

IN THE MATTER OF THE BANKRUPTCY OF  
ORNGE GLOBAL GP INC.,  
A CORPORATION INCORPORATED UNDER THE LAWS OF ONTARIO,  
CARRYING ON BUSINESS IN THE CITY OF  
MISSISSAUGA, IN THE PROVINCE OF ONTARIO

TRUSTEE'S REPORT TO CREDITORS ON  
PRELIMINARY ADMINISTRATION

## 1 Introduction

On February 2, 2012, the Ontario Superior Court of Justice (In Bankruptcy & Insolvency) ("Court") made an order (the "Bankruptcy Order") pursuant to the *Bankruptcy and Insolvency Act, R.S.C. 1985, c. B.-3*, as amended (the "BIA") adjudging Ornge Global GP Inc. (the "Company") bankrupt. The application for the Bankruptcy Order was made by Ornge Global Real Estate Inc. ("OGRE"), a company related to, or affiliated with, the Company.

In its petition against the Company, OGRE claimed an unsecured indebtedness owing to it by the Company of approximately \$5.6 million.

Pursuant to the Bankruptcy Order, Duff & Phelps Canada Restructuring Inc. was appointed the trustee of the bankrupt estate of the Company ("Trustee"). The Trustee's appointment is subject to affirmation by creditors at the first meeting of creditors.

## 2 Background

The Company was incorporated under the *Business Corporations Act* (Ontario) on November 26, 2010. The Company's registered office is located at 5310 Explorer Drive, Mississauga, Ontario ("Head Office").

The Company is part of a group of for-profit and not-for-profit entities (collectively "Ornge Group"). The Company is the general partner of Ornge Global Holdings LP ("LP"), a company formed to invest in the development and growth of businesses in the medical transport and services fields. LP was also adjudged bankrupt on the same day as the Company.

The Company's operations appear to have been funded by entities in the Ornge Group.

The Company employed two individuals as at the date of bankruptcy. The employment of those individuals terminated as a result of the bankruptcy.

A copy of the Ornge Group's corporate organization chart is provided as Appendix "A". Pursuant to the Limited Partnership Agreement, as defined below, the Company acts as manager of LP and holds a nominal interest of 0.001% in it.

The Ornge Group provides air transport medical services to patients requiring critical, acute or emergency care in Ontario. The services provided by the Ornge Group are a component of Ontario's universal healthcare system.

The Company, LP and LP's subsidiaries were formed in 2011 as part of Ornge Group's initiative to create for-profit businesses to offer:

- a) Consulting and advisory services related to patient transport systems and transport medicine to governments and agencies outside of Ontario; and
- b) Travel healthcare solutions to individuals and corporations under a membership plan.

## **2.1 Limited Partnership Agreement**

Pursuant to an agreement dated December 24, 2010 between the Company and LP (the "Limited Partnership Agreement"), the Company has the exclusive authority to manage, control, administer and operate LP and certain of its subsidiaries and, subject to the provisions of the Limited Partnership Agreement, to make all decisions in connection therewith. In consideration, LP was to pay the Company an annual service fee.

## **2.2 Management Agreement**

The services provided by the Company, LP and LP's subsidiaries within Ornge Group are described in a management agreement ("Management Agreement") dated January 1, 2011 between the Company and Ornge, a not-for-profit entity. Pursuant to the Management Agreement, the Company provided senior management services to Ornge, including the services of a Chief Executive Officer ("CEO"). Dr. Christopher Mazza ("Mazza") acted as CEO. In consideration for these services, Ornge paid fees to the Company.

On February 2, 2012, Ornge terminated the Management Agreement.

### 2.3 Air/Services Agreements

Pursuant to agreements ("Air/Services Agreements") made as of January 1, 2011 between Ornge and the Company, as general partner on behalf of LP, LP acquired for \$1 the shares of 4384865 Canada Inc. (subsequently renamed Ornge Global Air Inc., "Air") and Ornge Peel Ltd. (subsequently renamed Ornge Global Corporate Services Inc., "Services"), from Ornge, either directly or indirectly. Air and Services provide aviation, maintenance and administrative services to the Ornge Group. Pursuant to the Air/Services Agreements, Ornge had an irrevocable call option to acquire the shares of each of Air and Services at fair market value.

