

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

JANUARY 8, 2013

ADDRESS FOR SERVICE AND
CONTACT INFORMATION OF
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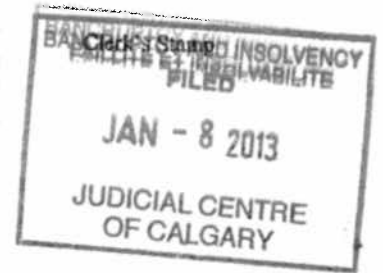


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INTRODUCTION

1. On November 2, 2011, Impact 2000 Inc. (“Impact”) 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 this Honourable Court to extend the initial stay period ending on December 2, 2012 to January 10, 2013 (the “First Stay Extension Order”).
3. The purpose of this second report of the Trustee (the “Second Report”) is to provide this Honourable Court and interested parties with information in respect of the following:
 - a) Impact’s business and financial affairs since the first report of the Trustee (the “First Report”) and the supplemental report to the First Report of the Trustee (the “Supplemental 1st Report”);
 - b) Impact’s ongoing restructuring efforts to date;
 - c) the actual to forecast cash flow results for the period from November 29, 2012 to December 28, 2012 (the “Reporting Period”);
 - d) the updated cash flow projections (the “Updated Forecast”) from December 29, 2012 through March 29, 2013 (the “Forecast Period”);
 - e) other activities and administrative duties of the Trustee during these proceedings;
 - f) the Trustee’s comments with respect to Impact’s application for an extension of time for filing its proposal to February 24, 2013; and

- g) the Trustee's recommendations.
4. Capitalized terms not defined in this Second Report are as defined in the First Stay Extension Order, the First Report and the Supplemental 1st Report.
 5. All references to dollars are in Canadian currency unless otherwise noted.

TERMS OF REFERENCE

6. In preparing this Second 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

7. The Second 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.
8. This Second 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.
9. 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.

10. 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

11. 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.
12. 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.
13. Further background and information in respect of Impact's operations and restructuring during the NOI proceedings is included in the First Report and Supplemental Report and other material, which has been posted by the Trustee on its website at: www.amcanadadocs.com/impact.

Books and Records

14. As discussed in the First Report, certain of Impact's financial statements, GST and payroll remittances, corporate tax returns, records of employment ("ROE's") and other regulatory filing documents (the "Financial Documents") were not completed as at the date of the NOI. Since the Filing Date, Impact has been working on completing the Financial Documents, but it has been delayed as it was unable to engage its former accountant (the "Accountant") and having located an external accountant to assist, it did not having the required funds in early December 2012 to provide the required retainer to engage the services of the external accountant to fulfill this role.

15. On December 20, 2012, Impact paid the retainer to engage the services of McCallum and Company LLP, Chartered Accountants ("McCallum"), to update the Financial Documents. McCallum advised both Impact and the Trustee that the majority of the Financial Documents are expected to be completed the week of January 23, 2013. McCallum has contacted Canada Revenue Agency ("CRA") who has agreed to start its trust examination on that date. This will assist Impact in confirming amounts due to CRA. As such, a stay extension will allow Impact to complete the outstanding Financial Documents in order to assist in determining more clearly the extent of creditor claims and the priority of those claims.

Insurance

16. On November 28, 2012, Impact obtained insurance through Toole Peet & Co. Limited on all of its equipment at an annual premium cost of approximately \$42,000. The Rental Agreements entered into between Impact and its customers require that Impact's customers obtain sufficient liability and property damage insurance over each piece of equipment that will be rented. No equipment will be rented to any of Impact's customers without proper insurance in place.

New office location

17. On December 5, 2012, Impact moved into a new office space located at 2806 Ogden Road SE, Calgary, Alberta. This new smaller office space comes at no financial expense to Impact as the landlord is a friend to Mr. Wolowich and is allowing Impact to operate at this location at no cost during these NOI proceedings.

