

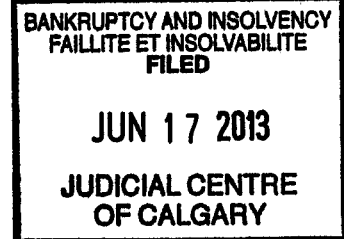
**IN THE MATTER OF THE BANKRUPTCY OF**

**IMPACT 2000 INC.**

**OF THE CITY OF CALGARY,  
IN THE PROVINCE OF ALBERTA**

**REPORT ON THE TRUSTEE'S  
PRELIMINARY ADMINISTRATION**

**ESTATE NO. 25-094321**



On May 3, 2013, Impact 2000 Inc. ("Impact") was deemed to have filed an assignment ("Bankruptcy Date") pursuant to the provisions of the *Bankruptcy and Insolvency Act* ("BIA") and Alvarez & Marsal Canada Inc. was appointed as trustee in bankruptcy ("A&M" or "Trustee") by the official receiver, subject to affirmation by the creditors of the trustee's appointment or substitution of another trustee by the creditors.

**Background**

Impact was incorporated on October 7, 1999, in the Province of Alberta. The voting shares of Impact are 100% held by 848891 Alberta Ltd. ("848"), which is owned equally by Mike Wolowich, Patty Wolowich and the Wolowich Family Trust. Impact also has two wholly owned subsidiary corporations called Impact 2000 Exploration Consulting Inc. ("Impact Exploration") and Impact 2000 USA Inc. ("Impact USA"). The Trustee understands that Impact USA does not have any assets or operations. The Trustee was advised by the director of Impact (Mr. Wolowich) that Impact USA filed US taxes several years ago, but has since closed the company. Impact Exploration holds a geophysical exploration license and permits which allowed the company to shoot data recording for its customers. The Trustee was advised by Mr. Wolowich that Impact Exploration does not have any operations and has never filed taxes in the past.

Impact was in the business of providing a full suite of front-end seismic consulting services to the oil and gas exploration sector throughout Western Canada and the Northwest Territories. The main services that Impact provided included: (a) providing front end seismic consulting services to oil and gas exploration companies; (b) acquiring and marketing seismic data; and (c) entering into short term rental agreements for its unutilized equipment.

The main cause of Impact's financial difficulty and eventual insolvency of the company was as a result of it being under-capitalized due to a failed recapitalization attempt with an investor, Triple Five Global Group Ltd. This failed recapitalization caused significant operational problems that eventually impaired Impact's ability to properly complete projects and in particular one project that ended in cost overruns and a loss of approximately \$1.1 million. Further detailed information on the causes and events

leading up to Impact's insolvency is discussed in the affidavit of Mr. Mike Wolowich filed on or about November 23, 2012.

On November 2, 2012 (the "Bankruptcy Event"), 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. Alvarez & Marsal Canada Inc. (the "Proposal Trustee") was named as Proposal Trustee under the NOI. Impact failed to file a proposal to its creditors and Official Receiver within the statutory time allotted under s.62(9) of the BIA. As a result, Impact was deemed to have filed an assignment in bankruptcy on May 3, 2013 (the "Bankruptcy Date").

As at the Bankruptcy Date, Impact operated from two leased locations. It had limited operations and no employees.

### **Conservatory & Protective Measures and Preliminary Evaluation of Assets and Details of Security Interests**

Since the Bankruptcy Date, the Trustee has secured all material capital assets, which included office furniture, equipment and seismic data (the "Assets"), all as more fully detailed in the statement of affairs sent to all known creditors. Impact had no accounts receivable and no inventory. The equipment, which is the most significant asset, is currently stored in a secured leased storage yard. The Trustee has made arrangements with the landlord at this location to pay occupancy rent and retain the storage yard for an interim-period while it is in possession of the equipment. The Trustee has also continued the existing insurance by paying the monthly installments through to June 15, 2013 and the Trustee is listed as the "loss payee" and beneficiary on this policy.

In April 2013 during the Impact NOI proceedings, the equipment was appraised by two independent appraisal companies, Century Services Inc. ("Century") and Maynards Appraisals Ltd. ("Maynards"). Century and Maynards valued Impact's equipment at a forced liquidation value of \$687,365 and \$951,500, respectively.

