both provide background information with respect to the Applicant’s business and operations, including the reasons for the commencement of this CCAA proceeding. Accordingly, that information is not repeated in this First Report.
3. Court materials filed in this proceeding, including the First Stewart Affidavit and the Pre-Filing Report, are available on the Monitor’s website at the following link: <https://www.ksvadvisory.com/experience/case/loyaltyone>.

3.0 DIP Facility²

1. The Applicant is seeking approval of the DIP Facility to fund its business and operations during this CCAA proceeding as well as the Intercompany DIP Loan. The key terms of the DIP Facility are summarized below. A copy of the term sheet for the DIP Facility was provided as Exhibit “P” to the First Stewart Affidavit.
 - a) **Borrower**: The Applicant (in such capacity, the “Borrower”).
 - b) **DIP Lender**: BMO.
 - c) **Maximum Facility Amount**: US\$70 million.
 - d) **Interest Rate**: Currently 14.25%, being the Base Rate (currently 8.25%) plus 6%. All interest owing under the DIP Facility will be capitalized. The Base Rate is the greater of (a) the base rate of interest (however designated) of the DIP Lender for determining interest chargeable by it on United States Dollar commercial loans in Canada and (b) the sum of (i) the Federal Funds Effective Rate and (ii) 1.00% per annum. Upon the occurrence and during the continuance of an Event of Default, the Interest Rate shall be increased by an additional 2%.
 - e) **Fees**:
 - i. Upfront Fee: 2% of the Maximum Amount, being US\$1.4 million.
 - ii. Standby Fee: 1.25% per annum on the daily unadvanced portion of the DIP Facility.
 - iii. All fees will be capitalized and added to the principal amount.
 - f) **Repayment**: The DIP Facility shall be repaid in full on the earlier to occur of:
 - i. the occurrence of any Event of Default that is continuing and not cured or waived by the DIP Lender, and where the DIP Lender has notified the Borrower in writing that the DIP obligations have been accelerated;
 - ii. the closing of one or more sale transactions for all or substantially all of the assets of the Borrower approved by an order of the Court, including in connection with the SISP;
 - iii. the Stalking Horse APA is the successful bid in the SISP but is unable to be completed and closed due to the failure of any condition precedent to be satisfied by the closing date specified therein, which condition precedent has not been waived by the Applicant and/or the DIP Lender, as applicable; and

² Capitalized terms used in this section and not otherwise defined have the meanings ascribed to them in the DIP Facility. The following constitutes a summary of the key terms of the DIP Facility only. Reference should be made directly to the DIP Facility for all of its terms and conditions.

- iv. June 30, 2023 (the earlier to occur of such dates in clauses i.-iv. Inclusive being the Maturity Date).
- g) **Intercompany DIP Loan**: In accordance with the Cash Flow Forecast, and as further discussed below, the Borrower is permitted to make an Intercompany DIP Loan to LVI to a maximum of US\$30 million, subject to the satisfaction of specified conditions, including the Intercompany DIP Loan being approved by order of the US Court in the US Proceedings and given a first priority priming lien over all present and after-acquired property, assets and undertakings of LVI (subject to certain limited exceptions) and super-priority administrative expense status.
- h) **Security**: All obligations of the Applicant under the DIP Facility shall be secured by the DIP Lender's Charge.
- i) **DIP Budget**: Advances under the DIP Facility shall be used by the Applicant in accordance with the Cash Flow Forecast subject to the Permitted Variance, being a negative variance of not more than 15% of the aggregate disbursements in the Cash Flow Forecast on a cumulative basis, subject to certain specified exclusions, including for certain professional costs associated with the administration of the CCAA proceeding and any amounts required to be paid by the Applicant into the Reserve Account.
- j) **Conditions Precedent to Advances**: Conditions precedent to the initial DIP Facility advance include: (a) the granting of the ARIO by March 20, 2023; (b) commensurate with the ARIO, approval of the SISP and the granting of the SISP Order; and (c) there being no material adverse change in the financial condition or operation of the Applicant or otherwise affecting the Applicant after the date of the issue of the ARIO, excluding certain specified matters. Conditions precedent to subsequent DIP Facility advances include: (x) there being no material adverse change in the financial condition or operation of the Applicant or otherwise affecting the Applicant after the date of the issue of the ARIO, excluding certain specified matters; and (y) the Borrower shall at all times have diligently and in good faith implemented and conducted the SISP in accordance with the SISP Approval Order.

3.1 Cash Flow Forecast

1. A copy of the Cash Flow Forecast prepared by the Applicant, with the assistance of A&M, and reviewed and discussed with the Monitor, is attached as Appendix "B". This is the same Cash Flow Forecast that was appended to the Pre-Filing Report, and covers the 13-week period from March 10, 2023 to June 9, 2023. The Cash Flow Forecast contemplates that the Applicant is able to fund its business with its cash on deposit until the Comeback Hearing, following which it would require funding under the DIP Facility to continue to operate in the normal course.

2. A summary of the Cash Flow Forecast³ is provided below.

(unaudited; US\$000s)	Note	Mar 10 - Mar 20, 2023	Mar 21 - Jun 9, 2023	Total
Receipts	A	2,430	88,969	91,399
Disbursements				
Reserve Account Funding	B	-	(62,066)	(62,066)
Operating Disbursements	C	(3,841)	(39,388)	(43,229)
Intercompany Transfers (to LVI)	D	-	(25,100)	(25,100)
Professional Fees	E	-	(23,525)	(23,525)
Non-Operating Disbursements	F	(250)	(9,850)	(10,100)
Withholding Tax	G	-	(3,690)	(3,690)
Subtotal		(4,091)	(163,619)	(167,710)
Net Cash Flow		(1,662)	(74,650)	(76,311)
Opening Cash Balance		15,390	13,728	15,390
Net Cash Flow		(1,662)	(74,650)	(76,311)
DIP Proceeds		--	62,000	62,000
Ending Cash Balance		13,728	1,079	1,079

3. The Monitor notes the following regarding the Cash Flow Forecast:

- A. *Receipts*: primarily driven by the issuance of reward miles from Partners to Collectors. Typically, Partners pay a fee to the Applicant on a per mile basis on reward miles issued.
- B. *Reserve Account Funding*: reflects funds transferred on a monthly basis to the Reserve Account to cover reward redemptions by Collectors.
- C. *Operating disbursements*: includes payroll, client services spend, data and technology expenses, collector experience and marketing services, commodity tax and other taxes payable, general corporate expenditures and capital expenditures.
- D. *Intercompany Transfers (to LVI)*: includes a US\$24.6 million Intercompany DIP Loan described in Section 3.2 below and a US\$500,000 payment in the normal course for the Intercompany Services provided to the Applicant by LVI (a portion of which will now be remitted directly to BFH (as defined below)).
- E. *Professional Fees*: includes Applicant, Monitor and Consenting Stakeholder professional fees, including both Canadian and certain US professionals.
- F. *Non-Operating Disbursements*: includes employee retention programs and independent director fees.

³ The notes to the Cash Flow Forecast provide the underlying assumptions, including a description of each line item.

- G. *Withholding Tax*: the Monitor understands that the Applicant must pay a 15% withholding tax on all amounts advanced to LVI.
- H. *DIP Proceeds*: the peak funding requirement over the projection period is US\$70 million. During the week ended June 9, 2023, there is projected to be a repayment of US\$8 million, which results in an ending principal balance owing under the DIP Facility of US\$62 million.

3.2 Intercompany DIP Loan

1. LVI provides certain key corporate and back-office support functions, infrastructure and services for the AIR MILES[®] 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 therefore relies on LVI’s services to operate the AIR MILES[®] business in the normal course.
2. According to the First 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.
3. The Monitor has been advised by A&M that LVI has limited liquidity and does not generate any revenue. In the absence of LVI obtaining additional funding, there is a risk that the Intercompany Services required by the Applicant will be disrupted and/or discontinued. According to the First Stewart Affidavit, any disruption to the provision of the Intercompany Services would impair the Applicant’s ability to operate the AIR MILES[®] business and/or to complete a going-concern sale under the SISF.
4. Accordingly, the Applicant has negotiated the ability to on-lend a portion of the DIP Facility to LVI by way of the Intercompany DIP Loan, to a maximum of US\$30 million, so that LVI can: (a) continue to provide the Intercompany Services for the benefit of the AIR MILES[®] business; and (b) fund its US Proceedings. The US Proceedings benefit the Applicant because a Chapter 11 stay will prevent stakeholders in the US from interfering with LVI’s ability to provide the Intercompany Services to the Applicant. Further, the US Proceedings provide another potential recovery for the Credit Agreement Lenders through the establishment of a liquidating trust expected to pursue claims against LVI’s former parent, Bread Financial Holdings, Inc. (“BFH”), and other parties.
5. A breakdown of the projected uses of the Intercompany DIP Loan by LVI is as follows:

Intercompany DIP Loan – Projected Uses	US\$000s
Professional fees	10,300
Liquidating Trust and Winddown costs	5,800
Unsecured claim cure costs	5,600
Operational expenses	1,400
Retention plans	800
Contingency	700
Total	24,600

6. The Intercompany DIP Loan will be governed by a Senior Secured Superpriority Debtor in Possession Credit Facility Term Sheet to be entered into among the Applicant, as lender, and LVI, as borrower, and the other debtors in the US Proceedings, as guarantors (collectively, the “Intercompany DIP Guarantors”) (the “Intercompany DIP Term Sheet”). An unexecuted copy of the expected final form of Intercompany DIP Term Sheet is attached as Appendix “C”. Certain key terms of the Intercompany DIP Term Sheet are summarized below. The following constitutes a summary of certain key terms of the Intercompany DIP Term Sheet only. Reference should be made directly to the Intercompany DIP Term Sheet for a complete understanding of its terms and conditions.
- a) **Borrower**: LVI.
 - b) **Lender**: The Applicant.
 - c) **Maximum Loan Amount**: US\$30 million, of which up to US\$15 million may be funded upon satisfaction of certain conditions precedent to interim funding (including, without limitation, the entry of an interim order in the US Proceedings granting interim approval to the Intercompany DIP Loan and the Court approving the DIP Facility which authorizes the Applicant to advance the interim Intercompany DIP Loan) and up to the remaining amount upon satisfaction of certain conditions precedent to full funding (including, without limitation, the entry of a final order in the US Proceedings granting final approval of the Intercompany DIP Loan and the Court approving the DIP Facility which authorizes the Applicant to advance the final Intercompany DIP Loan). In each case, availability under the Intercompany DIP Loan is limited to the amount set out in the Cash Flow Forecast applicable for the relevant period.
 - d) **Interest Rate**: Currently 14.25%, being the Base Rate (which is defined in the Intercompany DIP Term Sheet in the same manner as in the DIP Facility) plus 6%. Interest is to be paid in cash on termination of the Intercompany DIP Loan along with all other obligations owing thereunder. At all times automatically following the occurrence and during the continuance of an event of default under the Intercompany DIP Term Sheet, the interest rate increases by an additional 2%.
 - e) **Repayment**: The Intercompany DIP Loan shall be repaid in full and terminate on the earlier to occur of:
 - i. any event of default under the Intercompany DIP Term Sheet that is continuing, has not been cured or waived by the Applicant, and where the Applicant has notified LVI in writing that the obligations under the Intercompany DIP Term Sheet are accelerated; and

- ii. five business days after the trust established pursuant to the Combined Disclosure Statement and Plan (as defined in the Support Agreement) confirmed pursuant to the Confirmation Order (as defined in the Support Agreement) has recovered net proceeds sufficient to satisfy the obligations under the DIP Term Sheet in full (the “Intercompany DIP Loan Maturity Date”), unless otherwise agreed by LVI, the Applicant (after consultation with the Monitor), the Consenting Lenders (as defined therein) and, to the extent loans under the DIP Facility are outstanding at such time, BMO, in each case, acting reasonably. The Intercompany DIP Loan Maturity Date may be extended at the request of LVI and with the consent of the Applicant for such period and on such terms and conditions as LVI and the Applicant may agree.
 - f) **Security:** All Intercompany DIP Loans and other liabilities and obligations owed to the Applicant in respect thereof are to be secured by a fully perfected first-priming lien granted by the US Court in the US Proceedings on all present and after-acquired assets of LVI and the Intercompany DIP Guarantors, including any commercial tort claims and proceeds thereof (referred to in the Intercompany DIP Term Sheet as the “DIP Liens”), subject to certain permitted exceptions. The DIP Liens shall rank in priority to the security granted by LVI and the Intercompany DIP Guarantors to the Credit Agreement Lenders.
 - g) **Fees:** There are no fees payable under the Intercompany DIP Term Sheet.
7. The Monitor understands that the Intercompany DIP Loan is for a maximum amount of up to US\$30 million to provide flexibility in case additional draws are required beyond the amount contemplated in the Cash Flow Forecast, as shown above.

3.3 Recommendation

- 1. The Monitor believes that the terms of the DIP Facility are reasonable in the circumstances. When reviewing the reasonableness of the DIP Facility and the DIP Lender’s Charge, the Monitor considered the factors set out in Section 11.2 of the CCAA and notes the following:
 - a) the Applicant has a critical and immediate need for interim financing. Without access to the DIP Facility, the Applicant will be unable to maintain its operations and advance this restructuring proceeding, including the SISP. The DIP Facility will allow the Applicant to fund payroll and other critical obligations, including payments required to be made into the Reserve Account and to fund the Intercompany DIP Loan, which payments are immediately required in order for the Applicant to be able to continue to operate in the normal course;
 - b) the Consenting Stakeholders have been consulted throughout the negotiation of the DIP Facility, including the use of a portion of the DIP Facility advances to fund the Intercompany DIP Loan;

- c) the Monitor believes the Applicant's creditors will benefit from approval of the DIP Facility as it will allow the business to continue to operate, which will enhance value versus the alternative, which is a discontinuation of operations and the potential liquidation of the Applicant's assets. Further, the DIP Facility will fund the SISP pursuant to which the Applicant will attempt to identify a superior transaction to the Stalking Horse APA that provides greater value for stakeholders;
- d) the Applicant is seeking a DIP Lender's Charge to secure advances under the DIP Facility in the maximum amount of US\$70 million (plus accrued and unpaid interest, fees and expenses). The granting and proposed priority of the DIP Lender's Charge is a condition precedent to advances under the DIP Facility. The DIP Lender's Charge will not prime the Reserve Security; and
- e) the Monitor compared the financial terms of the DIP Facility to other DIP facilities approved by Canadian courts in CCAA proceedings commenced between 2020 to 2023. The comparison is attached as Appendix "D". Based on this review, the cost of the proposed DIP Facility is within the range of similar facilities approved by the Court and other Canadian courts in CCAA proceedings, especially considering the recent significant increase in interest rates. The Monitor notes that the Applicant does not have significant tangible assets to support the amounts drawn under the DIP Facility, which it believes is also a relevant factor in considering the financial terms of the DIP Facility.

4.0 SISP and Stalking Horse APA⁴

4.1 SISP

1. The purpose of the SISP is to market the Applicant's business and assets for sale. The SISP is anchored by the Stalking Horse APA, which provides certainty to the Applicant and its stakeholders of a going-concern transaction, while also enabling the Applicant, with the assistance of PJT and under the oversight of the Monitor, to test the market and pursue the possibility of a superior transaction.
2. Subject to Court approval, the Applicant, with the assistance of PJT and under the supervision of the Monitor, will carry out the SISP.
3. The proposed SISP was developed by the Applicant in consultation with PJT, the Monitor, BMO (in its capacity as the Stalking Horse Purchaser) and the Consenting Stakeholders.
4. The key aspects of the proposed SISP are summarized below; however, interested parties are strongly encouraged to review the full terms of the SISP attached as Schedule "A" to the proposed SISP Approval Order.

⁴ Capitalized terms in this section have the meaning provided to them in the SISP or the Stalking Horse APA unless otherwise defined herein.

5. A summary of the SISP timeline is as follows:

Milestone	Deadline ⁵
Court approval of SISP to be sought	March 20, 2023
Latest date for Applicant to commence solicitation process	March 23, 2023
Qualified Bid Deadline	April 27, 2023
Notification to Qualified Bidder of Auction (if any)	May 1, 2023
Auction (if any)	May 4, 2023
Approval and Vesting Order hearing (no auction required) ⁶	May 15, 2023
Approval and Vesting Order hearing (auction required)	May 18, 2023
Outside Date for Closing of Successful Bid	June 30, 2023 ⁷

4.2 Solicitation of Interest

1. The Applicant and PJT, under the oversight of the Monitor, will prepare marketing materials and solicit interest from parties potentially interested in pursuing a transaction (each, a “Potential Bidder”).
2. In particular, the Applicant and PJT will, under the oversight of the Monitor:
 - a) prepare and disseminate marketing materials and a process letter to Potential Bidders identified by the Applicant and PJT, including a form of non-disclosure agreement (an “NDA”), by no later than March 23, 2023;
 - b) provide access to a data room containing diligence information to Potential Bidders. It is proposed that Potential Bidders will be required to execute the NDA in order to obtain access to the data room, and in addition, must also agree to the additional measures that are required by the Applicant to protect competitively sensitive information in the same manner as agreed to by BMO; and
 - c) request that such parties submit a binding offer meeting at least the requirements for a Qualified Bid (as described below) by April 27, 2023, being the Qualified Bid Deadline.
3. A Potential Bidder that wishes to make a bid must deliver a written copy of its bid and other materials required by the SISP by no later than 5:00 p.m. (Eastern Time) on April 27, 2023. The Qualified Bid Deadline may be extended by: (i) the Applicant for up to no longer than seven days with the consent of the Monitor, or (ii) further order of the Court.

⁵ To the extent any dates would fall on a non-business day, they shall be deemed to be the first business day thereafter.

