

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.

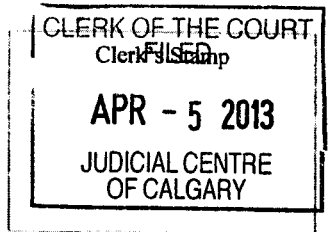
DOCUMENT **SIXTH REPORT OF ALVAREZ AND MARSAL  
CANADA INC.  
IN ITS CAPACITY AS TRUSTEE UNDER THE  
NOTICE OF INTENTION TO MAKE A PROPOSAL**

**APRIL 4, 2013**

ADDRESS FOR SERVICE AND  
CONTACT INFORMATION OF  
PARTY FILING THIS  
DOCUMENT

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**TABLE OF CONTENTS OF THE SIXTH REPORT OF THE TRUSTEE**

INTRODUCTION .....	3
TERMS OF REFERENCE .....	4
LIMITATION IN SCOPE OF REVIEW .....	4
SALE OF REDUNDANT EQUIPMENT .....	5

## 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. Subsequent to filing the NOI, a number of Orders have been granted extending the stay of proceedings. Most recently, on February 28, 2013, an Order was granted extending the stay until April 8, 2013 (the "Current Stay Period") and directing that all receipts of Impact during the Current Stay Period be paid in trust to the Trustee. These receipts are then to pay all disbursements as set forth in the cash flow projections attached as Appendix A to the third report of the Trustee (the "Third Report") or unless directed otherwise by further order of the Court. Such receipts included the sale of Redundant Equipment (as defined below) and the payment of operating cost, management fees and professional fees.
3. On April 2, 2013, an Order (the "Sale Order") was granted approving the sale of redundant assets to Century Services Inc. ("Century") in the amount of \$232,000 plus GST, and providing that the funds are to be distributed in accordance with the proposed distribution as outlined in the fourth report of the Trustee (the "Fourth Report"), which coincide with the payment scheme the collected receipts in these NOI proceedings as directed in the Current Stay Order.
4. On April 3, 2012, the Trustee was advised that Canadian Western Bank ("CWB") had appealed the Sale Order.
5. The purpose of this sixth report of the Trustee (the "Sixth Report" or "this Report") is to provide this Court and interested parties with information regarding the closing of the sale of the redundant equipment to Century.

6. Capitalized terms not defined in this Sixth Report are as defined in the previous Court Orders granted and reports filed by the Trustee.
7. All references to dollars are in Canadian currency unless otherwise noted.

#### **TERMS OF REFERENCE**

8. In preparing this Sixth 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 Sixth 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 Sixth 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.
13. Further background and information with respect to Impact's operations and restructuring during the NOI proceedings is included in the previous Trustee's reports, and other materials, which has been posted by the Trustee on its website at: [www.amcanadadocs.com/impact](http://www.amcanadadocs.com/impact).

## **SALE OF REDUNDANT EQUIPMENT**

### ***Overview***

14. 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*.
15. To date, Impact has sold several pieces of redundant equipment and miscellaneous office furniture totaling \$35,000 in aggregate, not including the sale to Century for the Redundant Equipment totaling \$232,000 (the "Century Purchase Offer"), as discussed further below.
16. 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 (the "Redundant Equipment"). A listing of the 19 pieces of redundant equipment (the "Redundant Equipment Listing") is attached as Appendix A to the Fourth Report.

17. The Trustee prepared its Fourth Report outlining the sale process and recommending acceptance of the offer to purchase the Redundant Equipment received from Century.
18. None of the Trustee, Century nor this Honourable Court were provided with any notice or information that CWB was opposing or otherwise questioning the appropriateness of the sales transaction contemplated prior to, or in the course of, the approval of the Sales Order by this Honourable Court. The Trustee was not aware or advised of this fact until receiving the Civil Notice of Appeal from CWB's counsel on the afternoon of April 3, 2013.

***The Century Purchase Offer***

19. The Trustee understands that the executed Century Purchase Offer is attached as a confidential exhibit to the affidavit of Mr. Michael Wolowich sworn March 28, 2013 (the "March 28<sup>th</sup> Wolowich Affidavit").
20. 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.

***Status of the Sale to Century***

21. On April 2, 2013, an application was brought, with prior advance notice to CWB and Canada Revenue Agency, to approve the sale of the redundant equipment to Century and the Sale Order was granted approving the sale.
22. Due to the urgency to close the sale transaction, after the Sale Order was granted by this Honourable Court, Century was immediately advised of this and Century

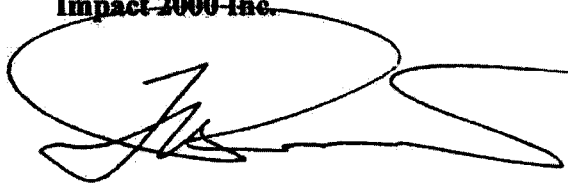
wire-transferred the closing proceeds to the Trustee at approximately 11:00 A.M. on April 3, 2013, with the expectation the transaction would close that day.

23. In the afternoon of April 3, 2013, the Trustee was advised by Century and Impact that they were meeting at the Impact storage yard to take possession and delivery of the equipment purchased.
24. At approximately 2:00 P.M. on April 3, 2013, Impact, Century, the Trustee and other interested parties received a notice that CWB was appealing the entirety of the Sale Order (the "Sales Order Appeal"), and in CWB's view, the Sale Order was stayed and the sale transaction could not proceed.
25. Accordingly, the equipment remained in the storage yard of Impact, as it was uncertain on whether the transaction was completed in light of the Sales Order Appeal.
26. Century had previously advised Impact and the Trustee that there was urgency on their part in completing and closing the sale and the purchase price tendered was done so on the basis they would have title to the equipment in time to be available for their spring auction (the "Spring Auction") at the end of April 2013.
27. Century has advised the Trustee that if they do not receive confirmation that the transaction is closed or can close prior to 3:00 P.M. on April 5, 2013, they will be materially prejudiced as they will not be able to advertise the equipment for sale in their marketing advertisements for the Spring Auction and in that case, will not be able to include the equipment in that auction. As such, Century expects that additional costs will be incurred in storing and insuring equipment until their next auction and are uncertain that the similar selling prices at the Spring Auction can be achieved at their next Auction.
28. Accordingly, Century has advised the Trustee that it is requesting the sale transaction be terminated if this issued is not resolved within the above-mentioned time frame.

29. Impact has further advised the Trustee that they are not in a position to consent to the return of the Purchase Price.
30. The Trustee believes the proposed distribution of the Purchase Price is reasonable under the circumstances.

All of which is respectfully submitted this 4<sup>th</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.~~**

A handwritten signature in black ink, appearing to be 'Tim Reid', written over a large, loopy oval shape.

Tim Reid, CA•CIRP  
Senior Vice-President