

Court File No.: 31-2946538

**DECISIONONE CORPORATION
FIRST REPORT OF KPMG INC.,
IN ITS CAPACITY AS PROPOSAL TRUSTEE**

June 1, 2023

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	PURPOSE OF THIS FIRST REPORT AND ITS LIMITATIONS	2
III.	TERMS OF REFERENCE.....	2
IV.	OBJECTIVES OF THE NOI PROCEEDINGS.....	3
V.	BACKGROUND.....	3
VI.	CREDITORS	7
VII.	SECURITY OPINION.....	8
VIII.	STALKING HORSE AGREEMENT.....	8
IX.	SALE AND STALKING HORSE SOLICITATION PROCESS.....	14
X.	THE APPLICANT’S CASH FLOW FORECAST.....	18
XI.	STAY EXTENSION.....	21
XII.	PROPOSAL TRUSTEE’S CONCLUSION AND RECOMMENDATIONS	22

APPENDICES

APPENDIX “A” – Certificate of Filing of a Notice of Intention to Make a Proposal

APPENDIX “B” – Cash flow forecast for the period from May 20, 2023 to July 21, 2023

Court File No.: 31-2946538

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL UNDER THE
BANKRUPTCY AND INSOLVENCY ACT, R.S.C. 1985, c. B-3, AS AMENDED OF
DECISIONONE CORPORATION, a corporation formed under the laws of New Brunswick**

**FIRST REPORT OF KPMG INC. in its capacity as
PROPOSAL TRUSTEE UNDER THE
NOTICE OF INTENTION OF
DECISIONONE CORPORATION**

JUNE 1, 2023

I. INTRODUCTION

1. DecisionOne Corporation, a corporation formed under the laws of New Brunswick (“**D1 Canada**”, the “**Applicant**”, or the “**Company**”) filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) on May 19, 2023 (the “**Filing Date**”). Attached as **Appendix “A”** hereto is the Certificate of Filing of a Notice of Intention to Make a Proposal issued by the Office of the Superintendent of Bankruptcy.
2. KPMG Inc. (“**KPMG**” or the “**Proposal Trustee**”) acts as proposal trustee in the NOI proceedings of D1 Canada (the “**Proceedings**”).
3. This first report of the Proposal Trustee (the “**First Report**”) is being delivered in connection with the Company’s motion currently scheduled to be heard on June 5, 2023 (the “**June 5 Motion**”) seeking an Order from the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), among other things:
 - (i) approving the proposed “stalking horse” solicitation process to be implemented with respect to the sale of the business and/or assets of D1 Canada (the “**Sale Process**”);
 - (ii) authorizing and approving the execution of the asset purchase agreement dated May 22, 2023 (the “**Stalking Horse Agreement**”) between D1 Canada and STC Lender LP (the “**Stalking Horse Bidder**”) to act as the “stalking horse” sale agreement in the Sale Process (the “**Stalking Horse Bid**”);
 - (iii) should no superior offer result from the Sale Process, approving the transaction contemplated by the Stalking Horse Agreement (the “**Proposed Transaction**”) and vesting the Purchased Assets (as defined in the Stalking Horse Agreement) in the Stalking Horse Bidder (in such capacity, the “**Purchaser**”);
 - (iv) extending the time for D1 Canada to file a proposal to July 19, 2023 (the “**Stay Period**”);
 - (v) to the extent included in the Cash Flow Forecast or as otherwise agreed in advance by the Stalking Horse Bidder, authorizing payments of all outstanding and future wages, salaries, employee and pension benefits, vacation pay and expenses payable related to the period prior to the Filing Date, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
 - (vi) to the extent included in the Cash Flow Forecast or as otherwise agreed in advance by the Stalking Horse Bidder, authorizing payments up to an aggregate total of \$100,000 for amounts

incurred prior to the Filing Date, if, in the opinion of the Applicant and the Proposal Trustee, the payment is critical to the business and operations of D1 Canada (the “**Critical Payments**”); and

- (vii) approving this First Report and the activities described herein.
4. Electronic copies of the motion materials filed by the Applicant in connection with the June 5 Motion, and other statutory materials are available on the Proposal Trustee’s website at: www.kpmg.com/ca/DecisionOne.

II. PURPOSE OF THIS FIRST REPORT AND ITS LIMITATIONS

5. KPMG, in its capacity as Proposal Trustee, has reviewed the Court materials filed by the Applicant in support of these Proceedings. The purpose of this First Report is to provide information to this Honourable Court pertaining to:
- (i) the Company, the circumstances surrounding the commencement of these Proceedings and the main objectives of these Proceedings;
 - (ii) the Company’s creditors;
 - (iii) the Proposed Transaction pursuant to the Stalking Horse Agreement;
 - (iv) the proposed Sale Process;
 - (v) the Company’s cash flow forecast through the period ending July 21, 2023 (the “**Cash Flow Forecast**”);
 - (vi) the Company’s request for an extension of the Stay Period; and
 - (vii) the Proposal Trustee’s conclusion and recommendation.

III. TERMS OF REFERENCE

6. Capitalized terms used but not defined in this First Report are as defined in the Affidavit of Jeffrey Varsalone sworn May 23, 2023 (the “**Varsalone Affidavit**”), filed by the Applicant as part of its materials in support of the June 5 Motion. This First Report should be read in conjunction with the Varsalone Affidavit, as certain information contained in the Varsalone Affidavit has not been included herein in order to avoid unnecessary duplication.
7. In preparing this First Report, the Proposal Trustee has relied solely on information and documents provided by the Applicant and its advisors, including unaudited financial information, declarations

and the Varsalone Affidavit (collectively, the “**Information**”). In accordance with industry practice, except as otherwise described in the First Report, KPMG has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. However, the Proposal Trustee has not audited or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Generally Accepted Auditing Standards (“**GAAS**”) pursuant to the *Chartered Professional Accountants of Canada Handbook* and, accordingly, the Proposal Trustee expresses no opinion or other form of assurance contemplated under GAAS in respect of the Information.