ONGOING RESTRUCTURING EFFORTS TO DATE

General

18. Impact continues in its efforts to rent its equipment for an interim period in the ordinary course of business, while the company seeks refinancing and considers a proposal to its creditors.
19. The rental revenue has been sufficient to allow the company to pay its post-filing operating obligations as they come due, but not to cover professional fees associated with the restructuring. However, it is anticipated and the attached Updated Forecast shows that future rental receipts should be sufficient to cover all post filing obligations including professional fees and interest on CWB loans through to March 29, 2013.
20. The forecast also indicates Impact will be able to pay down CRA deemed trust claims by \$50,000 and generate a surplus of approximately \$225,000 for the benefit of stakeholders.

Refinancing and/or Sale of the Business

21. Since the First Report, Impact has been in contact and provided certain information to parties interested in the purchase of the undertaking, business, assets and affairs of Impact. Impact has a meeting schedule with one of the interested parties in mid-January 2013 to discuss further details of a potential purchase with the expectation of receiving a letter of intent ("LOI") from this potential purchaser by early to mid-February 2013. Impact further advises that it is currently arranging separate meetings with two other interested parties in late January 2013 with the goal of receiving additional LOI's forthwith.
22. Impact requires a stay extension to allow it to continue its meaningful discussions with these interested prospective purchasers.

Rental Agreements & the Sale of Seismic Data

23. As previously reported, Impact entered into two short-term rental agreements with respect to its equipment that generates approximately \$71,000 a month. The equipment has been released to the customer and rental receipt of approximately \$71,000 for December has been received by the Trustee and approximately \$59,000 has so far been collected in January (the remaining January balance is expected to be received forthwith). These two contracts will continue until the end of March 2013.
24. Since the Filing Date, Impact has been working diligently in finalizing several other rental agreements, including one potential rental agreement that was included in the previous forecast and expected to be executed in mid-December 2012 (the "Third Rental Agreement").
25. Impact now advises that the customer decided not to enter into the Third Rental Agreement due to their concern arising from comments made in Court during the previous stay extension application that rental agreements could be terminated by a secured creditor if the NOI proceedings were to end. The Trustee understands that despite Impact using its best efforts to convince its customer that this would not be the case and that any rental agreement entered into within these NOI proceedings would be lawfully binding even if the stay was terminated, its customer would not continue with the Third Rental Agreement with this potential uncertainty. The Third Rental Agreement was previously forecast to generate in aggregate approximately \$452,000 in rental receipts, \$40,000 of which was to be received in the previous reporting period and \$38,000 that was to be received during this Reporting Period. The balance of \$374,000 was expected to be received during the period December 29, 2012 to March 29, 2013.
26. As a result of the Third Rental Agreement not closing, Impact has sourced one additional smaller rental agreement and is in the process of negotiating additional rental agreements.

27. Impact projects that the rental agreements it is currently negotiating, which include a significant amount of the equipment associated with the Third Rental Agreement, will be executed within the next week. These new rental agreements are expected to generate approximately \$208,000 in rental receipts from now until March 29, 2013, which is about \$175,000 less than originally anticipated under the Third Rental Agreement.
28. The Trustee understands that certain seismic data owned by Impact was submitted by Impact to a data processing facility prior to the NOI proceedings but was not processed at the commencement of the NOI proceedings. The Trustee further understands that the data has now been processed and the processor is awaiting payment of approximately \$16,000 to release the processed data. It is projected that the payment will be made shortly allowing for the data to be marketed. Impact has advised the Trustee that it has engaged an agent to market the data and the agent believes it will be able to generate approximately \$300,000 over the Forecast Period, which is an additional \$100,000 over what was previously reported.
29. In summary, the combined forecast receipts from rental contracts and seismic data sales have decreased by approximately \$75,000 from that previously forecast over the Forecast Period. The decrease is not material to the company's ability to restructure.

