

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF QUÉBEC
DIVISION NO.: 01-MONTREAL
COURT NO.: 500-11-040374-114
ESTATE NO.: 41-1468853

SUPERIOR COURT
(In Bankruptcy and Insolvency)

IN THE MATTER OF THE BANKRUPTCY OF:

Omniglobe Networks Inc.

a body politic and corporate, duly incorporated according to law and having its head office and its principal place of business at :

315 Brunswick Blvd.
Pointe-Claire, QC H9R 5M7

Bankrupt

TRUSTEE'S REPORT TO THE FIRST MEETING OF CREDITORS

On March 1, 2011, Omniglobe Networks Inc. ("Omniglobe" or the "Company" or the "Debtor") filed a Notice of Intention to make a Proposal ("Notice of Intention") in accordance with the *Bankruptcy and Insolvency Act* ("BIA"). The Debtor failed to file a Proposal within the provided period following the filing of the Notice of Intention or within any Court-granted extension and was therefore deemed to have made an assignment of its assets pursuant to the provisions of the BIA.

Consequently, on April 16, 2011, RSM Richter Inc. ("Richter" or "Trustee") was appointed Trustee of the Estate of the Bankrupt by the Official Receiver.

The information contained in this Report has been prepared from the available books and records of Omniglobe. These books and records have not been reviewed or otherwise audited by the Trustee. Consequently, the Trustee expresses no opinion whatsoever with respect to the validity, the exactness or the reliability of the information contained herein.

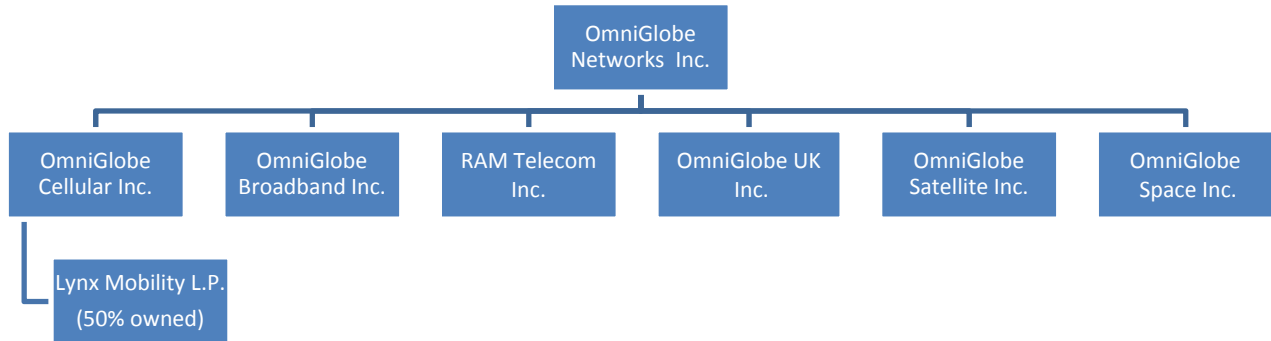
I. CORPORATE STRUCTURE AND BACKGROUND INFORMATION

Omniglobe was a provider of telecommunication services in geographic regions where existing communications infrastructure is unavailable, unreliable or unaffordable. The Company offered mobile voice and data services, broadband Internet, Voice over Internet protocol (VoIP), video conferencing services, and dedicated satellite communications links to companies and communities located in remote regions across Canada.

The Company's head office was in Pointe-Claire, Quebec. The Company and its subsidiaries operated from 5 facilities (British Columbia, Ontario (2), Quebec, and United Kingdom) and employed until recently approximately 70 people.

Omniglobe's diverse customer base ranged from domestic consumers, aboriginal communities, oil and gas, mining, and forestry companies, to government agencies and private institutions worldwide.

The following diagram illustrates the corporate structure of Omniglobe's companies including parent, subsidiary, affiliated and related companies.



- **Omniglobe Networks Inc.**
 - Sold telecommunication equipment and telecommunication infrastructure to communities;
 - Provided broadband internet access over satellite (remote) and terrestrial (rural) wireless systems to communities; and
 - Provided engineering, installation, implementation and consulting services, training, hardware and software support, and maintenance in connection with the systems.
- **Omniglobe Broadband Inc. ("OGB")**
 - Provided broadband internet in semi-remote areas. Services communities in Ontario and Nova Scotia.
- **RAM Telecom Inc. ("RAM")**
 - RAM provided satellite internet services, VOIP, satellite phone connectivity to Public Works and Government Services Canada, government agencies and businesses located in remote areas. RAM also serviced the natural resource sector via a network of dealers and distributors.
- **Omniglobe Satellite Inc. ("Satellite")**
 - Owned satellite contracts to provide space segment capacity to its parent company Omniglobe Networks Inc.
- **Omniglobe Space Inc. ("Space")**
 - Developed novel satellite technology and delivered affordable connectivity to remote regions in Canada.
- **Lynx Mobility L.P. ("Lynx")**
 - Cellular service provider dedicated to serving remote and rural communities across Canada;

- Omniglobe was a 50% co-owner of Lynx Mobility L.P., a joint venture with Naskapi Imuun Inc., a corporation established by the Naskapi Nation, a First Nations group located in Northern Quebec; and
- Lynx owns spectrum in Quebec and Northern Canada and has roaming/spectrum agreements with major Canadian carriers.
- **Omniglobe UK Inc.**
 - Omniglobe UK Inc. was acquired in 2007. It was a provider of satellite solutions at a global level, and was responsible for all overseas projects in Europe, the Middle East and Africa.