8. Future orientated financial information contained in the Cash Flow Forecast is based on the Applicant’s estimates and assumptions regarding future events. Actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposal Trustee expresses no assurance as to whether the Cash Flow Forecast will be achieved.
9. Unless otherwise stated, all monetary amounts noted herein are expressed in Canadian dollars.

IV. OBJECTIVES OF THE NOI PROCEEDINGS

10. The primary objectives of these Proceedings are to:
 - (i) ensure the Applicant has the necessary stability to maintain ongoing operational capabilities;
 - (ii) implement the Sale Process to effect a sale of the business and/or assets of the Applicant; and
 - (iii) provide a forum to approve and execute the Stalking Horse Agreement and complete the Proposed Transaction, or such other transaction resulting from the Sale Process.
11. The Applicant intends to move through the Proceedings expeditiously, with the goal of completing a ‘going concern’ sale of the Company’s business and assets as soon as practicable.

V. BACKGROUND

12. Detailed information with respect to the Applicant’s business, operations, and causes of financial difficulty are detailed extensively in the Varsalone Affidavit. The information contained in this section to this First Report represents only a summary of the background on the Applicant’s business and affairs.

13. As noted in the Varsalone Affidavit, DecisionOne Corporation (Delaware) (“**D1 US**”) is the direct parent corporation of D1 Canada (together with D1 US, “**DecisionOne**”), and Soroc Technology Holdings LLC (“**Soroc Holdings**”) is the parent corporation of D1 US.
14. D1 Canada provides IT asset management, including planning, procurement, upgrades and dispositions, staffing augmentation, general day-to-day IT support services, technology consulting and digital signage across Canada (the “**Business**”). D1 Canada’s business line was previously partially integrated with that of D1 US, sharing executive management and certain administrative and support functions. D1 Canada also supports certain customers in Canada that were also D1 US customers in the United States. As described in greater detail below, the D1 US business has been separately sold.
15. Following the D1 Acquisition (as hereinafter defined), D1 Canada’s headquarters were located at 607 Chrislea Rd, Woodbridge, Ontario, and the D1 US headquarters were also located at this address.
16. As at the date of this First Report, D1 Canada employs approximately 20 full-time employees.
17. D1 Canada’s employees do not benefit from a company-backed pension plan, are not represented by a union and are not subject to a collective bargaining agreement.

Historical Financial Results

18. Included in the Varsalone Affidavit are copies of the Applicant’s unaudited financial statements for the year ended December 31, 2022. In the year ended December 31, 2022, D1 Canada generated an operating loss of approximately \$590,000. Set out below is a summary of D1 Canada’s balance sheet as at December 31, 2022.

DecisionOne Corporation	
Balance sheet as at December 31, 2022	
(in \$US)	
ASSETS	
Current Assets	
Cash	(\$840,777.19)
Accounts receivable	\$1,525,788.16
Accrued revenue	\$199,693.19
Inventory	\$1,162.63
Prepaid expenses and other assets	\$13,327.48
Total current assets	\$899,194.27
Property and Equipment	
Other assets	\$10,373.56
Total Assets	\$909,567.83
LIABILITIES AND SHAREHOLDERS' DEFICIT	
Current Liabilities	
Accounts payable	\$725,480.32
Accrued liabilities	\$10,412,432.46
Deferred revenues	\$30,912.73
Total current liabilities	\$11,168,825.50
Other liabilities	\$4,925,982.43
Total Liabilities	\$16,094,807.93
Shareholders Deficit	
Additional Paid-In Capital	\$11,660,989.46
Accumulated deficiency	(\$29,547,079.94)
Current Year Income	(\$685,134.28)
Accumulated other comprehensive loss	\$3,385,984.66
Total shareholders' Deficit	(\$15,185,240.10)
Total Liabilities and Shareholders' Deficit	\$909,567.83

19. The Proposal Trustee understands that as at April 30, 2023, the book value of the Company's assets and liabilities were approximately US\$900,000 and US\$16.3 million (excluding D1 Canada's partial guarantee of the Term Facility debt (as described below), respectively, and that the book value of its current liabilities exceeded that of its current assets by approximately US\$10.4 million.

Causes of Financial Difficulty

20. As described in the Varsalone Affidavit, in 2022 DecisionOne was acquired by Soroc Holdings, who operated a complementary business (the "**D1 Acquisition**"). The D1 Acquisition was funded primarily through a substantial increase in an existing senior secured term facility (the "**Term Facility**") for which Fiera Comox Private Credit Opportunities Open-End Fund L.P. and White Oak Global

Advisors, LLC are lenders (collectively, the “**Term Lenders**”), with White Oak Global Advisors, LLC acting as the lead arranger (the “**Term Loan Agent**”).