⁶ The Court dates are subject to Court availability.

⁷ Such date shall be extended up to 90 days where regulatory approvals are the only material remaining conditions to closing.

4.3 Qualified Bids

1. To be a “Qualified Bid”, a bid must, among other things, meet the following requirements:
 - a) provide aggregate consideration, payable in full on closing, in an amount of at least US\$165 million, being (i) the purchase price payable under the Stalking Horse APA (US\$160 million), plus (ii) the Bid Protections under the Stalking Horse APA (US\$4 million) and (iii) a US\$1 million minimum bid increment (collectively, the “Consideration Value”);
 - b) include an assumption of all obligations of the Applicant (i) to Collectors, and (ii) pursuant to the terms of the Redemption Reserve Agreement and related security;
 - c) provide for cash consideration sufficient to pay: (i) all outstanding obligations under the DIP Facility; (ii) any obligations in priority to amounts owing under the DIP Facility, including the Charges; (iii) US\$5 million to fund a wind-up of the Applicant’s CCAA proceeding and any further proceedings or wind-up costs; and (iv) an amount of US\$4 million to satisfy the Bid Protections;
 - d) provide for a closing date of not later than June 30, 2023, provided that such date may be extended by up to 90 days where regulatory approvals are the only material remaining conditions to closing, being the “Outside Date”;
 - e) include:
 - i. duly executed and binding transaction documents, including a redline of the submitted transaction document against the Stalking Horse APA;
 - ii. the legal name and identity (including jurisdiction of existence) and contact information of the bidder, full disclosure of its direct and indirect principals, and the name(s) of its controlling equityholder(s); and
 - iii. disclosure of any connections or agreements with the LoyaltyOne Entities or their affiliates;
 - f) be accompanied by a cash deposit equal to at least 10% of the Consideration Value provided for in the bid, which Deposit shall be retained by the Monitor in an interest-bearing trust account in accordance with the terms thereof; and
 - g) provide that the bid will serve as a Back-Up Bid if it is not selected as the Successful Bid and if selected as the Back-Up Bid, it will remain irrevocable until the earlier of (i) closing of the Successful Bid or (ii) closing of the Back-Up Bid.

4.4 Auction

1. If no Qualified Bids are submitted by the Qualified Bid Deadline, the Stalking Horse Purchaser will be the Successful Bidder.

2. If one or more Qualified Bids are received by the Qualified Bid Deadline, the Applicant will proceed with an auction process (the "Auction") in accordance with the SISP, including as follows:
 - a) bidding at the Auction shall be conducted in rounds. The Qualified Bid that represents the highest or otherwise best Qualified Bid as determined by the Applicant, in consultation with the Monitor, shall constitute the "Initial Bid" for the first round, and any bid made at the Auction by a Qualified Party subsequent to the Applicant's announcement of the Initial Bid (each, an "Overbid"), must be made in minimum cash purchase price increments of US\$1 million above the Initial Bid;
 - b) the Auction shall continue in one or more rounds and will conclude after each participating Qualified Party has had the opportunity to submit an Overbid with full knowledge and confirmation of the then-existing highest or otherwise best bid and no Qualified Party submits an Overbid; and
 - c) during the Auction, the Applicant, in consultation with the Monitor, will review each subsequent Qualified Bid, considering the factors for a Qualified Bid as set out in the SISP, and identify the highest or otherwise best bid received at the Auction as the "Successful Bid".

4.5 The Stalking Horse APA

1. The Stalking Horse APA contemplates a transaction whereby BMO, if selected as the Successful Bidder in the SISP, will purchase all or substantially all of the operating assets of the Applicant, including the shares of Travel Services, and assume certain liabilities in connection with the AIR MILES® business.
2. The following constitutes a summary description of the Stalking Horse APA only. Reference should be made directly to the Stalking Horse APA for all of its terms and conditions. A copy of the Stalking Horse APA was attached as Exhibit "O" to the First Stewart Affidavit.
3. The key terms and conditions of the Stalking Horse APA are provided below.
 - **Purchased Assets:** Substantially all of the Applicant's right, title and interest in the Applicant's business and assets, including all of the issued and outstanding shares in the capital of Travel Services.
 - **Purchase Price:** The Purchase Price is comprised of:
 - a) a cash payment of US\$160 million, less the Purchase Price Adjustments (as defined below) (the "Cash Purchase Amount"); and
 - b) the amount of the Assumed Liabilities as of the Closing Time.

BMO shall pay any applicable Transfer Taxes in addition to the Estimated Purchase Price.

- **Purchase Price Adjustments:** Comprised of:
 - a) the Final Reserve Deficiency, being the amount, if any, required to fund any Reserve Deficiency in the Reserve Fund (i.e. the Reserve Account) on Closing;
 - b) the Final Trade Creditor Amount, being the Trade Creditor Amount, if any, on Closing. The Trade Creditor Amount represents non-contract-based trade creditor liabilities incurred after the Filing Date and on or prior to the Closing Date that are contemplated to be paid prior to the Closing Date under the Cash Flow Forecast, but that are not paid and such non-payment is not in the Ordinary Course; and
 - c) the Final Cure Cap Adjustment, being a reduction for any Cure Costs in excess of US\$10 million (collectively, (a) to (c) are referred to herein as the “Purchase Price Adjustments”). The Monitor has been provided with documentation from the Applicant’s books and records which supports US\$10 million as an estimate for Cure Costs. Based on this information, the estimate appears reasonable; however, the actual amount of Cure Costs payable on Closing will ultimately depend on which contracts are assumed by the Stalking Horse Purchaser.

At present, the Purchase Price Adjustments, if any, cannot be accurately estimated because they in large part will arise from developments occurring after the Filing Date and prior to the Closing. The Monitor will work with the Applicant to quantify the estimated Purchase Price Adjustments and report to the Court on same in connection with the Applicant’s motion for approval of the Stalking Horse APA or any other successful bid.

- **Delivery of Estimate:** As it will not be possible to determine the Cash Purchase Amount as at the Closing Date, the Applicant shall deliver to BMO a certificate detailing its good faith estimate of the Estimated Cash Purchase Amount, including the estimated Purchase Price Adjustments.
- **Payment of Estimated Cash Purchase Price:** BMO shall satisfy the Estimated Cash Purchase Amount at Closing by paying in cash:
 - a) US\$10 million (the Adjustment Escrow Amount) into an escrow account maintained by the Monitor, to be held pending the calculation of the Final Cash Purchase Price as security for the Settlement Payment; and
 - b) the balance of the Estimated Cash Purchase Amount to the Applicant.⁸

⁸ The form of Approval and Vesting Order contemplates the Applicant directing BMO to pay obligations outstanding under the DIP Facility directly to the DIP Lender at Closing.

- **Closing Statement and the Monitor's Dispute Resolution Role:** Section 3.4 of the Stalking Horse APA sets out the terms and procedures for preparing and delivering the final Closing Statement, in order to determine, among other things, the Purchase Price Adjustments and the resulting Final Cash Purchase Amount, including:
 - a) **Delivery:** Within 90 days of Closing, the Applicant will provide a Draft Closing Statement to BMO and the Monitor, setting out its calculations of the Purchase Price Adjustments and the resulting Settlement Payment;
 - b) **Objection Period:** Within 30 days following delivery of the Draft Closing Statement, BMO shall notify the Applicant and Monitor of any objections to the Draft Closing Statement by sending a Notice of Objection stating the basis of the objection(s);
 - c) **Settlement of Dispute:** BMO and the Applicant shall work to resolve any objections within 20 days, failing which any Disputed Items may be submitted by either of the parties to the Monitor for determination as an expert (and not as an arbitrator). Unless arbitration is commenced in accordance with Section 3.4(e) of the Stalking Horse APA, the determination of the Monitor shall be final and binding on BMO and the Applicant;
 - d) **Arbitration:** In the event that: (i) the Monitor's determination of the Settlement Payment is greater than 10% (in either direction) of BMO's calculation of the Settlement Payment; and (ii) the Applicant, BMO or both dispute the Monitor's position, the disputing party shall send the other party a Notice of Arbitration within five (5) days of the Monitor's delivery of its position, following which the dispute shall be finally resolved in accordance with the arbitration provisions contained within Section 3.4(e) of the Stalking Horse APA; and
 - e) **Escrow Release:** On the Settlement Date, BMO and the Applicant shall provide a joint notice and direction to the Monitor, pursuant to the Stalking Horse APA and the Escrow Agreement, for the release of the Adjustment Escrow Amount (US\$ 10 million) consistent with the final determination of the Cash Purchase Amount.
- **Reserve Fund:** If the Value of the Reserve Fund as of the Closing Date is greater than the Final Value of the Reserve Fund, the excess shall be removed from the Reserve Fund and paid to the Applicant or, as designated by the Applicant, the administrative agent under the Credit Agreement.
- **Excluded Assets:** Include, among other things:
 - a) assets, if any, that (i) are located exclusively outside of Canada, and (ii) do not relate to the Business;
 - b) the Applicant's Claims against BFH and its affiliates and their respective present and former directors and officers;