On January 11, 2012, Ornge issued call option notices ("Call Option") to the Company on behalf of LP in respect of the shares of Services and Air. Ornge determined the fair market value of the shares to be \$1 each, subject to adjustments if determined at a later date by Canada Revenue Agency ("CRA"), a Court or other judicial authority that the transfer should have occurred at a price other than \$1. The Call Option was exercised on January 12, 2012 and the shares were transferred to Ornge on or around that date.

### 3 Secured Creditors

The results of a search conducted on February 2, 2012 under the Personal Property Security Registry System (Ontario) regarding the Company indicate that there are no registrations against the Company.

### 4 Assets of the Bankrupt

The Company's statement of affairs ("SOA") was prepared based on information provided to the Trustee from companies related to the Company. The Trustee requested an officer of the Company to swear the SOA; however, none of the officers did so.

Based on the Company's SOA, the book values of the Company's assets as at the date of bankruptcy were:

	Book Value (C\$000s)
Cash	77
Employee loans	705
	<u>782</u>

#### 4.1 Cash

The Trustee transferred approximately \$76,000, representing the majority of the balance in the Company's bank accounts, to the estate account.

## **4.2 Employee Loans**

The Company made two loans to Mazza: a) a payroll advance of \$250,000 on March 8, 2011; and b) a secured loan of \$450,000 on July 29, 2011. The \$450,000 loan is secured against Mazza's shares in Ornge Global Management Inc. and a life insurance policy in Mazza's name. The Trustee has made demand in respect of these loans. As at the date of this report the loans have not been repaid.

## **4.3 Property of the Bankrupt Not Divisible Amongst Creditors by Virtue of Section 67(1) of the BIA**

There do not appear to be any assets subject to a trust or similar claim that would not be available to the creditors.

## **5 Books and Records**

The Ministry of Finance (Ontario) ("Ministry") has been conducting an investigation of the Ornge Group since January 16, 2012.

Upon its appointment, the Trustee met with representatives of the Ministry. The Ministry advised the Trustee that the Ornge Group's books and records, including the physical records, are located at the Head Office.

On February 8, 2012, the Court made an order ("Record Sharing Protocol Order") authorizing the Ministry to continue its review of the Company's books and records, both physical and electronic, as well as the books and records of LP and LP's wholly-owned subsidiaries (collectively, the "Records"). The Record Sharing Protocol Order also sets out a protocol between the Ministry and the Trustee concerning the sharing of information and the safeguarding of the Records.

## **6 Provable Claims**

Based on the Company's books and records, the Company's unsecured obligations as at February 2, 2012 total approximately \$6.5 million, excluding any contingent claims that may result from litigation involving the Company, if any. As noted above, there are no secured obligations.

As at the date of this report no proofs of claim have been filed against the Company.

## **7 Preferences and Transfers Undervalue**

The Trustee has conducted a preliminary review of the Records for transfers under value and preferences for the year preceding the date of bankruptcy. The Records primarily reflect payments to employees and contractors of the Company as well as to other entities within the Ornge Group.

The results of the Trustee's review will be discussed with the inspectors to be appointed at the first meeting of creditors.

## 8 Anticipated Realization and Projected Distribution

At this time, it is the Trustee's view that there will not be any recoveries for the Company's unsecured creditors.

## 9 First Meeting of Creditors

The Trustee will convene the first meeting of creditors of the Company's estate on February 23, 2012 at 11:00 am (Toronto time) at Hilton Toronto, 145 Richmond Street West, Varley Room, Toronto.

The Trustee intends to engage Torys LLP as its legal counsel in these bankruptcy proceedings, subject to creditor approval.