21. Some of the obligations under the Term Facility are secured by general security interests granted by D1 Canada, among others.
22. The credit facilities operated on a consolidated basis for DecisionOne along with Soroc Technology Inc. and Soroc Technology Corp. (collectively, “**Soroc**”), former operating subsidiaries of Soroc Holdings. The D1 Acquisition significantly increased the leverage and debt servicing costs of DecisionOne and Soroc. The Proposal Trustee understands that from the time of the D1 Acquisition, DecisionOne has consistently been cash flow negative, has not been commercially beneficial to the corporate group, and has experienced unsustainable losses. As a result of the foregoing, the Proposal Trustee further understands that by November 2022, DecisionOne and Soroc had defaulted on various financial and other covenants with the Term Loan Agent.
23. In December 2022, Soroc Holdings engaged Jeff Varsalone as chief restructuring officer (“**CRO**”) of the Soroc, D1 US, the Applicant and certain other affiliates (collectively, the “**Soroc Group**”) and ultimately his firm VRS Restructuring Services LLC (the “**CRO Firm**”), to assist in evaluating the Soroc Group’s strategic options and managing its stakeholder groups.

Out of Court Restructuring Efforts

24. The Proposal Trustee understands that the Board and the CRO considered options to achieve going concern sales of the Soroc business to maintain the value of that business and the employment and engagement of approximately 800 employees and contractors.
25. The Proposal Trustee further understands that extensive efforts were also made to explore possible sales of DecisionOne’s business, and as described later in this First Report, various purchasers were canvassed to determine their interest. Detailed discussions regarding potential transaction structures and values for DecisionOne were undertaken with interested parties. However, any potential transaction was complicated by a number of operational and financial issues that DecisionOne continued to experience, and such discussions did not progress.
26. Beginning in February 2023, KPMG had been working with the Soroc Group in exploring certain restructuring alternatives available to the entities in the corporate group.

27. In March 2023, a majority of the operations of D1 US, and Soroc Holdings and their affiliates were sold to an affiliate of the Term Lenders through a series of credit bid and security enforcement transactions (the “**Credit Bid Transactions**”).
28. Through the Credit Bid Transactions, Toronto-Dominion Bank as secured revolving facility lender to the Soroc Group, was repaid in full, and the debt owing to the Term Lenders under the Term Facility was materially reduced.
29. The Proposal Trustee understands that D1 Canada’s business was not part of the Credit Bid Transaction involving D1 US because of concerns that the potential liabilities of D1 Canada could not be adequately resolved efficiently and quickly through private enforcement mechanisms in the U.S.
30. D1 Canada’s assets are the only remaining operating assets in the Soroc Group to be sold.

VI. CREDITORS

Secured Creditors

31. As detailed in the Varsalone Affidavit and noted above, the Applicant guaranteed some of the Term Facility. As of the Filing Date and following the Credit Bid Transactions described above, the Term Lenders are still owed approximately US \$46 million (excluding non-recourse amounts) with D1 Canada’s secured guarantee relating to at least US \$3 million of the amounts owing under the Term Facility.
32. The Proposal Trustee understands that the only remaining operating business and assets to support the Term Facility is the D1 Canada business, which generated revenue of less than US \$5 million in 2022.
33. The Proposal Trustee is aware of the Term Facility Agent’s registration against D1 Canada under the *Personal Property Security Act* (Ontario) and *Personal Property Security Act* (New Brunswick) (the “**PPSAs**”). Copies of the registrations made pursuant to the PPSAs are attached to Exhibit “F” to the Varsalone Affidavit.

Unsecured Creditors

34. Based on the Applicant’s books and records, as at the Filing Date, the Applicant’s unsecured vendor obligations totalled approximately \$777,000 (excluding intercompany liabilities).
35. Also based on the Applicant’s books and records, as at the Filing Date, the Applicant’s unsecured customer obligations totalled \$3.4 million in relation to a settlement agreement between D1 Canada,

D1 US and the Government of Canada, regarding certain alleged overpayments by the Government of Canada to DecisionOne (the “**CDOD Liability**”).

36. Also as at the Filing Date, the Applicant’s books and records indicate that D1 Canada’s intercompany indebtedness to its parent company, D1 US, totalled approximately \$19.6 million (the “**D1 US Payable**”). The Proposal Trustee understands that the intercompany indebtedness consists of (i) advances from the parent company of approximately \$14 million which are unsecured, non-interest bearing and due on demand, and (ii) a note payable to the parent company of approximately \$5.6 million which is unsecured, bears interest at 5% per annum, is due on demand and is repayable in U.S. dollars.

VII. SECURITY OPINION

37. The Proposal Trustee’s independent legal counsel, Stikeman Elliott LLP (“**Stikeman**”) conducted a security review of the Term Lenders’ security and rendered an opinion with respect to the validity and enforceability thereof under the laws of Ontario. This opinion states that (subject to the usual assumptions and qualifications contained therein), the Term Lenders’ personal property security is valid and enforceable and ranks in priority to other claims with respect to the personal property secured.
38. A similar opinion was obtained by the Proposal Trustee with respect to the validity and perfection of the Term Lenders’ personal property security under the laws of New Brunswick, which is the jurisdiction of incorporation of the Company.

VIII. STALKING HORSE AGREEMENT

40. As set out in the Varsalone Affidavit, the Company, with the assistance of its advisors and in consultation with the Proposal Trustee, has concluded that a restructuring focusing on completing an asset purchase agreement pursuant to the proposed Sale Process, will maximize value for all stakeholders.
41. The Company, the CRO, the Stalking Horse Bidder and their respective counsel (in consultation with the Proposal Trustee) have negotiated the terms and provisions of the Stalking Horse Agreement, a copy of which is attached as Exhibit “I” to the Varsalone Affidavit, pursuant to which the Stalking Horse Bidder would acquire, on an ‘as is, where is’ basis, substantially all of the business and assets of D1 Canada.

