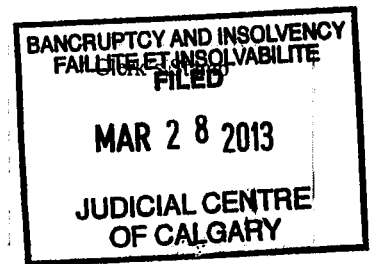


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COURT COURT OF QUEEN'S BENCH OF ALBERTA  
JUDICIAL CENTRE CALGARY



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 **FOURTH REPORT OF ALVAREZ AND MARSAL  
CANADA INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION TO MAKE A PROPOSAL  
MARCH 28, 2013**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
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## **LISTING OF APPENDICES TO THE FOURTH REPORT OF THE TRUSTEE**

APPENDIX A

Redundant Equipment Listing

## 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”).
5. The purpose of this fourth report of the Trustee (the “Fourth Report” or “this Report”) is to provide this Court and interested parties with an update and information in respect of the following:
  - a) the sales process undertaken by Impact to solicit proposals on the disposition of the its redundant equipment (the “Redundant Equipment”) outside of Impact’s normal course of business;
  - b) the offer accepted by Impact to purchase the Redundant Equipment, subject to approval from this Honourable Court; and

- c) the Trustee's recommendations.
- 6. Capitalized terms not defined in this Fourth 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 and the Third Report.
- 7. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

- 8. In preparing this Fourth 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 Fourth 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 Fourth 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 and other materials, which has been posted by the Trustee on its website at: [www.amcanadadocs.com/impact](http://www.amcanadadocs.com/impact).

## **SALES PROCESS FOR REDUNDANT EQUIPMENT**

### ***Overview***

16. During the restructuring under its NOI, Impact identified certain of its equipment that it considered "redundant and non-core", and not required as part of its go-forward strategy. Currently, the Redundant Equipment is secured at Impact's

storage yard; however, these assets have been sitting “idle” for some time and have incurred carrying costs to Impact. Since the filing of the NOI, Impact has attempted to sell the equipment privately as it believed that would garner the best realizations. Except for a few pieces of equipment, Impact has not had success using that process. Impact now believes the most expeditious process that will lead to the greatest realizations would be to sell the Redundant Equipment through a public auction process.

17. Under paragraph 4 of the Third Stay Extension Order, Impact was and is authorized to dispose of redundant or non-material assets not exceeding \$20,000 in value in any one transaction or \$100,000 in aggregate provided that (i) no assets will be sold below their appraised amounts as set out in the Equipment Appraisal of Maynard’s Appraisal Ltd. (“Maynards”) dated November 2012; and (ii) that all proceeds from such sale will be paid into trust account of the Trustee. Further, any disposal of redundant or non-material assets by Impact is authorized and approved *nunc pro tunc*.
18. To date, Impact has sold several pieces of redundant equipment and miscellaneous office furniture totaling \$33,800 in aggregate. Impact is currently in the process of collecting approximately \$15,000 on a recent sale of some of its redundant equipment from one of its purchasers.
19. In November 2012, Impact obtained an independent appraisal on all of its equipment (the “Equipment Appraisal”), including the Redundant Equipment, as was previously discussed in the Supplement First Report. The forced liquidation value (“FLV”) for the Redundant Equipment exceeds the \$100,000 in aggregate threshold and the FLV of certain of the individual equipment exceeds the \$20,000 threshold. As such, Impact requires authorization from this Court to sell its Redundant Equipment.
20. On March 14, 2013, Impact requested assistance from the Trustee to facilitate a sales process to be completed in a short period through an auction that would provide a minimum guaranteed realization for the estate if the equipment was

auctioned, or an offer to outright purchase the Redundant Equipment, as discussed further below. A listing of the 19 pieces of redundant equipment (the “Redundant Equipment Listing”) is attached as Appendix A to this Fourth Report.

***Solicitation of Auction Proposals***

21. On March 15, 2013, the Trustee, with the consent of Impact, provided the Redundant Equipment List to three reputable auction companies and requested the auction companies to submit proposals to the Trustee on or before March 21, 2013, including the following information:

- a) an outright purchase on the Redundant Equipment; and
- b) a net minimum guarantee.