- c) Excluded Contracts, which list may be amended prior to closing and currently consists of, among other things, intercompany contracts and the Credit Agreement;
 - d) cash advanced pursuant to the DIP Facility;
 - e) cash paid in satisfaction of the Purchase Price;
 - f) Excluded Cash, being cash in the amount of US\$2 million;
 - g) Tax Attributes, including as relates to the Tax Dispute between the Applicant and CRA; and
 - h) certain intellectual property.
- **Assumed Liabilities:** Include:
 - a) all liabilities and obligations arising under the Assumed Contracts from and after the Closing Date, including all Cure Costs;
 - b) all liabilities and obligations arising from and after the Closing Date pursuant to or in respect of Permits and Licenses;
 - c) all of the Applicant's present and future liabilities and obligations under the Redemption Reserve Agreement and the Reserve Security;
 - d) all trade obligations payable or accrued (including, for certainty, customer credit balances and open purchase orders) of the Business from and after the Closing Date;
 - e) the BMO LCs;
 - f) all liabilities and obligations of the Applicant to any Collector in respect of the AIR MILES[®] Reward Program; and
 - g) all liabilities and obligations to Assumed Employees, as described in more detail in Section 8.10 of the Stalking Horse APA;
 - **Excluded Liabilities:** All liabilities, other than the Assumed Liabilities, and specifically including:
 - a) all intercompany obligations, except those between the Applicant and Travel Services;
 - b) all obligations under the Credit Agreement and related guarantees;
 - c) all obligations relating to any Excluded Assets and Excluded Contracts;
 - d) all obligations under the Employee Retention Plans;
 - e) all obligations relating to those Employees whose employment is not assumed by BMO pursuant to the terms of the Stalking Horse APA;
 - f) all obligations relating to the Applicant's employee benefit plans;

- g) all liabilities for Taxes of the Applicant;
 - h) all professional and administrative costs in connection with the Transaction and the CCAA Proceeding;
 - i) Excluded Claims; and
 - j) all claims of the Applicant or any of its affiliates that are unrelated to the Purchased Assets or the Assumed Liabilities.
- **Employee Matters:** BMO will offer employment to all Employees of the Applicant located in Canada on the terms and conditions described in the Stalking Horse APA, including compensation terms substantially similar, in the aggregate, as those existing with the Applicant immediately prior to Closing for a period of one year following the Closing.
 - **Representations and Warranties:** The Applicant has provided various representations and warranties to BMO, including in respect of: organizational matters; authorization and enforceability; the Reserve Fund; consents; its financial statements and other financial matters; material contracts, customers and suppliers; and, various matters pertaining to the Business and Travel Services. None of these representations and warranties survive Closing and the Purchased Assets shall be sold and delivered to BMO on an “as is, where is” basis.
 - **Outside Date:** June 30, 2023; provided that if the Closing Date has not occurred by such date solely as a result of the failure to obtain Competition Act Approval, then either party may elect to extend the Outside Date up to two times by 45 day increments for a maximum of 90 days.
 - **Conditions to Closing:** Include, among other things:
 - a) **Mutual Conditions:**
 - i. the ARIO, SISP Approval Order and Approval and Vesting Order shall have been obtained and shall be Final; and
 - ii. the Competition Act Approval shall have been obtained. The Stalking Horse APA contemplates that BMO shall, as soon as reasonably practicable, and in any event by March 23, 2023, submit a request to the Commissioner for an Advance Ruling Certificate or, in the alternative, a No Action Letter;
 - b) **Buyer Conditions:**
 - i. the SISP shall have been conducted in accordance with its terms and the terms of the SISP Approval Order;
 - ii. the Approval and Vesting Order shall have been obtained by no later than May 31, 2023, or such later date as BMO may agree to in writing, and shall be Final;

- iii. the Fundamental Representations (Seller) shall be correct in all but *de minimis* respects on the Closing Date; certain representations and warranties pertaining to consents and Material Contracts shall be true and correct in all material respects on the Closing Date; and, except as would not have or would not reasonably be expected to have a Material Adverse Effect, either individually or in the aggregate, all other representations and warranties of the Applicant shall be true and correct as of the date of the Stalking Horse APA and the Closing;
 - iv. from the date of the Stalking Horse APA, there shall not have occurred any Material Adverse Change;
 - v. BMO shall have received Consents and Approvals in respect of Contracts with Material Customers, Material Suppliers (including the WestJet Contract) and any Permits and Licenses from a Governmental Authority; and
 - vi. BMO shall have obtained any consents that are necessary, as determined in its sole discretion, acting reasonably, to effect the Reserve Agreement Assignment and Assumption;
- c) Seller Conditions
 - i. all the Fundamental Representations (Buyer) shall be correct in all but *de minimis* respects on the Closing Date; and, except as would not have or would not reasonably be expected to have a Material Adverse Effect, either individually or in the aggregate, all other representations and warranties of BMO shall be true and correct in all material respects as of the date of the Stalking Horse APA and the Closing;
 - ii. the Approval and Vesting Order shall have been obtained by no later than May 31, 2023, or such later date as the Applicant may agree to in writing, and shall be Final; and
 - iii. all amounts due and payable by BMO under the BMO Sponsorship Agreement as of the Closing Date shall have been paid in accordance with the terms of the BMO Sponsorship Agreement.
- Termination: the Stalking Horse APA can be terminated by BMO and/or the Applicant:
 - a) if Closing has not taken place by the Outside Date (as described above);
 - b) if the Stalking Horse APA is not selected as the Successful Bid (as determined pursuant to the SISF) or if the Court otherwise approves a transaction other than the Stalking Horse APA, subject to certain restrictions;
 - c) if the Court, or any other court or Governmental Authority (including the Competition Bureau) takes action to restrain, enjoin or otherwise prohibit the transactions contemplated by the Stalking Horse APA and such action is not capable of opposition or appeal, subject to certain restrictions;

- d) if any of the Closing conditions in favour of BMO or the Applicant, as applicable, are not satisfied, waived or performed by the earlier of: (i) the date specified therefor, or (ii) the Closing Date; and
- e) if there has been a material violation or breach by a party of any covenant, representation or warranty that would prevent the satisfaction of any Closing condition in favour of the other party on the Closing Date and such violation or breach has not been waived or cured in accordance with the Stalking Horse APA.

4.6 Bid Protections

1. The Stalking Horse APA includes an Expense Reimbursement of up to US\$1 million for reasonable out-of-pocket third-party expenses incurred by BMO in connection with the Stalking Horse APA and/or the Transaction, and a Break Fee of US\$3 million (the Break Fee being 1.875% of the cash portion of the Purchase Price before accounting for any Purchase Price Adjustments).
2. The Expense Reimbursement and the Break Fee are intended to compensate BMO for its expenditures of time and money and its agreement to act as the stalking horse bidder, including the preparation of the Stalking Horse APA and in performing due diligence, and are payable in the event that: (i) the Stalking Horse APA is not consummated for any reason other than a termination by the Applicant pursuant to Section 10.3 of the Stalking Horse APA or by mutual consent of BMO and the Applicant; and (ii) a transaction is selected as the Successful Bid in accordance with the SISP that is not the transaction contemplated by the Stalking Horse APA.
3. The Expense Reimbursement and the Break Fee are payable on the date upon which closing occurs in respect of an alternative transaction selected as the Successful Bid; provided, however, that BMO shall not be entitled to payment of the Expense Reimbursement and the Break Fee if no Successful Bid is selected in accordance with the SISP and the SISP terminates in accordance with its terms.
4. The maximum amount of the Bid Protections (US\$4 million) represents 2.5% of the cash portion of the Purchase Price under the Stalking Horse APA, being US\$160 million prior to any Purchase Price Adjustments. The Monitor compared the Bid Protections to other bid protections approved by Canadian courts in insolvency proceedings commenced between 2020 to 2023. The comparison is attached as Appendix "E". Based on this analysis, the Monitor is of the view that the Bid Protections are on the low end of the range of reasonable bid protections in comparable restructuring proceedings.
5. As described above, in connection with the Stalking Horse APA and the Bid Protections contemplated therein, the Applicant is seeking approval of a charge on the Property in favour of BMO as security for the Bid Protections in the amount of US\$4 million, being the maximum amount of the Bid Protections payable to BMO.

4.7 Considerations Regarding the Stalking Horse APA

1. The Monitor considered whether BMO's offer warrants it being a stalking horse bid, as opposed to BMO simply participating as a bidder in the SISP. The Monitor's considerations included that the Stalking Horse APA provides certainty to the Applicant's active Collectors, customers (referred to more commonly as "Partners"), employees and other stakeholders that a going-concern transaction will be completed. Given that there are approximately 10 million Collectors in Canada, the Monitor is of the view that the stability and certainty provided by a stalking horse in this situation is paramount and necessary to complete a going-concern transaction for the Applicant's business.