42. The material terms of the Stalking Horse Agreement include the following (all terms not otherwise defined herein shall have the meanings as defined in the Stalking Horse Agreement):

(i) Purchased Assets: include the following:

- all cash on hand and cash equivalents, other than the Excluded Cash in the amount of \$25,000 (or such larger amount as may be required to satisfy claims accruing after the Filing Date or that must otherwise be paid ahead of the Indebtedness under the Loan Agreement);
- all Purchased Contracts, as listed in Schedule “C” of the Stalking Horse Agreement;
- all Acquired Accounts Receivable, as listed in Schedule “A” of the Stalking Horse Agreement;
- all Inventory;
- all Intellectual Property of the Seller and Intellectual Property Agreements;
- all furniture, fixtures, equipment, marketing materials or other personal property used in the operations of the business;
- all insurance policies, to the extent transferable, excluding and directors and officers insurance policy;
- all prepaid expenses, excluding Tax refunds relating to the period prior to Closing;
- to the extent transferable, all licenses and permits required for the Sellers to conduct business as currently conducted;
- any pending or future litigation claims of the Seller; the goodwill of the Business and exclusive right to carry on the Business; and
- all Books and Records

(collectively, the “**Purchased Assets**”);

- (ii) Excluded Assets: In addition to the Excluded Cash, include:
- any intercompany Indebtedness;
 - any Contracts that are not Purchased Contracts;
 - all Accounts Receivable other than the Acquired Accounts Receivable;
 - Tax refunds relating to the period prior to Closing, up to the amount of \$2,000. The Proposal Trustee understands that, as at the date of this First Report, the Tax refunds are estimated to be less than \$2,000; and
 - any directors and officers insurance policies, or insurance policies not related to the Purchased Assets or Assumed Liabilities.
- (iii) The Purchaser may designate any assets of the Seller as Excluded Assets upon written notice to the Seller at least five (5) Business Days prior to the Closing Date;
- (iv) Assumed Liabilities: include the following:
- all Liabilities of the Seller relating to Purchased Contracts from and after the Closing Date;
 - Cure Costs in respect of the Purchased Contracts;
 - obligations in respect of Intellectual Property rights included within the Purchased Assets;
 - all obligations in respect of the Transferred Employees with respect to any period which accrued consistent with past practice, so long as they are not Excluded Liabilities. Not less than five (5) days prior to the Target Closing Date (or such other date as the parties may agree, acting reasonably), the Purchaser shall make an Offer to each employee it intends to employ (which shall not be less than 80% of current Employees), such Offer to be conditional and effective on Closing and on substantially similar terms and conditions of employment in the aggregate as provided by D1 Canada;

- the Assumed Accounts Payable and the Assumed Accrued Expenses, as listed in Schedules “D” and “E” of the Stalking Horse Agreement; and
 - other liabilities from and after Closing in connection with the Purchased Assets (collectively, the “**Assumed Liabilities**”);
- (v) Excluded Liabilities: specifically include:
- any Liability of the Seller relating to intercompany loans payable, including the D1 US Payable;
 - any Liability of the Seller relating to the CDOD Liability with the Government of Canada;
 - any Liability related to any Contract of the Seller unless it relates to a Purchased Contract;
 - all Liabilities related to Indebtedness for amounts borrowed by the Seller;
 - all Liabilities in respect of Accounts Payable that are not Assumed Accounts Payable;
 - all Liabilities in respect of Accrued Expenses that are not Assumed Accrued Expenses; and
 - all liabilities in respect of Employees who are not Transferred Employees and any severance Liabilities for Transferred Employees that may accrue as a result of the termination of employment with the Seller.
- (vi) Purchase Price: shall be the amount of US\$3,000,000, to be satisfied by a release of debt under the Term Facility of equal amount, plus the assumption of the Assumed Liabilities;
- (vii) Target Closing Date: means June 22, 2023. The parties covenant and agree to use their reasonable best efforts to satisfy and close the Proposed Transaction by the Target Closing Date. The closing of the transaction is conditional upon, among other things:

- the Court granting the Approval Order, which for greater certainty shall include the approval of the Sale Process;
 - the Purchaser being the Successful Bidder in the Sale Process; and
 - the Proposal Trustee having received a satisfactory independent legal opinion as to the validity and perfection of the Term Lenders' security interest in the Seller's assets pursuant to the Term Facility.
- (viii) the terms of the Stalking Horse Agreement dictate that the Seller shall obtain the Approval Order by no later than June 6, 2023;
- (ix) the Stalking Horse Agreement does not provide for any break fee or expense reimbursement in favour of the Purchaser in the event that the Proposed Transaction does not close;
- (x) Termination: The Stalking Horse Agreement may be terminated any time prior to the Closing Date by, among other things:
- mutual written consent of the Purchaser and Seller;
 - the Purchaser, if the Approval Order has not been obtained by June 6, 2023 (unless the Purchaser has agreed to extend such date);
 - the Purchaser, if the Purchaser is not the Successful Bidder following the Bid Deadline;
 - the Seller or Purchaser, if either has breached any of its obligations under the Stalking Horse Agreement; and
 - the Purchaser or Seller, if the Closing has not occurred by the End Date of June 30, 2023 (such date to be extended to July 19, 2023 should another Qualified Bid be submitted pursuant to the proposed Sale Process).
- (xi) the other conditions in favour of the Purchaser in the Stalking Horse Agreement are limited, and customary for transactions of this nature, including that there are no conditions regarding financing, or the outcome or review of any due diligence conducted.

