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CANADA
PROVINCE OF QUEBEC
DISTRICT OF MONTREAL
N°: 500-11-062601-238

SUPERIOR COURT
(Commercial division)

In the matter of the receivership of:

KALOOM INC.

Debtor

- and -

INVESTISSMENT QUÉBEC

Secured Creditor

- and -

KPMG INC.

Receiver

REPORT OF THE RECEIVER FOR THE ISSUANCE OF AN APPROVAL AND VESTING ORDER

I, the undersigned, Stéphane De Broux, of KPMG inc. (“**Receiver**” or “**KPMG**”), Receiver of the assets of Kaloom Inc. (“**Kaloom**”, “**Company**” or “**Debtor**”) in accordance with the order issued on July 14, 2023, by the Superior Court of Montreal (the « **Court** »).

INTRODUCTION

1. Kaloom was founded on November 21, 2014 under the Canada Business Corporations Act. The Company was active in the research and development of software networking solutions. Its target clientele was mainly data centers and cloud service providers.
2. The Court declares that the order appointing a Receiver (the « **Order** ») and its effects shall survive the filing by the Debtor or the Receiver of a notice of intention to make a proposal (« **NOI** ») under the Bankruptcy and Insolvency Act, the issuance of an initial order against the Debtor under the Companies' Creditors Arrangement Act (« **CCAA** ») or the bankruptcy of the Debtor, unless a specific order to the contrary is made by the Court.



RECEIVERSHIP ACTIVITIES

3. Following his appointment, the Receiver began the realization of Kaloom's assets, including:
 - a) The recovery of cash, SR&ED credit and the repatriation of computer equipment to employees;
 - b) Preparation of documents to inform potentially interested parties of the range of possible transactions for the acquisition of the company's activities and/or assets;
 - c) Discussions with potential buyers.
4. On July 18, 2023, some sixty (60) potential buyers, identified by Kaloom directors and KPMG, were informed of the opportunity to acquire and/or invest in the Company. KPMG sent the "Sales and Investment Solicitation Process" document to forty-seven (47) of those who responded favorably or expressed an interest.
5. Of the potential buyers, six (6) have requested access to Company documents, which was provided before the end of July 2023 following the signing of a non-disclosure agreement.
6. On August 7, 2023, the deadline for transmitting non-binding letters of interest (« **LOIs** »), only two (2) non-binding letters of interest from related parties were submitted to the Receiver, including one received from Somel Technologies Inc. (for and on behalf of an entity to be created) (« **Somel** »), and one from a former officer, the content of which was clearly insufficient to qualify as a Qualified Bid (as defined in the Memorandum).
7. KPMG certifies that it has informed the parties concerned of its selection and confirms that it has entered several discussions and negotiations with the selected purchaser.
8. On August 15, 2023, in order to notify temporarily laid-off employees, the Receiver has given instructions to inform all employees of the definitive termination of their employment contracts, in accordance with current legal provisions. Qualifying employees will thus be eligible for the Wage Earner Protection Program (WEPP).
9. On August 30, 2023, a formal offer was filed by Somel which included conditions that required additional negotiation between Somel and the Receiver and included the participation of IQ, main secured creditor holding a first rank hypothec on the assets of the Debtor.
10. The Receiver, on IQ's instructions, has confirmed acceptance of the offer from the selected Purchaser, which remains subject to the Purchaser's due diligence and the approval of the Court. The terms of the successful offer include the acquisition of Kaloom's intellectual property, customer and supplier lists, all hardware such as servers and office equipment as well as all websites, domain names, IP addresses, telephone, and fax numbers. However, the offer excludes all accounts receivable, accounts payable and cash on hand, including SR&ED tax credits. Details of the agreement are under seal as **Appendix 1**.
11. On September 7, 2023, Kaloom Inc. filed a notice of intention to file a proposal under section 50.4 (1) of the BIA, and KPMG Inc. agreed to act as Trustee in connection with the proposal. This was done with the aim of bringing about Kaloom's bankruptcy in order to facilitate, among other things, the recovery of SR&ED tax credits.



12. On September 18, 2023, no statement of cash flow projections was filed within 10 days of the date of filing of the notice of intention. Kaloom Inc. is therefore deemed to have filed an assignment following the failure to file the proposal, and KPMG Inc. has been appointed Trustee of the bankrupt's estate by the Official Receiver, as stipulated in the Certificate of Appointment.
13. On September 20, 2023, Investissement Québec ("IQ"), the first rank secured creditors of the Debtor, approved the Offer and the Proposed Transaction.
14. On September 21, 2023, the Receiver accepted the Offer subject to (i) the confirmation that conditions of the Offer be lifted and (ii) the approval of this Court.
15. On October 5, in accordance with the Employee Protection Program Act, the former employees of the Debtor received from KPMG the proof of claim form, instructions on the PPS procedure and information concerning them obtained from the Debtor's books and accounting records.

THE PROPOSED OFFER AS A PREFERRED ALTERNATIVE

16. This section serves to elucidate the financial advantages of the Proposed Offer.
17. Proposed Offer:
 - a. The Purchased Assets are specialized in nature and the Offer and Proposed Transaction constitute the best available transaction to realize the assets of the Debtor, the whole in the context where these assets were already subject to two (2) extensive sale process initiated by the Debtor in the spring of 2023 and by the Receiver under the SISF
 - b. Beyond the direct financial implications of the asset liquidation approach, there are further considerations that bolster the attractiveness and prudence of this decision:
 - i. Employee Continuity: One of the notable advantages of this asset liquidation is the new buyer's intent to employ a significant number of former employees. Approximately 30 former employees stand to benefit from this transition.
 - ii. Creditor Support: Additionally, it is essential to highlight that the first rank creditor, IQ, has expressed its favourability towards the deal.

RECOMMENDATION AND CONCLUSION

18. The Receiver is of the opinion, based upon all the reasons described throughout this Report, that the Proposed Offer should be approved. The main reasons are summarized as follows:
 - a. The Transaction offers the highest potential return to the Debtor's stakeholders;
 - b. Unlike a liquidation scenario, the Proposed Purchaser intends to continue part of the Company's business operations on a going concern basis, to the benefit of certain employees and suppliers;
 - c. The Proposed Offer was obtained following a formal solicitation process conducted by the Receiver;
 - d. The Transaction is reasonable and fair taking into account all of the circumstances and would be more beneficial to the creditors and other stakeholders than a liquidation;



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- e. The Transaction will maintain part of the Business as a going concern and preserve:
 - i. the employment relationship with certain of the Debtor's employees;
 - ii. orders with some of the Debtor's current suppliers;
 - iii. the Debtor's ability to collect accounts receivable; and
 - f. The Transaction has been approved by IQ in conformity with the SSP Rules.
19. For the reasons outlined above, the Receiver supports the Debtor's motion for the issuance of the Approval and Vesting Order.

Dated at Montreal, October 16, 2023.

KPMG INC.

Receiver of Kaloom Inc.

Stéphane De Broux, SAI
Partner



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APPENDIX A