4.8 SISP Recommendation

1. The Monitor recommends that this Court issue an order approving the SISP, the Stalking Horse APA and the Bid Protections Charge for the following reasons:
 - a) the SISP provides for a marketing of the Applicant's business by PJT, which is a highly qualified financial advisory and investment banking firm with extensive experience in the M&A sector and knowledge of the Applicant's business;
 - b) stalking horse sale processes are a recognized mechanism in restructuring processes to maximize recoveries, while creating stability and certainty of a going-concern transaction for the business;
 - c) the SISP provides an opportunity to complete a transaction with greater value than the Stalking Horse APA, if one is identified, which benefits all stakeholders;
 - d) it is in the best interests of the Applicant's stakeholders that the Stalking Horse APA be preserved in order to have the opportunity to maximize value and to protect downside risk in the event that a superior offer is not submitted;
 - e) in the Monitor's view, the 35-day duration of the SISP is sufficient to allow interested parties to perform diligence and submit offers. The SISP has been telegraphed to the market since March 10, 2023, which effectively adds approximately two weeks to the SISP period, resulting in a total period of approximately 48 days. In this regard, the Monitor and the Applicant have already received several enquiries from prospective purchasers immediately following the initial application and have forwarded all such enquiries to PJT. The Monitor also notes that the duration of the SISP reflects a balancing between ensuring that sufficient time is available to attempt to identify a superior transaction, and the costs of conducting this proceeding for a further period of time (which excess costs would be borne by stakeholders). The Monitor also notes that any interested parties will have the benefit of using the definitive Stalking Horse APA to advance and frame their bid. Further, the Monitor notes that the Qualified Bid Deadline can be extended by the Applicant, with the consent of the Monitor, by up to seven days, as considered advisable;
 - f) the Consenting Stakeholders were consulted in the development and negotiation of the Stalking Horse APA;

- g) the Monitor is of the view that the Bid Protections, which represent approximately 2.5% of the cash Purchase Price under the Stalking Horse APA (before potential Purchase Price Adjustments), are reasonable in the circumstances and will not discourage interested parties from submitting offers in the SISP;
- h) as at the date of this First Report, the Monitor is not aware of any objections to the SISP or the Stalking Horse APA. On the contrary, in the Monitor's preliminary discussions with many of the Applicant's major Partners, those Partners were highly supportive of BMO acquiring the Applicant's business and the opportunities that a transaction with BMO may provide; and
- i) the Stalking Horse APA is contemplated to preserve employment for the Applicant's employees on terms and conditions that are substantially similar to the existing terms.

5.0 Support Agreement⁹

1. Pursuant to the Support Agreement, certain Credit Agreement Lenders (collectively, the "Consenting Stakeholders") have agreed to support the CCAA proceeding and the US Proceedings and the specific relief sought in each of the Initial Order, the SISP Approval Order and the ARIO, including approval of the SISP, the Stalking Horse APA (including the Bid Protections), the DIP Facility, the Intercompany DIP Loan, the Employee Retention Plans and the various related Charges ranking in priority to the security granted by the Applicant in favour of the Credit Agreement Lenders. The Consenting Stakeholders have also agreed to not submit a credit bid and to support the transaction selected as the successful bid in the SISP. A copy of the Support Agreement is attached as Exhibit "C" to the affidavit of Shawn Stewart sworn March 13, 2023, filed in support of the relief being sought by the Applicant at the Comeback Hearing.
2. The effectiveness of the Support Agreement is subject to, among other things, it being executed by Credit Agreement Lenders holding 66 2/3% of the loans outstanding under the Credit Agreement executing the Support Agreement.¹⁰ The Monitor understands that this threshold was surpassed on the afternoon of March 16, 2023.

⁹ The following constitutes a summary description of the Support Agreement only. Reference should be made directly to the Support Agreement for a complete understanding of its terms and conditions. Capitalized terms used in this section and not otherwise defined have the meanings ascribed to them in the Support Agreement.

¹⁰ The obligations of the Applicant under the Support Agreement are also conditioned on the Court approving the Support Agreement.

3. The Monitor views the Support Agreement as a significant positive step in these proceedings. The Monitor supports Court approval of the Support Agreement as, *inter alia*, it evidences the support of the Applicant's principal economic stakeholders to all of the substantive relief being sought at the Comeback Hearing and therefore provides stability and certainty as to the conduct of this CCAA proceeding. As the Consenting Stakeholders are projected to incur a significant shortfall on their loans under the Credit Agreement, the Support Agreement provides the framework for this proceeding to be carried out on a consensual basis in order to complete a going-concern transaction pursuant to the Stalking Horse APA, or another transaction identified through the SISP, for the benefit of the Applicant's stakeholders, including creditors, employees, Partners and suppliers.

6.0 Financial Advisor¹¹

6.1 PJT

1. The Applicant is seeking the Court's approval to retain PJT as its financial advisor to assist in running the proposed SISP. PJT will be responsible for marketing and selling the Applicant's business and assets pursuant to the proposed SISP, if approved. The Monitor will oversee the conduct of the SISP.
2. PJT is a globally recognized investment bank and an experienced financial advisor headquartered in New York.
3. PJT was initially retained by LVI and the Applicant in July 2022 to assist the Applicant and LVI in connection with considering their business and financial circumstances and restructuring and other strategic options. PJT has extensive knowledge of the Applicant's business, which it has gained over the past eight months.
4. PJT has prepared marketing materials in connection with its proposed mandate and is ready to launch the SISP process, subject to Court approval. The Monitor has scheduled regular meetings with PJT to oversee the SISP, including feedback from, and diligence being performed by, prospective purchasers.

6.2 Financial Advisor Agreement

1. A copy of the Financial Advisor Agreement is attached as Exhibit "R" to the First Stewart Affidavit. The relevant financial terms of the Financial Advisor Agreement are as follows:
 - a) **Monthly Fee:** PJT is entitled to a fixed cash monthly fee of US\$150,000 (the "Monthly Fee") payable monthly from the effective date of the Financial Advisor Agreement, provided however that fifty percent (50%) of the Monthly Fees paid beginning after US\$900,000 has been paid and ending after US\$1.8 million has been paid, shall be credited against any Success Fee, subject to certain conditions.

¹¹ Capitalized terms in this section have the meaning provided to them in the Financial Advisor Agreement, unless otherwise defined herein.

- b) **Capital Raising Fee:** PJT is entitled to a fee of 1.5% of the amounts raised under the DIP Facility, which amount is budgeted for and projected to be paid in the Cash Flow Forecast.
 - c) **Success Fee:** In the event of a Restructuring, PJT will earn a fee equal to US\$6 million (the “Success Fee”). A Restructuring includes a sale or other acquisition or disposition of any material assets and/or equity of LVI, the Applicant and their direct and indirect subsidiaries, and shall be deemed to have been consummated upon (among other things) the consummation of a Restructuring pursuant to an order of this Court.
2. Pursuant to the above provisions, the consummation and closing of the transaction contemplated by the Stalking Horse APA, or a higher or otherwise better transaction identified in the SISP, would result in the Success Fee being earned and payable.
 3. PJT’s Monthly Fee and expenses are covered by the Administration Charge, whereas any Capital Raising Fee, Amendment Fee or Success Fee (together, the “Additional Fees”) are excluded. The ARIO sought by the Applicant at the Comeback Hearing proposes a Financial Advisor Charge in the maximum amount of US\$6 million to secure the Success Fee.
 4. The Monitor recommends that the Court approve the Financial Advisor Agreement for the following reasons:
 - a) PJT is highly qualified and has deep knowledge of the Applicant’s business as a result of its existing mandate;
 - b) PJT’s prior involvement with the Applicant and its role as its financial advisor in negotiating the Stalking Horse APA will provide for a smooth transition from the pre-filing process to the SISP;
 - c) in the Monitor’s view, the Monthly Fee of US\$150,000 is reasonable and consistent with the market, and the Success Fee payable to PJT as a percentage of the cash Purchase Price of the US\$160 million Stalking Horse APA transaction, being 3.75%, is commercially reasonable, as is the Capital Raising Fee of 1.5% of the amount of the DIP Facility;
 - d) given its prior mandate, PJT is ready to launch the SISP immediately, which will help reduce the costs associated with the SISP and the CCAA proceeding; and
 - e) in the Monitor’s view, it is appropriate for PJT to have the benefit of a Court-approved charge to secure both its Monthly Fee and the Success Fee.

7.0 Employee Retention Plans

1. The Applicant employs approximately 750 employees across Canada (including approximately 60 presently on leave).
2. The Employee Retention Plans were developed by the Applicant, with the assistance of A&M, to provide employees with certainty and stability during this CCAA proceeding, including to replace compensation payable under historic incentive plans that are no longer relevant in the context of the CCAA proceeding.