43. The Proposal Trustee understands that there is the potential for unpaid amounts which are not Assumed Liabilities, and which may rank in priority to the Term Lenders' secured debt at Closing (the "**Priority Claims**") related to employee source deductions, priority claims of employees with unpaid wages who do not become Transferred Employees pursuant to the Proposed Transaction, and excise taxes (i.e. GST/HST). The Proposal Trustee further understands that any Priority Claims will be either satisfied a) prior to closing as projected in the Cash Flow Forecast, or b) following closing, from the Excluded Cash retained by the Applicant, and that such Excluded Cash is anticipated to be sufficient to satisfy any such Priority Claims.
44. The amount outstanding under the Term Facility and secured by D1's secured guarantee exceeds US \$3 million.
45. The Proposal Trustee is recommending that the Court approve the Stalking Horse Agreement for the purpose of being the Stalking Horse Bid in the proposed Sale Process for the following reasons:
- (i) in the Proposal Trustee's view, the terms of the Stalking Horse Agreement, which is being completed on an "as is, where is" basis, are reasonable in the circumstances. The Proposal Trustee understands that the Stalking Horse Agreement is the result of extensive negotiation, and that in prior marketing efforts (as further outlined later in this First Report), no other interested parties have engaged in any meaningful way with the Applicant for the acquisition of the D1 Canada business, separate from the D1 US business that has been sold.
 - (ii) furthermore, the Stalking Horse Agreement provides for the continuation of a significant portion of the Business, thereby assuring a customer for suppliers, employment offers for the majority of the Company's employees and an ongoing service provider for many customers.
 - (iii) the Proposal Trustee is not aware of any facts that would cause the Proposal Trustee to be of the view that the Stalking Horse Bidder will be unable to meet the conditions of the Stalking Horse Agreement.
46. Further, the Proposal Trustee is recommending that the Court approve the Proposed Transaction, and authorize the Applicant to complete the Proposed Transaction in the event that no superior bids result from the proposed Sale Process, for the following reasons:

- (i) the Proposal Trustee is also of the view that the conditional approval of the Stalking Horse Agreement provides a going concern solution that is more beneficial and more efficient for those parties with an economic interest in D1 Canada as compared to a subsequent sale or liquidation of assets in a bankruptcy proceeding, as it provides an opportunity to preserve employment for the majority of the Company's employees and avoids the vesting of all D1 Canada's assets and other property in the Proposal Trustee (as trustee-in-bankruptcy) upon bankruptcy, which would likely result in additional delays, expenses and loss of going concern value;
- (ii) as noted above, the Proposal Trustee has received a copy of the legal opinion prepared by its independent counsel, Stikeman Elliott LLP, which indicates that the Term Lenders' security is valid and enforceable subject to certain disclaimers; and
- (iii) The Proposal Trustee understands that any Priority Claims will be satisfied from cash on hand prior to Closing or from the Excluded Cash.

IX. SALE AND STALKING HORSE SOLICITATION PROCESS

Pre-Filing Solicitation Efforts

- 47. As previously noted, the Proposal Trustee understands that prior to the commencement of these Proceedings, the Applicant with the assistance of the CRO explored a potential sale of all, or substantially all of assets of DecisionOne in Canada and the US and other financing transaction opportunities (collectively the "**Pre-Filing Solicitation Efforts**").
- 48. The Proposal Trustee further understands that in light of the constrained liquidity position of DecisionOne, a targeted, informal and expedited solicitation process with a small number of logical strategic purchasers was undertaken by the CRO Firm.
- 49. The Proposal Trustee understands that the Applicant and the CRO canvassed six (6) selected strategic industry players who were either competitors or operating complementary businesses, and who were believed to have a strategic interest in DecisionOne's assets and operations, and the financial capacity to fund a purchase of the Business. Detailed discussions about potential transaction structures and values for DecisionOne were undertaken with three (3) of the six (6) interested parties, who submitted letters of intent indicating their proposed terms for a potential transaction, however such parties did not progress to the next stage.

50. The Pre-Filing Solicitation Efforts provided certain insight into potentially interested purchasers for D1 Canada's business, however as previously discussed, the Proposal Trustee understands that D1 Canada was not marketed on a standalone basis.

The Proposed Sale Process

51. The Applicant, the Proposal Trustee and their respective counsel (in consultation with the Stalking Horse Bidder and their counsel) have developed the proposed Sale Process, a copy of which is attached as Exhibit "J" to the Varsalone Affidavit, as a means of establishing a benchmark for the Company's assets and providing a forum for prospective purchasers to present one or more bids superior to that contemplated by the Stalking Horse Agreement, on a timeline to meet the financial and timing exigencies of these circumstances.
52. The Proposal Trustee will be responsible for conducting the proposed Sale Process on behalf of the Vendor, and the principal elements of the Sale Process are outlined below (capitalized terms used but not defined herein have the meaning ascribed to them in the Sale Process).

Solicitation Process

53. As soon as reasonably practicable before or after the granting of the Approval Order, but in any event no more than three (3) business days thereafter, the Proposal Trustee, in consultation with the Vendor, will deliver the Sales Package to potential bidders, including the Known Potential Bidders who had previously been approached by the Applicant, the CRO or D1 US (the "**Target List**"). The Proposal Trustee, in consultation with the CRO, prepared the Target List and the Sales Package, and as at the date of this First Report, has distributed the Sales Package, primarily consisting of a 'teaser' document summarizing the opportunity, to the Target List comprising approximately forty (40) parties over the course of May 23 and May 24, 2023. In consultation with the CRO, one (1) additional potential bidder was subsequently added to the Target List and received a Sales Package on May 29, 2023.
54. Interested parties will be granted access to a virtual data room upon execution of a non-disclosure agreement (an "**NDA**") in form and substance acceptable to the Vendor and the Proposal Trustee. The Proposal Trustee has established and populated the virtual data room with information pertaining to the opportunity. As at the date of this First Report, the Proposal Trustee has been in discourse with certain potential interested parties, and two (2) of these parties have executed NDAs with the Applicant and been granted access to the virtual data room by the Proposal Trustee.

