

IN THE MATTER OF THE BANKRUPTCY OF
DECISIONONE CORPORATION

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS
ON PRELIMINARY ADMINISTRATION

BACKGROUND

DecisionOne Corporation (“**D1 Canada**”) is a corporation formed under the laws of New Brunswick. DecisionOne Corporation (a Delaware corporation) (“**D1 US**”) is the direct parent corporation of D1 Canada (together with D1 US, “**DecisionOne**”), and Soroc Technology Holdings LLC (“**Soroc Holdings**”, and together with DecisionOne, the “**Soroc Group**”) is the parent corporation of D1 US.

D1 Canada provided 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. 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 supported certain customers in Canada that were also D1 US customers in the United States.

DecisionOne was acquired by Soroc Holdings in early 2022 (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**”). 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. D1 Canada was a guarantor of a portion of the Term Facility and provided security to the Term Lenders in respect of the guaranteed portion of the Term Facility.

D1 Canada NOI Proceedings

On May 19, 2023, D1 Canada filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to subsection 50.4(1) of the *Bankruptcy and Insolvency Act* (Canada) (the “**BIA**”), such proceedings being the “**NOI Proceedings**”. KPMG acted as proposal trustee in the NOI Proceedings (in such capacity, the “**Proposal Trustee**”). By order of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”), D1 Canada was granted an extension of time in which to file a proposal, through July 19, 2023.

As described in greater detail below, prior to the commencement of the NOI Proceedings, the D1 US business was separately sold.

The Proposal Trustee conducted a Court-approved “stalking horse” solicitation process with respect to the sale of the business and/or assets of D1 Canada (the “**Sale Process**”) in the NOI Proceedings, whereby an asset purchase agreement dated May 22, 2023 (the “**Stalking Horse Agreement**”) between D1 Canada STC Lender LP (the “**Stalking Horse Bidder**”), acted as the “stalking horse” sale agreement in the Sale

Process (the “**Stalking Horse Bid**”). The Stalking Horse Bidder is an affiliate of the Term Lenders. The Stalking Horse Agreement contemplated, among other things, the purchase of all of D1 Canada’s realizable assets, and the satisfaction of the cash purchase price through a release of a portion of the debt under the Term Facility, in the amount of US\$3,000,000.

No bids were received in the Sale Process other than the Stalking Horse Bid, and as such, pursuant to Court order, D1 Canada and the Stalking Horse Bidder completed the transaction pursuant to the Stalking Horse Agreement on June 22, 2023 (the “**Sale Transaction**”).

BANKRUPTCY PROCEEDINGS

D1 Canada did not file a proposal by the July 19, 2023 deadline, and as such was deemed bankrupt pursuant to subsection 50.4(8)(b.1) of the BIA on July 20, 2023. KPMG was appointed as trustee of the bankrupt estate (the “**Trustee**”) by the Official Receiver, subject to affirmation by the creditors of the Trustee’s appointment or substitution of another trustee by creditors at the first meeting of creditors.

On July 24, 2023, notice of the first meeting of creditors, a list of creditors, proof of claim form and proxy were sent to all known creditors of D1 Canada and on July 26, 2023, a notice of the bankruptcy and the first meeting of creditors was published in the National Post.

The activities of the Trustee since its appointment have primarily consisted of statutory work in accordance with the provisions of the BIA.

CAUSES OF INSOLVENCY

The Trustee understands that acquisition of DecisionOne did not lead to the commercial benefits anticipated. In particular, DecisionOne was, from the time of acquisition, a persistently negative cash flow business. The losses from DecisionOne were unsustainable in view of the size of DecisionOne and the additional leverage and debt service costs resulting from its acquisition. As a result, by November 2022, DecisionOne and Soroc had defaulted on various financial and other covenants with the Term Loan Agent.

The Trustee further understands that extensive efforts were made to explore possible sales of Soroc’s business and of DecisionOne’s business, which efforts were unsuccessful. Finally, each of Soroc and D1 US were separately sold through credit bid transactions with the Term Lenders, and shortly thereafter (as noted above), the business and assets of D1 Canada were sold pursuant to the Sale Transaction.

FINANCIAL POSITION/ASSETS

For the reasons noted above, the D1 Canada Statement of Affairs does not indicate any assets. As a result, it is anticipated that there will be no funds available for distribution to the creditors of D1 Canada.

BOOKS AND RECORDS OF THE BANKRUPT

As at the date of this report, the Stalking Horse Bidder is in possession of the books and records of D1 Canada pursuant to the terms of the Stalking Horse Agreement and has taken steps to preserve same in

accordance with statutory requirements. As a result, the Trustee has not taken possession of D1 Canada's books and records.

SECURED CREDITORS

As noted above, D1 Canada has granted a security interest in favour of the Term Lenders for a portion of the Term Facility. As D1 Canada has no assets, its Statement of Affairs indicates that the amount outstanding on the Term Facility is unsecured, and that there were no known secured creditors as at the date of bankruptcy.

SECURITY FOR UNPAID WAGES – S.81.3 CLAIMS

The Trustee understands that there are no amounts outstanding to former employees of D1 Canada for unpaid wages.

PREFERRED CREDITORS

The D1 Canada Statement of Affairs indicates that there were no known preferred creditors as at the date of bankruptcy.

UNSECURED CREDITORS

The Company's Statement of Affairs indicates that there are 17 unsecured creditors with claims totaling approximately \$82.3 million, including remaining amounts owing on the Term Facility.

PROVABLE CLAIMS

As at 9:00 a.m. on the date of this report, the Trustee has recorded Proof of Claims filed, as follows:

		Claims Filed	Amount	Proxies in Favour of Trustee	Amount
	Notes	#	(\$)	(#)	(\$)
Secured		Nil	Nil	Nil	Nil
Unsecured	1	2	64,727	Nil	Nil
Total		2			

Note 1: The Trustee received a total of 2 proofs of claim against D1 Canada. The Trustee received 2 proofs of claim containing unsecured claims.

PREFERENCE PAYMENTS AND TRANSFERS AT UNDER VALUE

The Trustee has not performed a review of D1 Canada's books and records, with respect to potential fraudulent preferences, settlements or transfers at undervalue, as defined in the BIA. It is the intention of the Trustee to discuss the scope of its review with the Inspectors to be appointed at the first meeting of creditors.

TRUSTEE'S FEES

The Trustee is in possession of a guarantee in the amount of \$50,000 from a third party to fund the professional fees and disbursements of these bankruptcy proceedings, as needed, up to the amount of \$50,000. As the depositor may be subject to undue attention, the name of the third party has not been disclosed.

OTHER

Further information related to D1 Canada's bankruptcy proceedings may be obtained from the Trustee's website at www.kpmg.com/ca/DecisionOne.

Dated at Toronto, Ontario this 3rd day of August, 2023

KPMG Inc.,
in its capacity as Trustee of the estate of
DecisionOne Corporation and not in its personal capacity

Per:



Katherine Forbes, LIT