7.1 Retention Plan

1. The Applicant has historically maintained an Annual Incentive Plan (the “AIP”) for eligible salaried employees, which has represented a significant portion of compensation for many employees. Under the AIP, the Applicant has traditionally paid an annual bonus based on individual performance metrics, corporate performance metrics and an individual “target” based on a percentage of the employee’s salary. In light of the CCAA proceeding, the AIP and associated performance metrics are no longer feasible.
2. The primary purpose of the proposed retention plan (the “Retention Plan”) developed by the Applicant, with the assistance of A&M, is to retain all of the Applicant’s employees who would otherwise be deprived of a meaningful percentage of their compensation under the AIP and may therefore seek other opportunities.
3. The proposed Retention Plan removes the performance metrics applicable to the AIP, allowing employees to receive up to 100% of their individual target amount (which ranges from 8.5% to 100% of base salary), and accelerates the payment schedule, with payments being made in monthly installments, with the January and February 2023 amounts being paid upon the granting of the ARIO. The Retention Plan provides that if a transaction is consummated pursuant to the SISP, the current and final monthly payment would be accelerated and due on closing. The Retention Plan will effectively terminate once a transaction closes.
4. To be eligible for a payment under the Retention Plan, the employee must be actively employed for the entire applicable month and on the incentive payment date. Approximately 500 employees are eligible for the Retention Plan, and the total estimated cost is approximately \$720,000 per month.

7.2 Key Employee Retention Plan

1. The Applicant has identified a total of 20 key senior executives and key employees, plus an additional 5 employees at risk of departure (together, the “KERP Employees”) who are crucial to conducting business during the CCAA proceeding, carrying out the SISP and closing a transaction under the SISP. The Applicant, with the assistance of A&M, has also developed a key employee retention plan (the “KERP” and together with the Retention Plan, the “Employee Retention Plans”) in an effort to retain and incentivize the KERP Employees to assist the Applicant throughout its restructuring.
2. The Applicant has historically provided annual equity based (and in some cash based) long-term incentive awards to certain of the KERP Employees (the “LTI” and together with the “AIP”, the “Historical Incentive Plans”). The KERP will provide for a cash retention bonus (the “Retention Bonus”) in lieu of the annual LTI awards for 2023.
3. The KERP Employees include senior executives, key employees and five other employees who have historically received LTI awards.

4. The terms of the proposed Retention Bonuses are summarized in the table below:

KERP Employee	Target Value	Payment Terms
Senior executives Key employees	2/3 of the 2022 target LTI 1/3 of the 2022 target LTI	One quarter vesting on March 31, 2023 and the remaining three quarters vesting upon the earlier of (i) a transaction pursuant to the SISP; and (ii) December 31, 2023.
Other	1/3 of the 2022 target LTI	One quarter vesting on each calendar quarter in 2023.

5. The total cost of the Retention Bonus for the KERP Employees is approximately \$3.2 million. The KERP Employees are also entitled to receive payments under the Retention Plan.

7.3 Employee Retention Plans Recommendation

1. The Applicant is seeking approval of the Employee Retention Plans and a corresponding Employee Retention Plans Charge in the maximum amount of \$5.35 million.
2. The Monitor understands that senior executives and other key employees have indicated to the Applicant that, due to the uncertainty associated with the ongoing operations of the Applicant's business and the potential risk of non-payment of Employee Retention Plan amounts, they will not continue their service with the Applicant during the CCAA proceeding unless the Court approves the Employee Retention Plans and grants the Employee Retention Plans Charge.
3. The Monitor supports the Employee Retention Plans and the corresponding Employee Retention Plans Charge for the following reasons:
 - a) the continued involvement and cooperation of the Applicant's workforce, including the KERP Employees, is critical to the overall success of the Applicant's restructuring, and the proposed payments under the Employee Retention Plans are required to increase the likelihood that the Applicant's employees will continue to facilitate the Applicant's operations and the conduct of the SISP during the pendency of this proceeding;
 - b) the Applicant administered the Historical Incentive Plans as recently as until the end of 2022, which plans are no longer feasible given the CCAA proceeding. Accordingly, the Applicant's employees would be asked to take a significant reduction to their individual earnings if the Employee Retention Plans are not approved in lieu of the Historical Incentive Plans. In light of this, there is a risk that the Applicant will face significant attrition (including of KERP Employees) if the Employee Retention Plans are not implemented, which would result in erosion of the going-concern value of the Applicant's business and impair its ability to complete the transaction contemplated by the Stalking Horse APA or a superior transaction that may result from the SISP;

- c) with respect to the KERP Employees specifically, each of them will contribute to this CCAA proceeding by using their existing company knowledge and expertise in their respective roles to continue normal course operations and preserve value. The involvement of the KERP Employees should assist to reduce professional fees, particularly as relates to involvement in the SISP and/or operational matters;
- d) in the Monitor's view, the amounts payable under the Employee Retention Plans are reasonable, including having regard to amounts payable under the Historic Incentive Plans. The Monitor notes that the Retention Plan provides the same compensation to eligible employees as the AIP, with the only changes being timing of payment (monthly versus annually) and the removal of the corporate and individual performance metrics. The KERP provides less compensation to KERP Employees relative to their target LTI compensation (ranging from 1/3 to 2/3 of target 2022 LTI compensation), albeit payable in cash and on a more accelerated timeframe;
- e) the DIP Lender and the Consenting Stakeholders have been consulted in the development of the Employee Retention Plans; and
- f) the Employee Retention Plans Charge is appropriate to provide the employees with comfort that the amounts payable to them under the Employee Retention Plans will be paid.

8.0 Stay Extension and Related Relief

1. Pursuant to the Initial Order, the Court granted a stay of proceedings in favour of the LoyaltyOne Entities and their directors and officers to and including March 20, 2023 (the "Stay Period"). The Applicant is requesting an extension of the Stay Period to May 18, 2023, to align the expiry of the Stay Period with the timeline of the SISP, including the anticipated date for seeking Court approval of a Successful Bid.
2. The Monitor supports the request for an extension of the stay and believes that it is appropriate in the circumstances for the following reasons:
 - a) the Applicant is acting in good faith and with due diligence;
 - b) the proposed stay extension will allow the Applicant time to conduct the SISP;
 - c) the Monitor does not believe that any creditor will be materially prejudiced by the extension of the Stay Period;
 - d) as of the date of this First Report, the Monitor is not aware of any party opposed to an extension of the Stay Period; and
 - e) subject to the Court approval of the DIP Facility, the Cash Flow Forecast reflects that the Applicant is projected to have sufficient liquidity to fund its operations and the costs of this CCAA proceeding.

3. The Applicant is also requesting a provision be included in the ARIO which restricts setoff of pre-filing obligations against post-filing obligations without the consent of the Applicant and the Monitor, or further order of the Court.
4. The Monitor believes the proposed setoff provision in the ARIO is appropriate in the circumstances to provide clarity to suppliers, customers and other stakeholders regarding their rights of setoff in this CCAA proceeding, with a view to ensuring that the LoyaltyOne Entities can continue to operate the AIR MILES® business in the ordinary course and that no setoff rights will be exercised in a manner that may disrupt the LoyaltyOne Entities business or the SISF. In addition, the Cash Flow Forecast does not contemplate any setoff of pre-filing obligations due to the Applicant, and accordingly, were that to occur, the Applicant's funding requirements would increase beyond the amount available under the DIP Facility, even if for a short period of time until any disputes over setoff rights could be resolved.

9.0 Court Ordered Charges

9.1 Proposed Charges and Priority of the Charges

1. As detailed below, the Applicant is seeking an increase in the Administration Charge and the D&O Charge. In addition, as detailed herein, the Applicant is also seeking approval of the Employee Retention Plans Charge, the Financial Advisor Charge, the DIP Lender's Charge and the Bid Protections Charge.
2. Each of the Charges previously granted in this CCAA proceeding 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. At the Comeback Hearing, the Applicant is seeking to have all of the Charges rank in priority to any encumbrances in respect of the Property except those specified in (a) and (b).
3. If the Court approves the amended Charges and the proposed additional Charges, the priority and amount of the Charges as among them would be as follows:

Priority	Charge	Currency	Current (\$)	Proposed (\$)
First	Administration Charge	CAD	2,000,000	3,000,000
Second	D&O Charge	CAD	10,521,000	15,409,000
Third	Employee Retention Plans Charge	CAD	-	5,350,000
Fourth	Financial Advisor Charge	USD	-	6,000,000
Fifth	DIP Lender's Charge	USD	-	70,000,000 ¹²
Sixth	Bid Protections Charge	USD	-	4,000,000

¹² Plus accrued and unpaid interest, fees and expenses.

9.2 Administration Charge Increase

1. The Initial Order granted an Administration Charge in an amount not to exceed \$2 million to secure the fees and disbursements of the Monitor, Goodmans, Cassels, A&M and PJT (excluding any Success Fees) (collectively, the “Administration Professionals”) from the date of the Initial Order to the Comeback Hearing.
2. The Applicant is seeking to increase the Administration Charge to \$3 million. The Monitor is of the view that the increased Administration Charge is required and reasonable in the circumstances given the complexities of the Applicant’s CCAA proceeding and the services to be provided by the Administration Professionals, each of whom is required to further the restructuring efforts of the Applicant.
3. The Cash Flow Forecast has been prepared on the basis of bi-weekly payments being made to the Administration Professionals, and accordingly, there should be no exposure to the Administration Professionals with the proposed increased Administration Charge.