Bidding Process

55. In order to be a Qualified Bidder, a bidder must submit a binding bid substantially in the form of the Stalking Horse Agreement that provides for, among other things, cash consideration of at least US \$3,150,000 (the “**Base Purchase Price**”), to the Proposal Trustee via email no later than 5:00 p.m. (EST) on June 20, 2023 (the “**Bid Deadline**”). The Base Purchase Price reflects a bid increment of US \$150,000 over the Stalking Horse Agreement Purchase Price.
56. All Qualified Bids must include the following:
- (i) proposed purchase price in cash consideration distributable to creditors of the Vendor in accordance with their respective priorities at least equal to the Base Purchase Price;
 - (ii) a description of any non-cash consideration including details of any liabilities (including operating liabilities) to be assumed by the bidder;
 - (iii) a description of the property, contracts and assets that are subject to the transaction;
 - (iv) a description of all excluded: (a) property, contracts or assets; and (b) liabilities;
 - (v) no conditions other than Court approval, including no conditions regarding financing, or the outcome or review of any due diligence;
 - (vi) any other terms or conditions of the bid that the bidder believes are material to the transaction;
 - (vii) a provision stating that the Qualified Bid is irrevocably open for acceptance until the earlier of (i) the closing of a Sale approved by the Court; and (ii) July 19, 2023;
 - (viii) reasonable certainty of completion of a Sale by no later than July 19, 2023;
 - (ix) a description of the identity of the bidder together with (i) full disclosure of any entities and/or individuals that control the bidder and/or the beneficial owner (if any) with the power, directly or indirectly, to cause the direction of the management and policies of the bidder; and (ii) evidence of authorization from such bidder’s board of directors (or comparable governing body acceptable to the Proposal Trustee and the Vendor) with respect to the submission of the bid and the consummation of the transaction contemplated by the bid;

- (x) an executed copy of a binding Sale agreement and a redline of the bidder's proposed purchase agreement reflecting variations from the Stalking Horse Agreement;
 - (xi) a cash deposit in the amount of not less than ten percent of the purchase price offered by such bid, in the form of a wire transfer, certified cheque or such other form acceptable to the Proposal Trustee (the “**Bid Deposit**”), which shall be held in the trust account of the Proposal Trustee's solicitors (the “**Escrow Account**”);
 - (xii) evidence of sufficient funding commitments or other financial capability to consummate the proposed transaction; and
 - (xiii) the Bid submitted by the Additional Bidder must be executed and irrevocable.
57. Pursuant to the terms of the proposed Sale Process, the Stalking Horse Agreement is considered to be a Qualified Bid, and the Stalking Horse Bidder a Qualified Bidder, for the purposes of the Bid Deadline.
58. The Proposal Trustee shall review: (a) all bids and determine whether such bids are Qualified Bids; and (b) shall recommend to the Vendor which Qualified Bid is the best offer. The Proposal Trustee, in consultation with and approval of the Vendor, may waive strict compliance with any one or more of the requirements specified above other than the requirement in (a) and deem such non-compliant bids to be a Qualified Bid.
59. If one or more Qualified Bids (other than the Stalking Horse Agreement) have been received by the Proposal Trustee on or before the Bid Deadline, the Proposal Trustee may elect to advise all Qualified Bidders of the lead bid and invite all Qualified Bidders (including the Stalking Horse Bidder) to attend an auction to be conducted by the Proposal Trustee (the “**Auction**”). The auction procedures are to be established by the Proposal Trustee in a further auction procedures letter from the Proposal Trustee (the “**Auction Procedures**”). The Auction Procedures shall include minimum bid increments of US \$150,000 and the Auction may be conducted in person or by video conference.
60. The “**Successful Bid**” shall be either: (i) the Stalking Horse Agreement, automatically and without further action, if no Qualified Bid other than the Stalking Horse Agreement is submitted by the Bid Deadline; or (ii) the Qualified Bid that is (a) the successful bid in the Auction pursuant to the Auction Procedures, if an Auction is undertaken; or (b) selected as the successful bidder by the Proposal

Trustee in accordance with these Sale Procedures, if one or more Qualified Bids other than the Stalking Horse Agreement is submitted by the Bid Deadline.

61. The Sale Process must be completed by July 19, 2023 and any material delay to same requires prior consent of the Stalking Horse Bidder, or an order of the Court.
62. The proposed Sale Process contemplates a marketing period for the Company's business and assets of approximately four (4) weeks prior to the Bid Deadline. In the Proposal Trustee's view, although the timelines in the proposed Sale Process are truncated, they are sufficient to allow interested parties to perform due diligence and to submit offers in light of the small scale and lack of complexity of D1 Canada's business. Further, if applicable, the Auction provides for a quicker second round of negotiations between the Applicant, in consultation with the Proposal Trustee and the Stalking Horse Bidder. The Applicant does not have sufficient liquidity or access to funding to support a lengthier sale process, and the duration of the proposed Sale Process and the existence of the Stalking Horse Agreement should provide certainty for the Company's stakeholders.
63. The Proposal Trustee is of the view that, in the circumstances, the proposed Sale Process is well-structured to provide an opportunity to complete a going concern sale of D1 Canada and to maximize the value of the Company's business for the benefit of the stakeholders.

