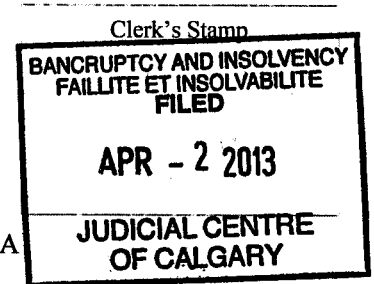


COURT FILE NUMBER 25-094321  
ESTATE NUMBER 25-094321  
COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY



APPLICANT IN THE MATTER OF THE BANKRUPTCY AND  
INSOLVENCY ACT, RSC 1985, c B-3, AS AMENDED  
AND IN THE MATTER OF THE PROPOSAL OF  
IMPACT 2000 INC.

DOCUMENT **FIFTH REPORT OF ALVAREZ AND MARSAL  
CANADA INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION TO MAKE A PROPOSAL**

**APRIL 2, 2013**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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APPENDIX A

Updated Forecast

## INTRODUCTION

1. On November 2, 2011, Impact 2000 Inc. (“Impact” or the “Company”) sought protection from its creditors through filing a Notice of Intention to Make a Proposal (the “NOI”) under section 50.4(1) of the *Bankruptcy and Insolvency Act*, RSC 1985, c B-3, as amended (“BIA”) and a stay of proceedings was obtained on that date (the “Filing Date”). Alvarez & Marsal Canada Inc. (the “Trustee”) was named as Trustee under the NOI.
2. On November 29, 2012, an order was granted by the Court of Queen’s Bench of Alberta (the “Court”) to extend the initial stay period ending on December 2, 2012 to January 10, 2013 (the “First Stay Extension Order”).
3. On January 8, 2013, an order was granted by the Court to extend the stay period granted in the First Stay Extension Order to February 22, 2013 (the “Second Stay Extension Order”).
4. On February 20, 2013, an order was granted by the Court that further extended the stay period granted in the Second Stay Extension Order to February 28, 2013 (the “Third Stay Extension Order”). On February 28, 2013, the Third Stay Extension Order was extended by the Court to April 8, 2013 (the “Fourth Stay Extension Order”). The Fourth Stay Extension Order also required the Trustee to file its next report and post it to its website (as discussed below) by no later than April 1, 2013.
5. The purpose of this fifth report of the Trustee (the “Fifth Report” or “this Report”) is to provide this Court and interested parties with an update and information in respect of the following:
  - a) Impact’s business and financial affairs since the third report of the Trustee (the “Third Report”);
  - b) Impact’s ongoing restructuring efforts to date;

- c) the actual to forecast cash flow results for the period from February 9, 2013 to March 29, 2013 (the “Reporting Period”);
  - d) the updated cash flow projections by Impact (the “Updated Forecast”) from March 30, 2013 through May 23, 2013 (the “Forecast Period”);
  - e) other activities and administrative duties of the Trustee during these proceedings; and
  - f) the Trustee’s comments with respect to the current stay period.
6. Capitalized terms not defined in this Fifth Report are as defined in the First Stay Extension Order, the Second Stay Extension Order, the Third Stay Extension Order, the Fourth Stay Extension Order, the First Report, the Supplemental First Report, the Second Report, the Third Report and the Fourth Report.
7. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

8. In preparing this Fifth Report, the Trustee has relied upon unaudited financial information, Impact’s records and discussions with various advisors of Impact. The Trustee has not performed an audit, review or other verification of such information. An examination of the financial forecast as outlined in the Canadian Institute of Chartered Accountants Handbook has not been performed. Future oriented financial information relied upon in this report is based on Impact’s assumptions regarding future events and actual results achieved will vary from this information and the variations may be material.

#### **LIMITATION IN SCOPE OF REVIEW**

9. The Fifth Report has been prepared by the Trustee pursuant to the rules and regulations as set out in the BIA. The BIA provides that the Trustee shall incur no liability for any act or omission pursuant to its appointment or fulfillment of its duties, save and except for gross negligence or wilful misconduct on its part.

10. This Fifth Report is not and should not be construed or interpreted as an endorsement, comment or recommendation to any creditor, prospective investor, or any persons to advance credit and/or goods and services or to continue to provide credit and/or goods and services or to lend monies to Impact during these proceedings and/or at any other such time.
11. The Trustee has not audited or reviewed the assets of Impact, and with respect to such assets, the Trustee has relied to a significant degree upon information provided by Impact.
12. The Trustee is specifically not directed or empowered to take possession of the assets of the Company or to manage any of the business and affairs of the Company.