9.3 D&O Charge Increase

1. The Initial Order approved a D&O Charge in the amount of \$10.521 million to secure the indemnity in favour of the directors and officers in the Initial Order based on potential liability exposure for the directors and officers pending the Comeback Hearing. The Applicant is seeking to increase the D&O Charge to \$15.409 million.
2. As provided in the table below, the amount of the D&O Charge was estimated by the Applicants in consultation with A&M, taking into consideration the current vacation pay liability plus the estimated maximum amount at any point in time of the directors’ and officers’ exposure for unpaid payroll and sales taxes (assuming the Applicant pays these obligations in the normal course during this proceeding, as is reflected in the Cash Flow Forecast).

(unaudited)	Amount (CAD\$000s)
Wages and bonus	2,524
Unremitted source deductions	989
Vacation pay	2,152
Benefits and RRSP contributions – employer portion	214
Unremitted HST	9,063
Provincial sales tax	467
Total D&O Charge	15,409

3. The 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 proposed increase to the D&O Charge is reasonable in the circumstances as the continued involvement of the directors and officers is beneficial to the Applicant and this proceeding.

10.0 Monitor's Activities since the Filing Date

1. Since the Filing Date, the Monitor has, among other things:
 - a) corresponded regularly with the Applicant's legal counsel, financial advisor and management team and its own counsel regarding all aspects of this CCAA proceeding, including the terms of the SISP, the Stalking Horse APA, the DIP Facility, the Intercompany DIP Loan and the Employee Retention Plans;
 - b) worked with the Applicant and its advisors to develop and execute a stakeholder communication strategy;
 - c) attended calls with representatives of the Applicant, BMO and over 20 of the Applicant's key Partners regarding the commencement of the CCAA proceeding, the Stalking Horse APA and SISP;
 - d) mailed the CCAA notice to the Applicant's creditors (other than to the Specified Collectors) and filed Forms 1 and 2 with the Office of Superintendent of Bankruptcy, as required under the CCAA and the Initial Order, as applicable;
 - e) posted the CCAA notice, list of creditors (excluding Collector information as authorized under the Initial Order) and other Court materials on the Case Website;¹³
 - f) arranged for notice of the CCAA proceeding to be published in the *National Post* on March 16 and 23, 2023, as required under the Initial Order;
 - g) monitored the Applicant's daily receipts and disbursements and worked with A&M and management to develop a daily cash management monitoring process;
 - h) reviewed the Cash Flow Forecast and the components of the D&O Charge and discussed same with A&M;
 - i) reviewed and commented on the Applicant's materials filed in support of the relief to be sought at the Comeback Hearing; and
 - j) drafted this First Report.

¹³ Notice of the CCAA proceeding has also been posted on the Applicant's website in French and English.

11.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court grant the relief sought by the Applicant at the Comeback Hearing.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

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

Appendix “C”



April 28, 2023

Via E-Mail

Torys LLP
79 Wellington Street West
Suite 3300, Toronto Dominion Centre
Toronto, Ontario
M5K 1N2

rjacobs@cassels.com
tel: +1 416 860 6465
fax: +1 416 360 8877

Attention: David Bish and Kevin Morris

Dear Sirs:

Re: In the Matter of a Plan of Compromise or Arrangement of LoyaltyOne, Co. – Court File No.: CV-23-00696017-00CL

As you know, we are counsel to LoyaltyOne, Co. (“**LoyaltyOne**”) in the above-noted proceeding. We write in respect of the asset purchase agreement dated March 9, 2023 (as amended, the “**Stalking Horse Bid**”), between LoyaltyOne and Bank of Montreal (“**BMO**”) and the sale and investment solicitation process (the “**SISP**”) approved pursuant to an order granted by the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) dated March 10, 2023. All capitalized terms used and not otherwise defined herein have the meaning ascribed to them in the SISP or the Stalking Horse Bid, as applicable.

Pursuant to the terms of the SISP, the deadline for interested parties to submit a Qualified Bid was 5:00 p.m. (Eastern Time) on April 27, 2023 (the “**Qualified Bid Deadline**”). As no Qualified Bid (other than the Stalking Horse Bid) was received by LoyaltyOne by the Qualified Bid Deadline, please be advised that the Stalking Horse Bid is deemed to be the Successful Bid in the SISP. In that regard, as you know, LoyaltyOne has scheduled a hearing on May 12, 2023 at 10:00 a.m. (Eastern Time) for the Court to hear a motion for an Approval and Vesting Order to, among other things, approve the Stalking Horse Bid and the transactions contemplated thereunder.

LoyaltyOne looks forward to working cooperatively with BMO to obtain the Approval and Vesting Order and to expeditiously closing the Transaction.

Yours truly,

Cassels Brock & Blackwell LLP



Ryan C. Jacobs

cc: Jane Dietrich, Jeffrey Roy and Colin Ground, *Cassels Brock & Blackwell LLP, counsel to LoyaltyOne*
Philip Dublin, Stephen Kuhn, Iain Wood, Erica McGrady, Meredith Lahaie and Alan Laves, *Akin Gump Strauss Hauer & Feld LLP, U.S. counsel to LoyaltyOne*
Jamie Baird and Daniel De Gosztanyi, *PJT Partners LP, financial advisor to LoyaltyOne*
David Sieradzki and Noah Goldstein, *KSV Restructuring Inc., in its capacity as Monitor*
Brendan O'Neill and Chris Armstrong, *Goodmans LLP, counsel to the Monitor*

Appendix “D”



SUPERIOR COURT OF JUSTICE

COUNSEL/ENDORSEMENT SLIP

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

DATE: **01-MAY-2023`**

NO. ON LIST: 2

TITLE OF PROCEEDING: LOYALTYONE, CO - CCAA

BEFORE: JUSTICE CONWAY

PARTICIPANT INFORMATION:

See attached Participant Information Sheet below

ENDORSEMENT OF JUSTICE CONWAY:

- [1] **All defined terms used in this Endorsement shall, unless otherwise defined, have the meanings ascribed to them in the Notice of Motion of the Applicant dated April 24, 2023.**
- [2] The Applicant brings this motion for approval of the compromise of claims, grant of releases, and payments by the Applicant set out in the U.S. Plan, and a lift of the stay of proceedings to allow the Applicant to comply with and give effect to the U.S. Plan.
- [3] The U.S. Plan requires the Applicant to release any claims for intercompany loans to the U.S. Debtors, (except for the Intercompany DIP Loan), fund certain amounts to effect the U.S. Plan (within the budget already approved by this court in connection with the DIP Financing Facility) and provide and receive the releases set out therein.
- [4] The relief sought is consistent with the Transaction Support Agreement that has already been approved by this court and the Intercompany DIP Loan contemplated by the Amended and Restated Initial Order. This court's approval of the U.S. Plan is a condition precedent to its implementation.
- [5] At the hearing today, counsel for the Applicant, the Monitor, the Ad Hoc Committee of Term Loan B Lenders, and Bank of America as Agent voiced their support for the relief. The U.S. Plan is intended to enable the U.S. Debtors to conduct an orderly liquidation of their assets and to establish a liquidating trust to investigate and pursue, as appropriate, claims against the Bread Parties (as defined in the U.S. Plan).
- [6] This course of action has been developed with the support of the Credit Agreement Lenders, who are the fulcrum creditors and the only ones with the economic interest in any recovery from the liquidating trust.

Further, in the Second Report, the Monitor has conducted a detailed liquidation analysis. It clearly establishes that the alternative liquidation scenario would yield no recovery for unsecured creditors.

- [7] I am therefore approving the order. Order to go as signed by me and attached to this Endorsement. This order is effective from today's date and is enforceable without the need for entry and filing.
- [8] There is another motion date scheduled for May 12, 2023 for the Applicant to seek approval of the purchase transaction with BMO. It is scheduled for one hour. If Bread Financial will be opposing the motion, which is unclear as yet, counsel are directed to arrange a case conference before me on May 8, 2023 through the Commercial List office, to address scheduling and timetables.





Participant Information Form

This form is to be used:

- in place of previous 'counsel slips', and
- for all hearings using the CaseLines document sharing platform. For these hearings, parties or their representatives are to complete the form and upload it into the CaseLines event folder/bundle.

Where possible, the moving party for the event should coordinate with other parties to complete one form for the hearing. In criminal matters, each party may prepare their own form.

This form must be saved using the court's document naming convention (e.g. Participant Information – All Parties – 01-JUN-2021 or Participant Information – Defendant Smith – 01-JUN-2021).

CASE AND EVENT INFORMATION

Court File Number	CV-23-00696017-00CL
Court Location (e.g. Hamilton)	Toronto (393 University Avenue)
Case Name	In the Matter of a Plan of Compromise or Arrangement of LoyaltyOne, Co.
Type of Hearing	Motion Hearing
Date of Hearing	May 1, 2023 at 10:00 A.M.