X. THE APPLICANT'S CASH FLOW FORECAST

64. The Applicant, in consultation with the Proposal Trustee, has prepared the Cash Flow Forecast for the purpose of projecting the Applicant's estimated liquidity position during the period from May 20, 2023 through to July 21, 2023 (the "**Forecast Period**"), a summary of which is included below. A copy of the Cash Flow Forecast is attached hereto as **Appendix "B"**.

DecisionOne Corporation	
Cash Flow Forecast for the Period from May 20, 2023 to July 21, 2023	
(in \$CAD)	Total
Receipts	
Collection of accounts receivable	224,641
Total Receipts	224,641
Disbursements	
Operating disbursements	(85,117)
HST Remittances	(25,121)
Payroll & benefits	(293,518)
Professional fees	-
Total Disbursements	(403,755)
Net Cash Flow	(179,114)
Bank Balance	
Opening	224,777
Net Cash Flow	(179,114)
Ending Bank Balance	45,663

65. The Cash Flow Forecast projects that the Applicant will experience a net cash outflow of approximately \$179,000 over the Forecast Period, composed of:

- (i) cash receipts of approximately \$225,000, primarily related to the collection of existing accounts receivable; and
- (ii) cash disbursements of approximately \$404,000, primarily related to trade payments, payroll and benefits, and other operating disbursements.

66. The Cash Flow Forecast excludes disbursements related to the fees and disbursements of the Company's counsel, the Proposal Trustee, and the Proposal Trustee's counsel. Retainer payments were made to the Proposal Trustee prior to the commencement of the Proceedings which were intended to cover the fees and disbursements of the Proposal Trustee and its counsel during the Proceedings. The Proposal Trustee understands that similar arrangements were made with the Company's counsel, and as such that no administration charge is being sought in these Proceedings at this time.

67. The key underlying assumptions in the Cash Flow Forecast are summarized as follows:

- (i) collections of accounts receivable are forecast based on collection terms but are subject to timing differences within the month, which may result in temporary variances from forecast;
- (ii) operating disbursements relate to purchases and other ongoing costs incurred by the Company for work performed on ongoing projects, and payment of employee benefits; and

- (iii) wages and benefits for the Company's employees retained on an ongoing basis during these Proceedings. There are certain administrative employees of the Applicant who also support the D1 US business pursuant to a transition services agreement, following the respective Credit Bid Transaction. Should the Successful Bidder be a party other than the Stalking Horse Bidder, it is assumed for the purposes of the Cash Flow Forecast only, that the SG&A employees would be engaged by the D1 US business following the Bid Deadline.
68. The Cash Flow Forecast has been prepared by the Applicant on a conservative basis using probable and hypothetical assumptions set out in the notes to the Cash Flow Forecast. The Cash Flow Forecast reflects the Applicant's estimate of receipts and disbursements on a weekly basis over the Forecast Period, based on information that is available at the time of preparation.
69. The Proposal Trustee's review of the Cash Flow Forecast consisted of inquiries, analytical procedures and discussions related to Information supplied to it by the Applicant. Since the probable and hypothetical assumptions need not be supported, the Proposal Trustee's procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposal Trustee also reviewed the support provided by the Applicant's management for the probable and hypothetical assumptions, and the preparation and presentation of the Cash Flow Forecast.
70. Based on the Proposal Trustee's review, as at the date of this First Report, nothing has come to its attention that causes it to believe that, in all material respects:
- (i) the probable and hypothetical assumptions are not consistent with the purpose of the Cash Flow Forecast;
 - (ii) the probable and hypothetical assumptions developed by the Applicant are not suitably supported and consistent with the restructuring plan of the Applicant or do not provide a reasonable basis for the Cash Flow Forecast; or
 - (iii) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.
71. The Proposal Trustee notes that the Cash Flow Forecast has been prepared solely for the purpose described above, and readers are cautioned that it may not be appropriate for other purposes.

Pre-Filing Payments

72. The Proposal Trustee understands that the Applicant has made payments to employees for wages relating to the period prior to the Filing Date (the "**Pre-Filing Wages**"), and as noted earlier in this

First Report, is seeking this Court's approval of same. Disbursements related to the Pre-Filing Wages are included in the Cash Flow Forecast, and the Proposal Trustee is of the view that the payment of the Pre-Filing Wages is reasonable in light of the Applicant's efforts to conduct the business in the ordinary course for the purposes of the Stalking Horse Agreement and the Sale Process in order to maximize going concern value for the stakeholders.

73. Also as noted earlier in this First Report, the Applicant intends to seek this Court's approval to make certain Critical Payments, if, in the opinion of the Applicant and the Proposal Trustee, the payment is critical to the business and operations of D1 Canada. The Proposal Trustee understands that, as of the date of this First Report, the Applicant has made Critical Payments in the amount of approximately \$13,500 in aggregate, and such payments were included in the Cash Flow Forecast provided to the Stalking Horse Bidder. The Proposal Trustee is supportive of the Critical Payments made to date, as the payments were made to vendors which the Proposal Trustee understands are integral to D1 Canada's business, and which amounts would have otherwise been assumed by the Stalking Horse Bidder pursuant to the Proposed Transaction, should it be completed.