22. On March 21, 2013, the Trustee received written proposals from two of the three auction companies that were solicited. The third auction company declined submitting an offer. Impact, with the assistance of the Trustee, compared and analyzed the proposals and based on the proposals received, Impact believed that the proposal from Century Services Inc. (“Century”) was superior to the other proposal. Century provided both a net minimum guarantee and an outright purchase offer. Impact, with the support of the Trustee, believes that the outright purchase offer provided in the Century proposal (the “Century Purchase Offer”) will have the least risk of not closing, be the most expeditious and generate the highest net realization for the Redundant Equipment. Accordingly Impact is requesting the Court to approve the Century Purchase Offer.

***The Century Purchase Offer***

23. The Trustee understands that the executed Century Purchase Offer is attached as a confidential exhibit to the affidavit of Mr. Mike Wolowich sworn March 28, 2013 (the “March 28<sup>th</sup> Wolowich Affidavit”).

24. The main terms of the Century Purchase Offer include:

- a) outright purchase offer of \$232,000 plus GST (the “Purchase Price”), subject to general limiting conditions, as disclosed in the Century Purchase Offer; and
  - b) full payment of the Purchase Price shall be made upon to Impact upon approval of this offer from this Honourable Court and Century taking unrestricted possession of, and title to, the Redundant Equipment.
25. The Century Purchase Offer is less than the aggregate FLV of the Redundant Equipment.
26. As discussed in the Supplement First Report, due to the confidential nature of the information provided in the Equipment Appraisal, the Equipment Appraisal was included as a confidential appendix to the Supplemental First Report and is not part of the public record.
27. From a review of the Equipment Appraisal and discussions with Maynards, the Trustee understands that the Equipment Appraisal did not include liquidation costs and that the FLV assigned to the individual pieces of equipment may decrease if sold piecemeal and not sold as a whole in one large auction. Specifically, Maynards specifies in its Equipment Appraisal that the FLV of Impact’s entire fleet of equipment is:
- “the estimated most probable price, which could typically be realized at a properly advertised and conducted public auction sale, held under forced sale conditions and under present day economic trends, as of the effective date of this appraisal report”.*
28. Although the Equipment Appraisal includes a FLV associated to each individual piece of equipment, Maynards also specified in the Equipment Appraisal that:

*“any deletions or additions to the assets appraised in the Equipment Appraisal (amongst other things) could change the*



*psychological and/or monetary appeal necessary to gain the values indicated. Additionally, this value (FLV) is not discounted for assembling, cleaning, security, advertising, brokerage, or other disposal costs."*

29. The Trustee supports Impact's acceptance of the Century Purchase Offer for the following reasons:

- a) the cash flow forecast presented at the last stay extension application projected redundant asset sales of \$200,000. The sale is consistent with the forecast and the proceeds will assist the Company with paying projected costs in the NOI proceedings;
- b) the Century Purchase Offer, while not as high as the FLV, is consistent with those values when liquidation costs and a piecemeal sale is taken into consideration; and
- c) the private sale process undertaken and the solicitation eventually utilized have given the Redundant Equipment adequate exposure to the market place.

*The Proposed Distribution of Purchase Price*

30. The Trustee understands that Impact intends to distribute the Purchase Price in the following manner:

Purchase Price	232,000
Allocation	
CRA	(50,000)
CWB	(19,500)
Professional Fee	(62,500)
	(132,000)
Remaining balance to Impact	100,000

31. The proposed distribution of the Purchase Price is in accordance with disbursements identified as amounts required to be paid as set forth in the cash flow projections attached as Appendix A to the Third Report of the Trustee dated February 12, 2013.
32. The professional fee payment of \$62,500 that has been identified in the proposed distribution represents only a partial payment towards current and outstanding professional fees in the NOI proceedings, to date. The Trustee understands that all remaining professional fees incurred and outstanding during these proceedings will be paid by Impact during its normal course of business.
33. The Trustee believes the proposed distribution of the purchase price is reasonable under the circumstance.

#### **PROFESSIONAL FEES**

34. From November 2, 2012 to March 25, 2013, the total professional fees outstanding to the Impact's counsel, the Proposal Trustee and its counsel (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 (above) is applied, total outstanding fees will be approximately \$150,000 as at March 25, 2013.
35. The Proposal Professionals have an Administration Charge of \$200,000 to secure their fees. This is currently sufficient to cover the outstanding fees incurred (but not paid) to date.