## **IMPACT'S BUSINESS AND FINANCIAL AFFAIRS**

### **Background**

13. Impact is in the business in providing front end seismic consulting services to oil and gas exploration companies; (b) collecting and marketing seismic data; and (c) entering into short-term rental agreements for its unutilized equipment to the oil and gas exploration sector throughout Western Canada and the Northwest Territories.
14. Impact's business is currently limited to entering into short-term rental agreements as funds are not readily available to undertake other services it used to provide in the past.
15. Further background and information with respect to Impact's operations and restructuring during the NOI proceedings is included in the First Report, the Supplemental Report, the Second Report, the Third Report, the Fourth Report and other materials, which has been posted by the Trustee on its website at: [www.amcanadadocs.com/impact](http://www.amcanadadocs.com/impact) .

### ***Update on the Sales Process for Redundant Equipment***

16. As discussed in the Fourth Report, Impact is seeking approval from this Honourable Court to accept the Century Purchase Offer for the sale of Impact's Redundant Equipment and the proposed distribution of the Purchase Price from the funds received from Century.
17. The Trustee understands that this Honourable Court will hear Impact's application with respect to this proposed sale to Century on April 2, 2013.

### **ONGOING RESTRUCTURING EFFORTS TO DATE**

#### **General**

18. The Trustee understands that Impact, along with its counsel, has been working diligently in its efforts to rent its equipment for an interim period in the ordinary course of business, while it continued meaningful discussions with certain interested parties to enter into a refinancing and/or the potential purchase of Impact's business, assets and/or undertakings.
19. The Trustee further understands that all of the rented equipment (as reported in the First Report, Second Report and Third Report) has now been returned to Impact and all deposits have been returned to the customers. The only remaining rental agreement in place relates to a rental agreement entered into by Impact with one of its other customers for certain pieces of equipment (since February 2013) on a month to month rental basis at a rate of approximately \$7,000 per month. These rental amounts have been reflected in the Updated Forecast below.
20. The Updated Forecast contemplates the collection of the outstanding rental receipts of approximately \$20,000 (discussed above), collection of the sales proceeds from the Century Purchase Offer (if approved by this Honourable Court) and other redundant equipment sales that took place during the Reporting Period. If the Century Purchase Offer is approved by the Court, this will allow for Impact

to pay its required forecast disbursements (as outlined in the Updated Forecast), which will leave approximately \$5,000 at the end of the Forecast Period.

### **Refinancing and/or Sale of the Business**

21. Subsequent to filing its Third Report, the Trustee understands that Impact together with its counsel continued discussions with one of the prospective purchasers/investors and took up discussions with another interested party, provided each with certain information to assist them in assessing a potential purchase or refinancing of the undertaking, business, assets and affairs of Impact.
22. On April 1, 2013, the Trustee was advised by Impact's counsel that it was negotiating terms and conditions with one prospective investor and between the parties circulated draft letters of intent (the "LOI") for purposes of this investor providing the financing required for Impact to present a Proposal to its creditors.
23. The Trustee understands that Impact, along with its counsel, continue to negotiate the LOI with this prospective investor as at the time of the filing of this Report. The Trustee has not been provided copies of any of the draft correspondence and at the time of writing has no further information on the status of the discussions with the prospective investor.

### ***The Sale of Seismic Data***

24. As previously discussed in the Third Report, Impact made arrangements to have certain seismic data (the "Data") to be processed with a data processing company. The Data was processed in late December 2012 and in early January 2013; the Data was made available for sale to interested parties wishing to purchase the Data. The Data is currently being marketed by an agent (the "Agent") hired by Impact.
25. The Trustee discussed the sale of the Data with Impact and the Agent, and the probability of selling this Data over the next proposed extension period. The Trustee was advised by the Agent that, although this Data is considered to have

significant value and should be salable, potential customers that would generally be interested in this particular Data have decided to “hold off” on purchasing the Data, or any of it, at this time. The Agent further expressed to the Trustee that it believes there is a better probability that this Data will sell (either as licenses or full outright purchase of the data itself) in June or July 2013, once all the budgets have been approved by a number of major oil and gas companies that may be interested in purchasing this type of data information.

## **ACTUAL TO FORECAST RESULTS – FEBRUARY 9, 2013 TO MARCH 29, 2013**

### ***Overview***

26. The actual to forecast cash flow chart presented below for the Reporting Period (the “Third Report Forecast”) contains the actual cash receipts and disbursements relating to the Impact as compared to the cash flow forecasts previously provided to this Court in the Second Report.