ACTUAL TO FORECAST RESULTS – NOVEMBER 29, 2012 TO DECEMBER 28, 2012

Overview

30. The actual to forecast cash flow chart presented below for the Reporting Period 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 First Report (the "First Report Forecast").

Impact 2000 Inc.	Nov. 29/12	Nov. 29/12	Nov. 29/12
Actual to Forecast Cash Flow	to Dec.28/12	to Dec.28/12	to Dec.28/12
Results	Budget	Actual	Variance
RECEIPTS			
Rental receipts	38,600	16,200	(22,400)
Damage deposit	17,500	630	(16,870)
Damage deposit held in trust	(17,500)	(630)	16,870
Seismic data receipts	-	-	-
Sale of non-core/redundant assets	-	-	-
GST collected	2,805	810	(1,995)
Total receipts	\$ 41,405	\$ 17,010	\$ (24,395)
DISBURSEMENTS			
Management fees	17,500	-	17,500
Accounting and consulting fees	15,000	7,500	7,500
Moving fees and costs	-	7,355	(7,355)
Fleet registration costs	-	-	-
Rent	5,000	6,469	(1,469)
Equipment maintenance and repairs	-	-	-
Insurance	-	5,000	(5,000)
Interest charges	13,000	-	13,000
Seismic data sales commissions	-	-	-
Appraisal	-	-	-
Professional fees and costs	-	-	-
Miscellaneous and contingency	-	-	-
Foreign exchange costs and bank fees	-	25	(25)
GST paid on disbursements	1,875	646	1,229
GST remitted to CRA	-	-	-
Total disbursements	\$ 52,375	\$ 26,996	\$ 25,379
NET CHANGE IN CASH	\$ (10,970)	\$ (9,986)	\$ 984
OPENING CASH	\$ 11,133	\$ 10,005	\$ 1,128
Net change in cash	(10,970)	(9,986)	984
ENDING CASH	\$ 163	\$ 19	\$ (144)

31. Receipts for the Reporting Period totalled \$17,010 representing a negative variance of \$24,395. This permanent variance is a result of the Third Rental

Agreement not being completed as discussed above. Impact has revised its cash flow projections based upon new information as discussed further below.

32. Disbursements for the Reporting Period totalled \$26,996 representing a positive variance of \$25,379. This variance was primarily due to the following:
- a) positive timing variance of approximately \$17,500 relating to management fees not paid in the Reporting Period;
 - b) positive timing variance of approximately \$7,500 relating to the timing of consulting and accounting fees not paid in the Reporting Period;
 - c) positive timing variance of approximately \$13,000 relating to bank interest payments that are now scheduled to be paid early in the Forecast Period. Impact did not have the required cash flow to pay its scheduled interest due to the collection and timing of rental receipts;
 - d) negative timing variance of approximately \$12,300 relating to the timing of moving costs and insurance payments of \$7,300 and \$5,000, respectively, that were originally forecast to be paid in the prior reporting period, but were paid in this Reporting Period;
33. There were no restructuring fees paid for professional services rendered by Impact's counsel, the Proposal Trustee and its counsel (the "NOI Professionals") during the Reporting Period. The NOI 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. Impact projects the cash flow to pay these fees will be generated during the Forecast Period.
34. The Applicant's ending cash balance as at December 28, 2012 was \$19 compared to the forecast cash balance amount of \$163, for the reasons discussed above.

UPDATED CASH FLOW FORECAST THROUGH MARCH 29, 2013

35. Impact, with the assistance of the Trustee, has prepared an Updated Forecast for the Forecast Period, which is attached as Appendix A. Impact has prepared the Updated Forecast based on the most current information available.
36. As discussed above, Impact has revised its cash flow projections as a result of the Third Rental Agreement not being completed. In addition, Impact has forecast additional costs associated with professional fees in relation to extra time spent by professionals in the last stay extension as discussed in paragraphs 4 and 5 in the affidavit of Michael Wolowich sworn January 8, 2013 (the "January 8th Wolowich Affidavit") and have added in payments to CRA (as agreed between CRA and Impact) for outstanding source deductions payments as these have a priority to other creditors.
37. The table below summarizes cash flow for the Forecast Period:

Impact 2000 Inc.		Dec.29/12 -
Updated Forecast		Mar. 29/13
RECEIPTS		
Confirmed rental receipts	\$	213,030
Probable rental receipts		208,681
Damage deposit		49,150
Damage deposit held in trust		(49,150)
Seismic data receipts		300,000
Sale of non-core/redundant assets		-
GST collected		36,086
Total receipts	\$	757,796
DISBURSEMENTS		
Management fees	\$	87,500
Accounting and consulting fees		25,000
Moving fees and costs		4,000
Fleet registration costs		5,000
Rent		17,550
Equipment maintenance and repairs		4,000
Insurance		15,000
Interest charges		26,000
Seismic data costs		16,000
Seismic data sales commissions		30,000
Appraisal		8,000
Professional fees and costs		200,000
Miscellaneous and contingency		3,000
CRA source deduction instalments		50,000
GST paid on disbursements		20,753
GST remitted to CRA		20,833
Total disbursements	\$	532,636
NET CHANGE IN CASH FLOWS	\$	225,161
OPENING CASH		19
NET CHANGE IN CASH FLOWS		225,161
ENDING CASH	\$	225,180

38. As summarized above, Impact is projecting total cash receipts of approximately \$757,796 and cash disbursements of approximately \$532,636, resulting in a net increase in cash of approximately \$225,180 during the Forecast Period.

39. The Trustee has reviewed the assumptions supporting the Updated Forecast with Impact and believes the assumptions to be reasonable under the circumstances.
40. Significant assumptions made by Impact with respect to the Updated Forecast are:
- a) confirmed rental receipts of approximately \$213,000;
 - b) probable rental receipts of approximately \$208,600 relating to new rental contracts expected to be executed between Impact and several of its customers by mid-January 2013;
 - c) seismic data receipts of approximately \$300,000. Impact is optimistic that it will achieve an additional \$100,000 from the previous forecast of \$200,000 due to the apparent demand of this type of data;
 - d) management fees of approximately \$87,500 to be paid to Mr. and Mrs. Wolowich during the Forecast Period (\$12,500 and \$5,000 per month, respectively). Since the Filing Date, management fees have not been paid due to the lack of cash receipts available in Impact. Both Mr. and Mrs. Wolowich are the remaining individuals left from Impact that currently operate Impact's business, with the assistance of certain contractors as discussed below;
 - e) accounting and consulting fees of approximately \$25,000 relating to accounting, advisory and mechanical related contracting services required to operate Impact;
 - f) rent expense of approximately \$17,550 relates to lease space required to store Impact's equipment;
 - g) interest costs of approximately \$26,000 relating to monthly interest payments to Impact's secured lender;
 - h) seismic data costs of approximately \$16,000 relating to processing fees respecting Impact's seismic data;

- i) seismic data sales commission relating to a commission charge by an agent to sell Impact's data licenses of approximately \$30,000;
 - j) professional fees and costs of approximately \$200,000 relate to estimated costs to be paid by Impact. 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
 - k) 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. If it is determined that Impact has overpaid CRA, CRA has agreed to refund these instalments back to Impact in its entirety or a portion thereof.
41. 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. The Updated Forecast assumes that Impact will be able to execute and collect upon all of its Rental Agreements and on its sale of seismic data to certain key oil and gas companies. If Impact is able to meet these forecast receipts and manage its operating disbursements, there is a reasonable opportunity for Impact to obtain approximately \$225,000 in net cash flow surplus at the end of the Forecast Period.
42. As a result, based on the assumptions made by Impact contained in the notes to the Updated Forecast, the Trustee believes that Impact will have sufficient funds to meet its business and financial affairs through to the end of March 29, 2013.