The security held by the Secured Creditor charges all of the assets of Impact and as a result, the value of the assets is far less than the debt held by the Secured Creditor (i.e. \$1.3 million), which results in there being no equity for the estate.

The office furniture of Impact consists of older desks, filing cabinets, chairs, etc. that is not material in value and it remains at the Impact's offices with the consent of the Landlord. Costs to relocate the furniture would be greater than the proceeds of sale so it has not been moved.

The seismic data relates to the Wilson Creek South project (as discussed in the Proposal Trustee Reports located on its website at: [www.amcanadadocs.com/impact](http://www.amcanadadocs.com/impact)). The raw and processed data (the "Data") is located and stored at the data processing company, CGG. The Trustee has contacted CGG and advised them of the Bankruptcy and the Trustee's

interest in the Data and that CGG is not to release the Data without the Trustee's consent. The Trustee received confirmation from CGG that it will store and protect the Data until the Trustee arranges to collect the Data. CGG has also advised they will not release the processed data until their outstanding account processing the Data of \$16,000 is paid in full, but will release the raw data back to the Trustee.

The Trustee is in receipt of an agreement that was entered into between Devon Canada Corporation ("Devon") and Impact on August 14, 2012, which appears to transfer 50% ownership in the Data to Devon. The Trustee was advised that the 50% ownership was sold/transferred by Impact to Devon in exchange for Devon agreeing to pay its account to Impact for the Wilson Creek South project within a shorter time frame as Impact was in need of funds to pay its debts. Therefore, it may be that Impact gave up 50% ownership in the Data for no or inadequate consideration. The Trustee is aware that CGG provided Devon a copy of the processed data with the understanding that Impact would pay the \$16,000 outstanding account. Impact was not provided a copy of the processed Data.

During the NOI proceedings, Impact hired an experienced agent (the "Agent") to sell licenses of the Data to arm's length parties. The Agent was unable to sell any licenses during this time period. The value of this data is currently undeterminable and it appears from the experience of the Agent this data has minimal value at this particular time, but may have some value in the future (based on demand and need of this data from oil and gas companies).

The Trustee, has received a Notice of Proposal to Retain Collateral ("PPSA Notice") of Impact pursuant to s.62 of the *Alberta Personal Property Security Act* from Impact's main secured lender, Takoda Resources Ltd. ("Takoda" or "Secured Creditor"), filed on May 3, 2013. In addition, Takoda has filed a proof of claim and security in the bankruptcy proceedings claiming a security interest in all of Impact's personal and real property. The proof of claim indicates that the amount required to satisfy Impact's obligation to Takoda is \$1,352,314.17.

Based on the information available to the Trustee as discussed above, the Trustee does not believe there is any equity in the property over the secured claim of Takoda and therefore has not objected to the PPSA Notice and recommends the property be released to Takoda. The Trustee is aware that a creditor of Impact has objected to the PPSA Notice and Takoda is responding to the objection.

### **Books and records**

The Trustee has taken possession of the books and records of Impact required to complete the administration of the bankruptcy. The remaining books and records are located at Impact's office located at 2806 Ogden Road SE in Calgary, Alberta, as it is likely that these records will be release to the Secured Creditor.

### **Provable Claims and Secured Claims**

The Trustee is aware of approximately \$2.45 million of indebtedness owed to various secured lenders, including the Takoda claim of approximately \$1.3 million. The remaining secured claims are related party claims by related parties owned directly or indirectly by Mike and Patty Wolowich.

Takoda acquired its loans and security interest over Impact through a purchase of the loans and security of Canadian Western Bank (“CWB”) on April 15, 2013 at the full value of the loans of approximately \$1.1 million (the Security Transaction”). CWB originally entered into the loan agreement with Impact on or round April 2011, Takoda, CWB and Impact were all represented by independent legal counsel at the time of the purchase transaction and the Trustee understands that Takoda’s legal counsel verified the security of CWB was valid. The remainder of Takoda’s indebtedness was incurred as it paid claims determined in the NOI Proceeding to be in priority to the CWB security, including the administrative charge of approximately \$200,000 and a deemed trust claim of Canada Revenue Agency (“CRA”).

The Trustee has reviewed the Takoda proof of claim and supporting documents and notes that the security appears to be properly taken and is registered at Alberta Personal Property Registry. Additionally, the recent Security Transaction supports the presumption that the loans and security are valid and enforceable against the Trustee. Accordingly the Trustee will not be objecting to the PPSA Notice nor disallowing the proof of claim of Takoda.