PARTICIPANT INFORMATION

For Plaintiff, Applicant, Moving Party, Crown:

Name of Person Appearing (and how they wish to be addressed, e.g. pronouns and/or prefix; also, if they wish, the phonetic pronunciation of their name)	Name of Party	Phone Number	Email Address
Shayne Kukulowicz Timothy Pinos Natalie Levine	Cassels Brock & Blackwell LLP Counsel to Applicant: LoyaltyOne, Co.	416.860.6463 416 869 5784 416.860.6568	skukulowicz@cassels.com tpinos@cassels.com nlevine@cassels.com
Meredith Lahaie Rachel Biblo Block	Akin Gump Strauss Hauer & Feld LLP US Counsel to the Applicant	214.969.2736	mlahaie@akingump.com rbibloblock@akingump.com

For Defendant, Responding Party, Defence:

Name of Person Appearing (and how they wish to be addressed, e.g. pronouns and/or prefix; also, if they wish, the phonetic pronunciation of their name)	Name of Party	Phone Number	Email Address

For Other:

Name of Person Appearing (and how they wish to be addressed, e.g. pronouns and/or prefix; also, if they wish, the phonetic pronunciation of their name)	Name of Party/ Organization	Phone Number	Email Address
Brendan O'Neill Christopher Armstrong Andrew Harmes	Goodmans LLP Counsel to the Monitor: KSV Restructuring Inc.	416.849.6017 416.849.6013 416.849.6923	boneill@goodmans.ca carmstrong@goodmans.ca aharmes@goodmans.ca
David Bish	Torys LLP Canadian Counsel to Bank of Montreal as DIP Lender and the Stalking Horse Purchaser	416.865.7353	dbish@torys.com
Ashley Taylor Maria Konyukhova	Stikeman Elliott LLP Counsel to Bread Financial Holdings Inc.	416.869.5236 416.869.5230	ataylor@stikeman.com mkonyukhova@stikeman.com
Jesse Mighton Thomas Gray	Bennett Jones LLP Canadian Counsel to the Ad Hoc Committee of Term Loan B Lenders	416.777.6255 416.777.7924	mightonj@bennettjones.com grayt@bennettjones.com
Christopher Lee	Morgan Stanley Financial Advisor to Bank of Montreal as the DIP Lender and the Stalking Horse Purchaser	212.761.7606	christopher.r.lee@morganstanley.com
AnneElyse Gains Clint Carlisle	US counsel to the the Ad Hoc Committee of Term Loan B Lenders		AGains@gibsondunn.com >; CCarlisle@gibsondunn.com
David Sieradzski Noah Goldstein Murtaza Tallat	KSV Restructuring Inc as Court Appointed Monitor of the Applicant		dsieradzki@ksvadvisory.com ngoldstein@ksvadvisory.com mtallat@ksvadvisory.com
John Salmas	Counsel to American Express		john.salmas@dentons.com
Alex MacFarlane	Counsel to Bank of America as Agent		AMacfarlane@blg.com

Appendix “E”

DIP Agreement Cash Flow Projections

LoyaltyOne (Airmiles)

(Unaudited, \$USD in millions)

Week Ending	Notes	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Total 12-Weeks
		12-May	19-May	26-May	2-Jun	9-Jun	16-Jun	23-Jun	30-Jun	7-Jul	14-Jul	21-Jul	28-Jul	
		<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	<i>Fct</i>	
Receipts	[2]	\$ 1.65	\$ 1.56	\$ 4.11	\$ 25.65	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32.97
Disbursements														
Reserve Account Funding	[3]	\$ -	\$ -	\$ -	\$ (22.24)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (22.24)
Operating Disbursements	[4]	\$ (3.95)	\$ (3.15)	\$ (0.95)	\$ (5.10)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (13.15)
Payroll	[5]	\$ -	\$ (2.36)	\$ -	\$ (3.71)	\$ -	\$ (0.26)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (6.34)
Corporate Interco Transfers	[6]	\$ (0.50)	\$ -	\$ -	\$ (0.16)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.66)
Non-Operating Disbursements	[7]	\$ (0.52)	\$ (0.52)	\$ (0.52)	\$ (3.75)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (5.51)
Professional Fees	[8]	\$ (3.37)	\$ -	\$ (2.66)	\$ (6.18)	\$ (8.40)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (20.61)
DIP Interest & Fees	[9]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total Disbursements		\$ (8.34)	\$ (6.03)	\$ (4.14)	\$ (41.14)	\$ (8.43)	\$ (0.28)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (68.50)
Net Cash Flow		\$ (6.69)	\$ (4.47)	\$ (0.02)	\$ (15.49)	\$ (8.43)	\$ (0.28)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (35.53)
Beginning Cash Balance		\$ 43.04	\$ 36.35	\$ 31.88	\$ 31.86	\$ 0.37	\$ 85.14	\$ 84.85	\$ 84.83	\$ 84.80	\$ 84.78	\$ 84.75	\$ 84.73	\$ 43.04
Net Cash Flow		\$ (6.69)	\$ (4.47)	\$ (0.02)	\$ (15.49)	\$ (8.43)	\$ (0.28)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (0.03)	\$ (35.53)
DIP Financing	[10]	\$ -	\$ -	\$ -	\$ (16.00)	\$ (57.07)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (73.07)
Transaction Proceeds	[11]	\$ -	\$ -	\$ -	\$ -	\$ 150.26	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150.26
FX Impact		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Ending Cash Balance		\$ 36.35	\$ 31.88	\$ 31.86	\$ 0.37	\$ 85.14	\$ 84.85	\$ 84.83	\$ 84.80	\$ 84.78	\$ 84.75	\$ 84.73	\$ 84.70	\$ 84.70

DIP Agreement Cash Flow ProjectionsLoyaltyOne Inc. - Forecast Assumptions

General:

- [1] The purpose of the projection is to present a cash flow forecast of LoyaltyOne Inc. (the "Company") in respect of its proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for the period May 8, 2023 to July 28, 2023.

The cash flow forecast presented herein assumes that the sale of the Company, as contemplated under the Stalking Horse APA, is effectuated by June 2, 2023. The figures included in the projection period post-closing of the transaction on June 1, 2023 (the "Post-Close Period") are subject to ongoing negotiations, and accordingly, potential material changes to those preliminary estimates are expected.

Forecast Notes

- [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 include
- 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. The amount in the week ending June 2, 2023 includes a payout of all accrued vacation owing to the Company's employees. Post-Close Period includes payroll for employees that remain from the transaction close date through a June 18th transition period (which cost is provided for in the purchase price calculation).
- [6] Corporate Interco Transfers: Includes monthly payments from the Company to Loyalty Ventures Inc. per intercompany services agreement.
- [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. General Contingency of \$25k per week is assumed in the the Post-Close Period for not yet identified costs.
- [8] Professional Fees: Includes fees for Company advisors, the Monitor and its legal counsel, lender advisors and general case administration. The week ending June 9, 2023 includes amounts for payment of investment banking fees paid out of Transaction Proceeds. The cash flow forecast does not include an estimate for additional professional fees to be incurred in the Post-Close Period, as an appropriate professional fee holdback has not yet been settled by the stakeholders.
- [9] DIP Interest & Fees: Includes 2% funding fee, 14% PIK interest and 2% fee on undrawn amount (payable out of transaction proceeds). DIP Interest & Fees are paid out of the Transaction Proceeds in the week ending June 9, 2023.
- [10] DIP Financing: Total DIP financing of \$70.0M funded into LoyaltyOne with \$54.0 million outstanding at closing.
- [11] Transaction Proceeds: Total consideration of \$160.26M at transaction close per the asset purchase agreement. \$10M of the purchase price will be paid into an escrow account maintained by the Monitor, to be held as security pending the settlement of the purchase price adjustments contemplated under the Stalking Horse APA.

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.

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

The management of LoyaltyOne, Co. (the "Applicant") have developed the assumptions and prepared the attached statement of projected cash flow as of the 5th day of May, 2023, for the period May 8, 2023 to July 28, 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 5th day of May, 2023.

LOYALTYONE, CO.



Per: Shawn Stewart, President of LoyaltyOne, Co.

Appendix “F”

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.**

**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 5th day May, 2023, consisting of a weekly projected cash flow statement for the period May 8, 2023 to July 28, 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 5th day of May, 2023.

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

**KSV RESTRUCTURING INC.
IN ITS CAPACITY AS 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

**THIRD REPORT OF THE MONITOR
(May 8, 2023)**

Goodmans LLP

333 Bay Street, Suite 3400
Toronto, ON M5H 2S7

Brendan O'Neill LSO#: 43331J

boneill@goodmans.ca

Christopher Armstrong LSO#: 55148B

carmstrong@goodmans.ca

Andrew Harmes LSO#: 73221A

aharmes@goodmans.ca

Lawyers for KSV Restructuring Inc.
as CCAA Monitor of LoyaltyOne, Co.