<b>Impact 2000 Inc. Actual to Forecast Cash Flow Results</b>	<b>Feb.9/13 to Mar.29/13 Budget</b>	<b>Feb.9/13 to Mar.29/13 Actual</b>	<b>Feb.9/13 to Mar.29/13 Variance</b>
<b>RECEIPTS</b>			
Confirmed rental receipts	\$ 103,500	\$ 103,500	\$ (0)
Probable rental receipts	85,900	-	(85,900)
Damage deposit	22,150	-	(22,150)
Damage deposit held in trust	(22,150)	-	22,150
Seismic data receipts	300,000	-	(300,000)
Sale of non-core/redundant assets	200,000	6,476	(193,524)
Other miscellaneous receipts	-	310	310
GST collected	34,470	5,499	(28,971)
<b>Total receipts</b>	<b>\$ 723,870</b>	<b>\$ 115,785</b>	<b>\$ (608,085)</b>
<b>DISBURSEMENTS</b>			
Management fees	\$ 70,000	\$ -	\$ 70,000
Accounting and consulting fees	22,500	10,360	12,140
Fleet registration costs	5,000	-	5,000
Rent	11,700	11,142	558
Equipment maintenance and repairs	-	-	-
Insurance	10,000	9,524	476
CWB interest charges	19,500	-	19,500
Seismic data costs	16,000	-	16,000
Seismic data sales commissions	30,000	-	30,000
Professional fees and costs	250,000	52,010	197,990
Miscellaneous and contingency	2,000	15	1,985
CRA source deduction priority claim	50,000	-	50,000
GST paid on disbursements	20,860	4,528	16,332
GST remitted to CRA	18,916	-	18,916
<b>Total disbursements</b>	<b>\$ 526,476</b>	<b>\$ 87,578</b>	<b>\$ 438,898</b>
<b>NET CHANGE IN CASH</b>	<b>\$ 197,394</b>	<b>\$ 28,207</b>	<b>\$ (169,187)</b>
<b>OPENING CASH</b>	<b>\$ 11,438</b>	<b>\$ 11,438</b>	<b>\$ -</b>
Net change in cash	197,394	28,207	(169,187)
<b>ENDING CASH</b>	<b>\$ 208,832</b>	<b>\$ 39,645</b>	<b>\$ (169,187)</b>

27. Receipts for the Reporting Period totalled \$115,785 representing a negative variance of \$608,085. This negative variance primarily relates to:

- a) a timing variance in probable rental receipts of approximately \$14,000 relating to rental receipts expected to be collected early in the Forecast Period that were not collected in the Reporting Period;
  - b) a permanent variance in probable rental receipts of approximately \$71,900 relating to certain rental agreements that were previously being negotiated between Impact and its customers that will no longer proceed. This permanent variance has been reflected in the Updated Forecast;
  - c) a permanent variance in the sale of seismic data receipts of approximately \$300,000 for reasons discussed above. This permanent variance has been reflected in the Updated Forecast; and
  - d) a timing variance of approximately \$193,500 relating to the sale of certain redundant equipment (as discussed above) that is expected to be collected in the Forecast Period;
28. Disbursements for the Reporting Period totalled \$87,578 representing a positive variance of \$438,898. This positive timing variance was primarily due to the following:
- a) \$70,000 relating to management fees not paid in the Reporting Period. Since November 2, 2012, Mike and Patti Wolowich have received \$17,500 (one month's contract amount), in total, in management fees due to the lack of available cash flow in these Proposal proceedings. Unpaid management fees of \$17,500 have been forecast to be paid in the Updated Forecast provided that cash flow permits the withdrawal of these funds for their fees;
  - b) \$12,100 relating to the timing of consulting fees that were not paid in the Reporting Period that have now been included in the Updated Forecast;

- c) \$5,000 relating to fleet registration costs with the Province of Alberta. This payment is expected to be paid in the Forecast Period; however, it is anticipated that this payment will be approximately \$2,000;
- d) \$19,500 relating to January, February and March 2013 bank interest payments that were not paid to Impact's secured lender and is now forecast to be paid during the week of April 8, 2013;
- e) \$46,000 relating to seismic data costs and commissions that were not paid in the Reporting Period and are not expected to be paid in the Forecast Period;
- f) \$198,000 relating to the timing of professional fees and costs of Impact's counsel, the Trustee and counsel to the Trustee (the "Proposal Professionals") during the first five (5) months of the Proposal proceedings. From November 2, 2012 to March 25, 2013, the total professional fees outstanding to the Proposal Professionals is approximately \$213,000, after deducting approximately \$60,000 in retainers (the "Retainers") that were provided to Impact's counsel and to the Trustee in these Proposal proceedings and a partial payment made to the Proposal Professionals of approximately \$54,600. Once the proposed distribution of approximately \$62,500 (as report in the Fourth Report) is applied (subject to approval from this Honourable Court), total outstanding fees will be approximately \$150,000 as at March 25, 2013. It is anticipated that some portion of the current fees outstanding to the Proposal Professionals will be paid during the week of April 8, 2013, as disclosed in the Updated Forecast; and
- g) \$50,000 timing variance relating to a CRA source deduction priority claim payment that is anticipated to be paid during the week of April 8, 2013.