According to Management, the Company's inability to collect its reported accounts receivable and the operating losses incurred in the past fiscal year (ended December 31, 2010) are the main reasons for its bankruptcy.

II. EVENTS POST FILING OF THE NOTICE OF INTENTION

On March 1, 2011, the Company retained the services of Richter to assist the Company in its efforts to sell its business units.

On April 8, 2011, the Company, with the support of the secured lenders, accepted the terms of two letters of intent from a strategic buyer (the "Purchaser") which basically covered all assets of the group except for the accounts receivable and Omniglobe UK Inc. (the "Transaction"). Further to the Quebec Superior Court Order ("Order") rendered on April 14, 2011, Richter was appointed, pursuant to section 243(1) of the BIA, Receiver of all of the assets, undertakings and properties of Omniglobe, OGB, RAMT, Satellite and Cellular (collectively the "Debtors") acquired for or used in relation to the business carried on by the Debtors.

On April 15, 2011, pursuant to the authorization of the Court, Richter in its capacity as Receiver, completed the Transaction with the Purchaser. The total sale transaction was for \$1.35 million, which includes \$1 million of shares of the Purchaser that were issued directly to the Secured Creditors.

There are currently insolvency proceedings in the UK and the assets of Omniglobe UK Inc. are in the process of being sold by a liquidator.

III. STATEMENT OF AFFAIRS

In accordance with the BIA, a Statement of Affairs was prepared from information supplied by and pursuant to the sworn declaration of Jason David Neale, president of the Company.

We summarize and comment on the Statement of Affairs as follows:

A) ASSETS

- **Accounts Receivable and Other Receivables (\$3,300,000) – Pledged**

As per the Company's books and records, the gross accounts receivable total approximately \$4,923,000. However, Management estimates that the net realizable value of the accounts receivable is approximately \$100,000 after reducing the doubtful amounts.

Income tax returns for F2009 were filed and have been assessed. The refund for research and development tax credits is approximately \$1.6 million. The F2010 tax returns are in the process of being finalized and the projected refund should approximate F2009.

B) LIABILITIES

It is important to note that the exact amount of the liabilities which existed as at April 16th, 2011, will only be determined once the proofs of claim are submitted by the creditors and have been compiled by the Trustee. We, nonetheless, present hereinafter a summary of the Company's liabilities, based upon preliminary information.

Description	Amount
Secured creditors	\$16,367,000
Preferred creditors	250,000
Unsecured creditors	<u>5,791,000</u>
	<u>\$22,408,000</u>

- **Secured Creditors \$16,367,000**

The Company has several secured lenders with security covering all of the assets. The balance owing to the secured lenders is summarized as follows:

Alterinvest II Fund L.P.	\$6,800,000
BMO Bank of Montreal	5,711,000
Business Development Bank of Canada	2,856,000
Fier CPVC	<u>1,000,000</u>
	<u>\$16,367,000</u>

The Trustee's legal counsel, Audet Williams LLP, will provide Richter with an opinion on the validity and enforceability of the security of the secured lenders which will be provided to the inspectors to be appointed.

- **Preferred Creditors \$250,000**

The Company has estimated that unpaid wages and vacation pay approximate \$250,000. We are not aware of any amounts owing to any government authorities which would be considered a priority.

Notice has been sent to possible preferred creditors and the ultimate amount of this category of claims will only be subsequently determined.

- **Unsecured Creditors** **\$5,791,000**

According to the Statement of Affairs, unsecured ordinary creditors total approximately \$5.8 million. As of the date of this Report, the Trustee has not received sufficient proofs of claim to assess the actual amount owed to the ordinary unsecured creditors.

IV. SUMMARY OF THE PRELIMINARY ADMINISTRATION OF THE TRUSTEE

- **Books and Records and Security and Protective Measures**

As per the sale agreement, the Purchaser is permitted to retain custody of any Books and Records. At the request of the Trustee, the Purchaser shall cooperate fully and make available the Books and Records.

Richter took possession of the Books and Records not retained by the Purchaser.

In addition to the above, the Trustee has taken other protective measures such as:

- Opening trust bank accounts; and
- Safeguarding the information contained in the computer system.

- **Reviewable Transactions and Preferential Payments**

The Trustee is presently performing a review of the payments to creditors in the last three months and twelve months (with respect to related parties) preceding the date of bankruptcy. We will advise the inspectors to the Bankruptcy of any relevant findings upon completion of the review.

V. ANTICIPATED REALIZATION AND PROJECTED DISTRIBUTION

All the assets of the Company are subject to the Secured Lenders security. As of the date hereof, there appears to be a significant deficit/shortfall to these lenders. As such, it is the Trustee's view that no dividends will be available to the preferred and ordinary creditors.

DATED AT MONTRÉAL, this 4th day of May 2011.

RSM Richter Inc.
Trustee



Benoit Gingues, CA, CIRP
Administrator