

Part II Organizational Action *(continued)*

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ See Attachment

18 Can any resulting loss be recognized? ▶ See Attachment

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ See Attachment

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶  Date ▶ 11/30/2021

Paid Preparer Use Only	Print your name ▶ <u>Nicole Westinghouse</u>	Preparer's signature	Title ▶ <u>Vice President, Federal Tax</u>	Check <input type="checkbox"/> if self-employed	PTIN
	Print/Type preparer's name		Date		
	Firm's name ▶			Firm's EIN ▶	
	Firm's address ▶			Phone no.	

ALLIANCE DATA SYSTEMS CORPORATION
EIN: 31-1429215
ATTACHMENT TO IRS FORM 8937 – PART II
REPORT OF ORGANIZATIONAL ACTIONS AFFECTING BASIS OF SECURITIES

CONSULT YOUR TAX ADVISOR

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the “Code”). This attachment includes a general summary regarding the application of certain U.S. federal income tax laws and regulations relating to the effects of the Distribution (as defined below) on the tax basis of shares of Alliance Data Systems Corporation (“ADS”) common stock, and the allocation of tax basis among shares of ADS common stock and Loyalty Ventures Inc. (“LYLT”) common stock following the Distribution. The information contained herein does not constitute tax advice and does not purport to be complete or to describe the consequences that may apply to particular categories of shareholders. The example provided below is illustrative and is being provided pursuant to Section 6045B of the Code and as a convenience to shareholders and their tax advisers when establishing their specific tax position. You are urged to consult your own tax advisors regarding the particular consequences of the Distribution to you, including the applicability and effect of all U.S. federal, state, and local tax laws and foreign tax laws.

This information does not apply to shares of ADS common stock sold, exchanged or otherwise disposed of prior to the Distribution.

14. Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action.

On November 5, 2021, pursuant to the terms and conditions of the Separation and Distribution Agreement dated November 3, 2021, by and among ADS and LYLT, ADS distributed to holders of ADS common stock, on a pro rata basis, 81 percent of the outstanding shares of LYLT common stock (except that any fractional shares of LYLT common stock that ADS shareholders otherwise would have been entitled to receive in the distribution were aggregated and sold in the public market and the aggregate net cash proceeds of these sales were distributed to those shareholders who would otherwise have been entitled to receive such fractional shares) (the “Distribution”). Each ADS shareholder received one (1) share of LYLT common stock for every two and one-half (2.5) shares of ADS common stock held on October 27, 2021, the record date for the Distribution. The Distribution is intended to qualify under Section 355 of the Code.

15. Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis.

As a result of the Distribution, ADS shareholders will be required to allocate the aggregate tax basis in their ADS common shares held immediately prior to the Distribution among the LYLT common shares received in the Distribution (including any fractional share interest in LYLT common stock for which cash is received) and their ADS common shares held immediately

after the Distribution. This allocation should be made in proportion to the relative fair market values of the ADS common stock and LYLT common stock. Shareholders that acquired ADS common shares at different times or different prices will need to calculate their tax basis in each block of ADS common stock and then allocate a portion of that tax basis to the shares of LYLT common stock received.

Fair market value generally is the price at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. U.S. federal income tax law does not specifically prescribe how you should determine the fair market values of the ADS common stock and LYLT common stock for purposes of allocating your tax basis. You should consult your tax advisor to determine what measure of fair market value is appropriate.

There are several possible methods for determining the fair market values of ADS common stock and LYLT common stock. One possible approach is to utilize the New York Stock Exchange closing price on November 8, 2021 (the first trading day after the Distribution) for ADS common stock (\$74.97 per share) and the Nasdaq closing price on November 8, 2021 for LYLT common stock (\$49.08 per share) as an indication of the fair market value. Based on that approach and the assumptions and calculations set forth in Item 16 below (noting, in particular, the distribution of one share of LYLT common stock for every two and one-half shares of ADS common stock), 79.2495% of an ADS shareholder's aggregate tax basis in his or her shares of ADS common stock immediately prior to the Distribution would be allocated to such shareholder's shares of ADS common stock following the Distribution, and 20.7505% of an ADS shareholder's aggregate tax basis in his or her shares of ADS common stock immediately prior to the Distribution would be allocated to such shareholder's shares of LYLT common stock received in the Distribution. Other approaches to determine fair market value may also be possible. You are not bound by the approach illustrated above and may, in consultation with your tax advisor, use another approach in determining fair market values for ADS common stock and LYLT common stock.

16. Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates.

The following is an illustrative example of how the previously described approach to basis allocation (see response to Line 15 above) would be applied:

Assumptions:

- Shares of ADS common stock owned immediately prior to the Distribution: 1,000
- ADS shareholder's aggregate tax basis (assumed to be \$100.00 per share): \$100,000
- Shares of LYLT common stock received in the distribution (1,000 shares of ADS common stock multiplied by the distribution ratio of 1:2.5): 400

Tax Basis Allocation Illustration:

	# Shares Owned	Assumed Beginning Basis (A)	Price	FMV of Shares Owned Post Distribution	Percentage of Total FMV (B)	Allocated Tax Basis = (A)x(B)
ADS common stock	1,000	\$100,000.00	\$74.97 ¹	\$74,970 ³	79.25% ⁵	\$79,250.00
LYLT common stock	400		\$49.08 ²	\$19,632 ⁴	20.75% ⁶	\$20,750.00
Total				\$94,602	100.00%	\$100,000.00
¹ Closing market price of ADS common stock on November 8, 2021. ² Closing market price of LYLT common stock on November 8, 2021. ³ 1,000 shares x \$74.97 ⁴ 400 shares x \$49.08 ⁵ \$74,970/\$94,602 ⁶ \$19,632/\$94,602						

17. List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based.

Section 355, Section 358, Section 368(a)(1)(D), and Section 1001.

18. Can any resulting loss be recognized?

ADS intends for the Distribution to qualify as a “reorganization” under sections 355 and 368(a)(1)(D) of the Internal Revenue Code. Assuming that this characterization is respected, ADS shareholders generally will not recognize any loss on the Distribution for U.S. federal income tax purposes (except to the extent that a loss may be recognized with respect to any cash received in lieu of fractional shares of LYLT common stock in an amount equal to the difference between the basis of such fractional shares of LYLT common stock and the amount of cash you received). The deductibility of capital losses is subject to limitations.

19. Provide any other information necessary to implement the adjustment, such as the reportable tax year.

The Distribution occurred on November 5, 2021. As a result, the basis adjustments in the shares of ADS common stock and LYLT common stock should be reported in the taxable year that includes this date. In the case of shareholders who are calendar year taxpayers, the Distribution is reportable in the tax year ending December 31, 2021.

Please note that some brokerage houses might not use the information provided in this document, and the information is only provided as an example of one potential method. There are various ways brokerage houses may calculate the cost basis allocation. Please contact your individual brokerage house to determine which calculation it may have used and contact your tax advisor for additional information and clarification.