29. The Proposal Professionals have an Administration Charge of \$200,000 to secure their fees. This Administration Charge is currently not sufficient to cover the outstanding fees incurred (but not paid) to date. Impact projects that the cash flows will pay a portion of these fees during the Forecast Period, thereby bringing the Administration Charge back in line with the outstanding fees and future costs.
30. The Company's ending cash balance as at March 29, 2013 was \$39,645 compared to the forecast cash balance amount of \$208,832, for the reasons discussed above.

#### **UPDATED CASH FLOW FORECAST THROUGH MAY 23, 2013**

31. Impact, with the assistance of the Trustee, has prepared an Updated Forecast for the Forecast Period, which is attached as Appendix A to this Report. Impact has prepared the Updated Forecast based on the most current information available from the Company.
32. Impact has revised its cash flow projections as a result of certain rental agreements not being completed. However, Impact believes that it will still be able to generate the required cash receipts from its confirmed rental receipts and the sale of certain of its redundant equipment (as discussed above) to pay for the majority of the required disbursements incurred in these NOI proceedings. The Trustee understands that Impact may not be able to cover all of the expenses incurred by the Proposal Professionals in these NOI proceedings and that these costs will likely be covered under the Administration Charge and/or through the refinancing of Impact in a potential Proposal to its creditors.
33. The table below summarizes cash flow for the Forecast Period:

<b>IMPACT 2000 INC.</b> <b>Projected Cash Flow Statement*</b> <b>For the period of March 30, 2013 to May 23, 2013 (the "Forecast Period")</b> <b>(in CDN dollars)</b>		
<b>Week 22 to Week 26</b> <b>March 30/13 to May 23/13</b>		
<b>RECEIPTS</b>		
Confirmed rental receipts	\$	19,875
Damage deposit		6,075
Damage deposit held in trust		(6,075)
Seismic data receipts		-
Sale of non-core/redundant assets		247,000
GST collected		13,344
<b>Total receipts</b>	<b>\$</b>	<b>280,219</b>
<b>DISBURSEMENTS</b>		
Management fees	\$	17,500
Consulting fees		12,500
Rent		11,142
Equipment maintenance and repairs		3,200
Insurance		9,524
CWB interest charges		19,500
CRA source deduction priority claim		50,000
Professional fees and costs		174,524
Miscellaneous and contingency		1,000
GST paid on disbursements		11,469
GST to be remitted to CRA		4,628
<b>Total disbursements</b>	<b>\$</b>	<b>314,988</b>
<b>NET CHANGE IN CASH</b>	<b>\$</b>	<b>(34,769)</b>
<b>OPENING CASH</b>	<b>\$</b>	<b>39,645</b>
Net change in cash		(34,769)
<b>ENDING CASH</b>	<b>\$</b>	<b>4,876</b>

34. As summarized above, Impact is projecting total cash receipts of approximately \$280,219 and cash disbursements of approximately \$314,988, resulting in a net decrease in cash of approximately \$34,769 during the Forecast Period.

35. The Trustee has reviewed the assumptions supporting the Updated Forecast with Impact and believes the assumptions to be reasonable under the circumstances.
36. Significant assumptions made by Impact with respect to the Updated Forecast are:
- a) confirmed rental receipts of approximately \$19,800;
  - b) sale of certain redundant equipment to Century of approximately \$247,000;
  - c) management fees of approximately \$17,500 to be paid to Mike and Patti Wolowich that have been incurred to date and that are expected to be incurred in the Forecast Period. Mr. and Mrs. Wolowich currently earn \$12,500 and \$5,000 per month, respectively;
  - d) accounting and consulting fees of approximately \$12,500 relating to advisory contracting services required to operate Impact;
  - e) rent expense of approximately \$11,100 relating to lease space required to store Impact's equipment for April and May 2013;
  - f) interest costs of approximately \$19,500 relating to monthly interest payments to Impact's secured lender;
  - g) professional fees and costs of approximately \$175,000 relating to incurred but unpaid fees of the Proposal Professionals to date and additional estimated costs to be incurred by the Proposal Professionals during the Forecast Period. The timing and amount of these costs are uncertain and the allocation in the Updated Forecast is based on the weekly cash flow of the Company; and
  - h) CRA source deductions instalments of approximately \$50,000 to be paid to CRA pursuant to an agreement made between Impact and CRA. The purpose of these payments is to reduce priority deemed trust claims owed by Impact to CRA prior to the NOI proceedings.