XI. STAY EXTENSION

74. The stay of proceedings expires on June 17, 2023, prior to the Bid Deadline in the proposed Sale Process (June 20, 2023), and the Target Closing Date in the Stalking Horse Agreement (June 22, 2023). The Applicant is requesting an extension of the stay of proceedings to July 19, 2023, in line with the outside date in the proposed Sale Process.
75. The Proposal Trustee is of the view that the request extension of the stay of proceedings is appropriate for the following reasons:
- (i) the Company and its management are acting with good faith and due diligence in taking steps to facilitate a sale of the business and assets;
 - (ii) the extension of the Stay Period should allow sufficient time for the Company to enter into a binding sale agreement with the Successful Bidder, and in the absence of a superior bid to the Stalking Horse Bid, would allow sufficient time for the completion of the Proposed Transaction;
 - (iii) the Cash Flow Forecast indicates that the Company will have sufficient liquidity to continue to fund operations and the cost of the Proceedings through July 19, 2023, if the

proposed Order is granted. Should the Stalking Horse Bidder be the Successful Bidder, the Proposed Transaction is anticipated to be completed by no later than June 30, 2023; and

- (iv) the Proposal Trustee is not aware of any reason that the extension of the Stay Period would prejudice any creditors.

XII. PROPOSAL TRUSTEE'S CONCLUSION AND RECOMMENDATIONS

76. Based on the foregoing, the Proposal Trustee respectfully recommends that the Court grant the relief referenced in paragraph 3 herein.

All of which is respectfully submitted this 1st day of June, 2023.

KPMG Inc.
In its capacity as Proposal Trustee of
DecisionOne Corporation
And not in its personal or corporate capacity

Per:



Katherine Forbes
CPA, CA, CIRP, LIT
Senior Vice President

Appendix “A”

Certificate of Filing a Notice of Intention to Make a Proposal



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2946538
Estate No. 31-2946538

In the Matter of the Notice of Intention to make a proposal of:

DecisionOne Corporation

Insolvent Person

KPMG INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

May 19, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: May 23, 2023, 08:11

E-File/Dépôt Electronique

Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

Appendix “B”

Cash flow forecast for the period May 20, 2023 to July 21, 2023


DecisionOne Corporation											
Cash Flow Forecast for the Period from May 20, 2023 to July 21, 2023											
(in \$CAD)											
Week Ending	Notes	Forecast									Total
		5/26/2023	6/2/2023	6/9/2023	6/16/2023	6/23/2023	6/30/2023	7/7/2023	7/14/2023	7/21/2023	
Receipts											
Collection of accounts receivable	1	4,641	20,000	20,000	30,000	30,000	30,000	30,000	30,000	30,000	224,641
Total Receipts		4,641	20,000	20,000	30,000	30,000	30,000	30,000	30,000	30,000	224,641
Disbursements											
Operating disbursements	2	(1,372)	(8,275)	(8,275)	(11,199)	(11,199)	(11,199)	(11,199)	(11,199)	(11,199)	(85,117)
HST Remittances	3	(12,121)	-	-	-	-	(13,000)	-	-	-	(25,121)
Payroll & benefits	4	(79,545)	-	(79,545)	-	(62,704)	-	(38,844)	-	(32,879)	(293,518)
Professional fees	5	-	-	-	-	-	-	-	-	-	-
Total Disbursements		(93,038)	(8,275)	(87,820)	(11,199)	(73,903)	(24,199)	(50,043)	(11,199)	(44,079)	(403,755)
Net Cash Flow		(88,397)	11,725	(67,820)	18,801	(43,903)	5,801	(20,043)	18,801	(14,079)	(179,114)
Bank Balance											
Opening		224,777	136,380	148,105	80,284	99,085	55,183	60,984	40,940	59,741	224,777
Net Cash Flow		(88,397)	11,725	(67,820)	18,801	(43,903)	5,801	(20,043)	18,801	(14,079)	(179,114)
Ending Bank Balance		136,380	148,105	80,284	99,085	55,183	60,984	40,940	59,741	45,663	45,663

Notes

General note: All capitalized terms not otherwise defined herein have the meaning ascribed in the First Report. The Cash Flow Forecast assumes that the Successful Bidder in the Sale Process is not the Stalking Horse Bidder, and that as a result the Successful Bidder requires the entire period to July 19th in order to close a transaction. Should the Stalking Horse Bidder be the Successful Bidder, closing of the Proposed Transaction is anticipated prior to June 30, 2023.

- 1 Collections of accounts receivable are based on customer payments terms, and are subject to timing differences within the month which may result in variances from weekly forecast.
- 2 Operating disbursements reflect payment of operating costs incurred by the Company for work performed on ongoing projects. Includes payroll benefits which are not paid through the Company's payroll processing system.
- 3 Monthly HST remittances of sales tax collected on sales made to customers, net of ITCs.
- 4 Wages and benefits for the Company's employees retained during the Sale Process in the NOI proceedings to service ongoing projects. Includes both SG&A and client-facing employees that support the operations of DecisionOne Canada through to the June 20, 2023 Bid Deadline. The SG&A employees also support the D1 US business pursuant to a transition services agreement. Should the Successful Bidder be a party other than the Stalking Horse Bidder, it is assumed for the purposes of this Cash Flow Forecast only, that the SG&A employees would be engaged by the D1 US business following the Bid Deadline.
- 5 Payments for the professional fees and disbursements of the Company's legal counsel, the Proposal Trustee and the Proposal Trustee's legal counsel (the "Fees") are excluded as retainer payments were made to the Company's legal counsel and the Proposal Trustee prior to the commencement of the NOI proceedings which are anticipated to be sufficient to cover the Fees during the Cash Flow Forecast period.

Dated at Bedford, New Hampshire, this 31st day of May, 2023



DecisionOne Corporation

Jeffery T. Varsalone, Chief Restructuring Officer

Name of Signing Officer