OTHER

Cooperation with the Trustee

43. During the Reporting Period, the Trustee, with the assistance of Impact, has been dealing with creditor claims, collecting rental receipts and disbursing cash of Impact for its operations in accordance with the First Stay Extension Order, analyzing and updating Impact's cash flow projections and discussing options and opportunities for the refinancing or the sale of Impact's undertakings, business and assets and as part of Impact's restructuring for purposes of developing a proposal to its creditors and stakeholders.
44. To date, the Trustee has obtained the full cooperation and assistance of Impact.

APPLICATION TO EXTEND THE TIME TO PREPARE A PROPOSAL

45. Pursuant to the BIA, Impact's stay of proceedings expires at midnight on January 10, 2013 (the "Stay Period"). Impact is seeking an extension of the Stay Period for the maximum 45 days as allowed for under s. 50.4(9) of the BIA, which would be until, and including, February 22, 2013 (the "Stay Extension").
46. Impact has been acting in good faith and diligently in respect of these proceedings and considering its options to put forth a viable proposal to creditors.
47. The Trustee does not believe that any creditor will be materially prejudiced if the Stay Extension is granted.
48. Based on the preliminary review of Impact's financial information and other documentation to date, the Trustee believes that Impact would likely be able to make a viable proposal to its creditors.
49. An extension of the stay is necessary to allow time for Impact to negotiate with potential purchasers, update its Financial Documents and further restructure its affairs in order to present a viable plan to its creditors.

RECOMMENDATION

50. The Trustee recommends that this Honourable Court approve the Stay Extension.

All of which is respectfully submitted this 8th day of January, 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 December 29, 2012 to March 29, 2013 (the "Forecast Period")
(in CDN dollars)

	Week 9 to Week 13 Dec.29-12 to Feb.1/13		Week 14 to Week 17 Feb.2/13 to Mar.1/13		Week 18 to Week 21 Mar.2/12 to Mar.29/13		Total
RECEIPTS							
Confirmed rental receipts	\$	71,010	\$	71,010	\$	71,010	\$ 213,030
Probable rental receipts		49,981		76,200		82,500	208,681
Damage deposit		49,150		-		-	49,150
Damage deposit held in trust		(49,150)		-		-	(49,150)
Seismic data receipts		100,000		100,000		100,000	300,000
Sale of non-core/redundant assets		-		-		-	-
GST collected		11,050		12,361		12,676	36,086
Total receipts	\$	232,040	\$	259,571	\$	266,186	\$ 757,796
DISBURSEMENTS							
Management fees	\$	28,000	\$	42,000	\$	17,500	\$ 87,500
Accounting and consulting fees		17,500		5,000		2,500	25,000
Moving fees and costs		4,000		-		-	4,000
Fleet registration costs		5,000		-		-	5,000
Rent		5,850		5,850		5,850	17,550
Equipment maintenance and repairs		4,000		-		-	4,000
Insurance		5,000		5,000		5,000	15,000
Interest charges		13,000		6,500		6,500	26,000
Seismic data costs		16,000		-		-	16,000
Seismic data sales commissions		10,000		10,000		10,000	30,000
Appraisal		8,000		-		-	8,000
Professional fees and costs		90,000		60,000		50,000	200,000
Miscellaneous and contingency		1,000		1,000		1,000	3,000
CRA source deduction instalments		10,000		20,000		20,000	50,000
GST paid on disbursements		9,718		6,443		4,593	20,753
GST remitted to CRA		632		7,668		12,533	20,833
Total disbursements	\$	227,700	\$	169,461	\$	135,476	\$ 532,636
NET CHANGE IN CASH							
	\$	4,341	\$	90,110	\$	130,710	\$ 225,161
OPENING CASH							
	\$	19	\$	4,360	\$	94,470	\$ 19
Net change in cash		4,341		90,110		130,710	225,161
ENDING CASH							
	\$	4,360	\$	94,470	\$	225,180	\$ 225,180


Impact 2000 Inc.
Mike Wolowich, President