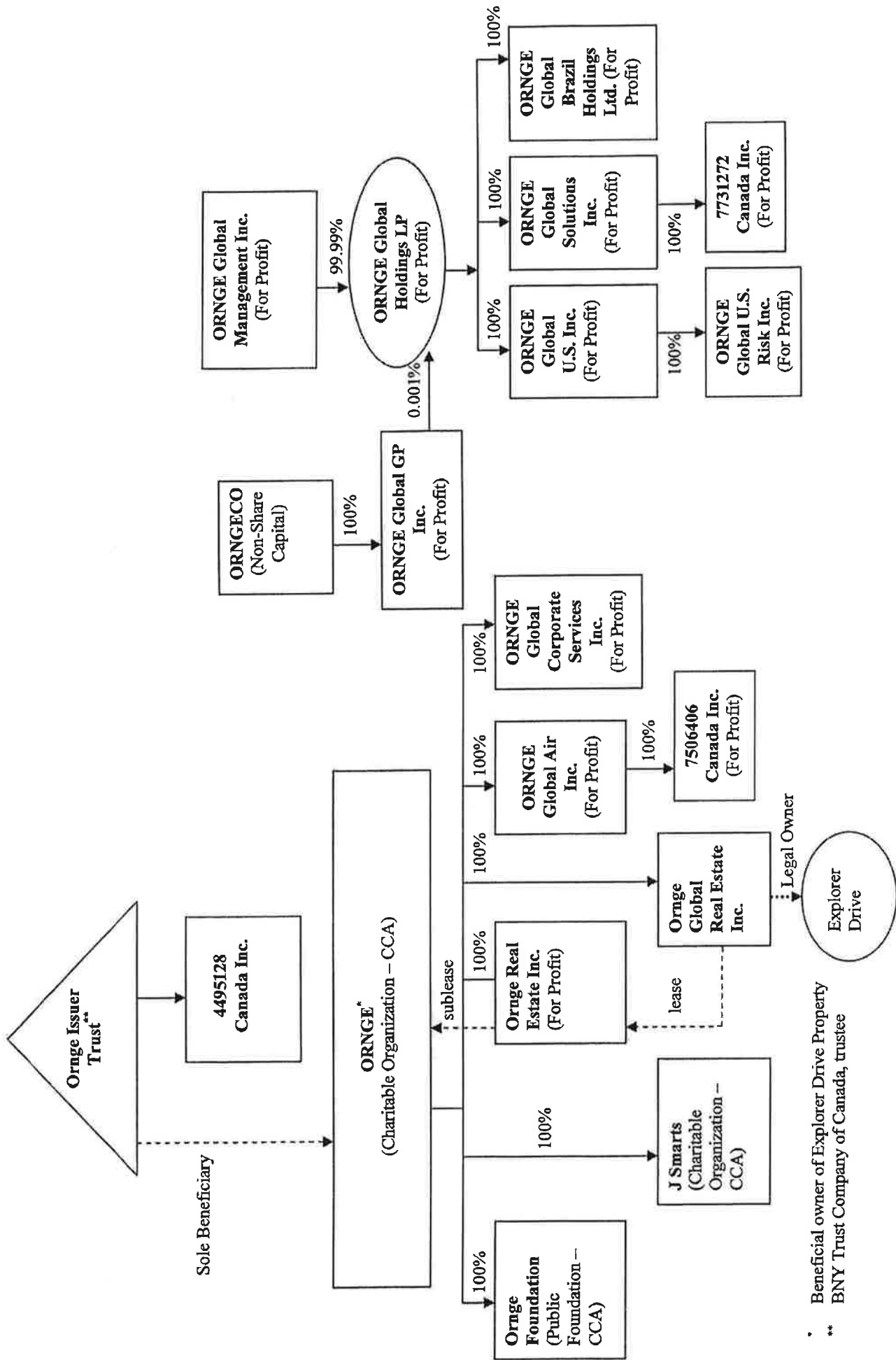
\* \* \*

DATED at Toronto, Ontario, this 23<sup>rd</sup> day of February, 2012.

*Duff & Phelps Canada Restructuring Inc.*

DUFF & PHELPS CANADA RESTRUCTURING INC.  
IN ITS CAPACITY AS TRUSTEE IN BANKRUPTCY OF  
ORNGE GLOBAL GP INC.  
AND NOT IN ITS PERSONAL CAPACITY

# **Appendix “A”**



\* Beneficial owner of Explorer Drive Property  
 \*\* BNY Trust Company of Canada, trustee