**RECOMMENDATION**

- 36.** The Trustee recommends that this Honourable Court approve the sale of the Redundant Equipment.

All of which is respectfully submitted this 28<sup>th</sup> day of March, 2013.

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

A large, stylized handwritten signature in black ink, appearing to be 'TR' followed by a long horizontal stroke.

Tim Reid, CA•CIRP  
Senior Vice-President

A smaller, more compact handwritten signature in black ink, appearing to be 'OK' followed by a horizontal stroke.

Orest Konowalchuk, CA•CIRP  
Senior Manager

# APPENDIX A

IMPACT 2000 INC.											
Equipment for Sale											
#	Unit	Year	Make	Model	Description	Hrs/km	VIN/ISN				
1	1206	2006	Ford	F250SD XLT	Supercab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Headache rack. Box rails. Illuminating buggy whip. Beacon.	178,399	1FTSX21516EA13068				
2	1307	2007	Ford	F250SD XLT	Supercab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Headache rack. Box rails. Illuminating buggy whip. Beacon.		1FTSX21527EA00914				
3	1406	2007	Ford	F250SD XL	Crew cab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Headache rack. Box rails. Illuminating buggy whip. Beacon. Body damage to driver side door.	148,622	1FTSW21546ED90478				
4	1504	2004	Ford	F250SD XL	Supercab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Headache rack. Box rails. Illuminating buggy whip. Beacon. Westeel slip tank and pump.	117,058	1FTNX21L44ED42839				
5	1605	2005	Ford	F350SD XL	Crew cab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Headache rack. Box rails. Illuminating buggy whip. Beacon. Westeel slip tank and pump. Assumed to have approximately 150,000km.		1FTWW31555EC26470				
6	1806	2006	Ford	F250SD XL	Supercab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Warn winch. Headache rack. Box rails. Illuminating buggy whip. Beacon. Westeel slip tank and pump.	105,943	1FTSX21566EA40086				
7	1905	2005	Ford	F250SD XL	Supercab 4WD light duty truck. Gas. Automatic. 75% tires. Grill guard. Headache rack. Box rails. Illuminating buggy whip. Beacon. Westeel slip tank and pump. Assumed to have approximately 150,000km.		1FTSX21525EC26478				
8	MTC3309	2009	Ford	F250SD XLT	Crewcab 4WD light duty truck. Gas. Automatic. 75% tires. Tufport slide-in medical treatment centre.		1FTSX21559EA15684				

IMPACT 2000 INC.											
Equipment for Sale											
#	Unit	Year	Make	Model	Description	Hrs/km	VIN/SN				
9	TS1206	2006	Ford	F750SD XL	Single axle service truck. IMT service body. IMT "5525" 10,500LB capacity hydraulic crane. IMT compressed air system. Gas. 6-speed manual. 10,000LB front axle. 21,000LB rear axle.		3FRWF75N66V356753				
10	WT1000	2000	GMC	C7500	Single axle water truck. Day cab. 11,000LB front axle. 19,000LB rear axle. 6-speed manual.	27,797 km	1GDM7H1C5YJ511774				
11	S04	2003	Ski-doo	Grand Touring Rotax 600	Snowmobile.		2BPS243463V000157				
12	Q02	2007	Honda	TRX420 FM7	Quad.						
13	Q03	2007	Honda	TRX420 FM7	Quad.						
14	K505	2009	Kubota	RTV500	4WD utility vehicle.	638	20424				
15	Atco	2003	Atco		12'x60' skidded office trailer.		26003 8256				
16	H239	1986	Hagglunds	BV206D	All terrain personnel carrier.	24,057 km	AFE-4933				

IMPACT 2000 INC.						
Equipment for Sale						
#	Unit	Year	Make	Model	Description	VIN/SN
17	H244	1987	Hagglunds	BV206D	All terrain personnel carrier.	AFE-1113
18	A01	2006	Argo	Avenger 700	8 wheel drive amphibious off road vehicle. 26HP. Runva EWX4500 winch.	2DGSS0BT76NV23554
19	A02	2007	Argo	Frontier	6 wheel drive amphibious off road vehicle. 23HP.	2DGLS0BL77NF15656