37. Based on Impact's assumptions, the Updated Forecast indicates that Impact will continue to have sufficient available cash to meet its current obligations through the Forecast Period, provided that it can collect upon its outstanding rental agreement receipts, that it can collect upon the sale of certain of its redundant assets it sold to a customer in February 2013 (as reported in the Fourth Report) and if the sale of the Redundant Equipment to Century is approved by this Court.
38. If Impact is able to meet these forecast receipts and manage its operating disbursements in accordance with the Updated Forecast, Impact will have approximately \$5,000 in net cash flow surplus at the end of the Forecast Period (being May 23, 2013). May 23, 2013 is the last day that the first meeting of creditors to hear Impact's proposal can be convened, provided Impact files its proposal on May 2, 2013.
39. As a result, based on the assumptions made by Impact as set out above, the Trustee believes that Impact will have sufficient funds to meet its business and financial affairs through to the end of May 23, 2013.

## **OTHER**

### **Cooperation with the Trustee**

40. During the Reporting Period, the Trustee, with the assistance of Impact, continues to deal with creditor claims, communicate with the secured lender and other various significant stakeholders of Impact, collect rental receipts and disburse cash of Impact for its operations in accordance with the First Stay Extension Order.
41. Since the Third Report, the Trustee continued to analyze and update Impact's cash flow projections, and monitor the progress that Impact is making towards its restructuring efforts for purposes of developing a Proposal to its creditors and stakeholders. In addition, the Trustee (at the request of Impact) initiated and

facilitated a sales process for its Redundant Equipment as more fully discussed in the Fourth Report.

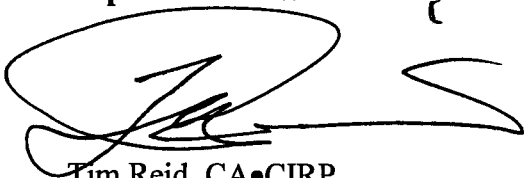
42. To date, the Trustee has obtained the full cooperation and assistance of Impact.

#### **EXPIRATION OF STAY PERIOD**

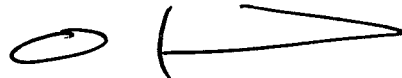
43. Pursuant to the BIA, Impact's stay of proceedings expires at midnight on April 8, 2013 (the "Stay Period"). The Trustee, as at the time of the filing of this Report, has not been advised if Impact will be seeking an extension of the Stay Period.
44. Impact has been acting in good faith and diligently in respect of these proceedings and in the consideration of its options to put forth a viable Proposal to its creditors.

All of which is respectfully submitted this 2<sup>nd</sup> day of April, 2013.

**ALVAREZ & MARSAL CANADA INC.,  
in its capacity as Trustee under the Notice  
of Intention to Make a Proposal of  
Impact 2000 Inc.**



Tim Reid, CA•CIRP  
Senior Vice-President



Orest Konowalchuk, CA•CIRP  
Senior Manager



# APPENDIX A

**IMPACT 2000 INC.****Projected Cash Flow Statement\*****For the period of March 30, 2013 to May 23, 2013 (the "Forecast Period")****(in CDN dollars)**

<b>Week 22 to Week 26</b>		
<b>March 30/13 to May 23/13</b>		
<b>RECEIPTS</b>		
Confirmed rental receipts	\$	19,875
Damage deposit		6,075
Damage deposit held in trust		(6,075)
Seismic data receipts		-
Sale of non-core/redundant assets		247,000
GST collected		13,344
<b>Total receipts</b>	<b>\$</b>	<b>280,219</b>
<b>DISBURSEMENTS</b>		
Management fees	\$	17,500
Consulting fees		12,500
Rent		11,142
Equipment maintenance and repairs		3,200
Insurance		9,524
CWB interest charges		19,500
CRA source deduction priority claim		50,000
Professional fees and costs		174,524
Miscellaneous and contingency		1,000
GST paid on disbursements		11,469
GST to be remitted to CRA		4,628
<b>Total disbursements</b>	<b>\$</b>	<b>314,988</b>
<b>NET CHANGE IN CASH</b>	<b>\$</b>	<b>(34,769)</b>
<b>OPENING CASH</b>	<b>\$</b>	<b>39,645</b>
Net change in cash		(34,769)
<b>ENDING CASH</b>	<b>\$</b>	<b>4,876</b>



Impact 2000 Inc.  
Mike Wolowich, President