The Trustee understands that Ms. Patricia Wolowich is a minority shareholder of Takoda and Mr. Michael Wolowich is an employee and director of Takoda.

The deemed trust claim owed to CRA during the NOI proceedings was for outstanding source deductions of approximately \$66,000. The Trustee was advised that this claim was paid by Takoda. The administrative charge related to unpaid professional fees and costs of the Trustee, its legal counsel and legal counsel of Impact during the NOI proceedings.

The Trustee has not reviewed in detail the related party secured claims as there does not appear there is any value to their security and they will not receive any distributions from the estate.

The other liabilities that the Trustee is aware of are unsecured claims as listed on the Statement of Affairs. To date, the Trustee has not received any proof of claims indicating a material difference in the claims disclosed in the company’s statement of affairs

## **Legal Proceedings**

No legal proceedings have been instituted by the Trustee to date.

The Trustee is not aware of any legal proceedings by or against the Company.

## **Reviewable Transactions and Preference Payments**

The Trustee's preliminary review of the books and records note the following transactions that occurred within three months prior to the Bankruptcy Event:

### Related Party Security Agreements (Registered at Alberta Personal Property Registry)

1. Michael & Patty Wolowich (owners of 848, which wholly own Impact)
  - a. Registration Type: Security Agreement
  - b. Registration Date: October 17, 2012
  - c. Collateral:
    - i. all present and after-acquired personal property of Impact and all proceeds therefrom; and
    - ii. Specific field equipment; data recording station; software license and supplementary items
2. Prolific Energy Services Ltd. ("Prolific") - wholly owned by Michael Wolowich
  - a. Registration Type: Security Agreement
  - b. Registration Date: October 19, 2012
  - c. Collateral:
    - i. all present and after-acquired personal property of Impact and all proceeds therefrom

The Trustee has not received proof of claims ("POC") from Michael and Patty Wolowich nor Prolific Energy Services Ltd. The Trustee has not follow up on this matter any further at this time, as it is unlikely any distribution of funds will be made to these creditors, as the security appears to be subordinate to the security of Takoda.

### Seismic Data Transaction

As discussed above, Impact transferred 50% ownership of the Data to Devon for what appears to be inadequate or no consideration. This transaction occurred on August 12, 2012, the Trustee has not completed a full investigation of this transaction to determine whether it is reviewable under the provisions of the BIA or other legislation. If the creditors wish the Trustee to investigate this matter further, the creditors will have to provide funding to the estate. As previously discussed, the value of the Data is difficult to assess and it appears from the experience of the Agent the Data has minimal value at this particular time. Further, Takoda claims a security interest in the Data and any monies recovered would firstly go to Takoda.

### **Trustee's Intention to Act**

The Trustee has not acted for any secured creditors, as set out in subsection 13.4(1.1) of the BIA.

### **Possible Conflict of Interest**

A&M was the Proposal Trustee under s.50.4(1) of the BIA prior to Impact becoming a bankrupt. Under the BIA provisions, A&M automatically become the bankruptcy trustee.

During the NOI proceedings, The Trustee did received a retainer in the amount of \$30,000 from Impact to cover the Trustee's administration fees and disbursements in the bankrupt estate.

### **Anticipated Realization and Projected Distribution**

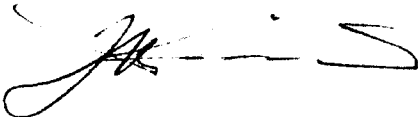
All of the assets of Impact are subject to a security interest from the Secured Creditor and other secured lenders that may be owed approximately \$2.45 million.

Based on the estimated values discussed above and the amount of debt of the Secured Creditor, the Trustee recommends the release of the Assets to the Secured Creditor in accordance with its PPSA notice of proposal and its secured proof of claim.

Consequently, there will be no funds available for dividends to other creditors.

**ALVAREZ & MARSAL CANADA INC.**

**Trustee for the Estate of  
Impact 2000 Inc.**

A handwritten signature in black ink, appearing to read 'Tim Reid', with a long horizontal line extending to the right.

Tim Reid, CA•CIRP  
Senior Vice-President

May 21, 2013