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**First Report of Duff & Phelps  
Canada Restructuring Inc.  
as CCAA Monitor of iMarketing  
Solutions Group Inc. and the  
Companies Referred to in  
Schedule “A”**

**May 2, 2013**

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# Contents

	<b>Page</b>
1.0 Introduction.....	1
1.1 Purposes of this Report.....	2
1.2 Currency .....	3
1.3 Defined Terms .....	3
1.4 Restrictions .....	3
2.0 Background .....	3
3.0 Sale and Investor Process .....	4
3.1 Success Fee .....	7
3.2 Recommendation - SIP .....	8
3.3 Recommendation – Success Fee.....	9
4.0 CIBC.....	10
5.0 Cash Flow .....	11
5.1 Receipts and Disbursements for the Week Ending April 19, 2013.....	11
5.2 Cash Flow for the Period Ending August 2, 2013 .....	11
6.0 Company's Request for an Extension .....	12
7.0 Company's Activities.....	12
8.0 Overview of the Monitor's Activities .....	14
9.0 Conclusion and Recommendation .....	15
<b>Appendix</b>	<b>Tab</b>
Initial Order.....	A
Recognition Order.....	B
Cash Flow, Monitor's Report and Company's Report Thereon .....	C
Corporate Chart.....	D
CRO's Amended Retention Arrangement .....	E
CV of Upkar Arora .....	F
Comparison .....	G

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COURT FILE NO.: CV-13-10067-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, C.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
iMARKETING SOLUTIONS GROUP INC. AND THE COMPANIES REFERRED TO IN  
SCHEDULE "A"**

**FIRST REPORT OF  
DUFF & PHELPS CANADA RESTRUCTURING INC.  
AS CCAA MONITOR OF iMARKETING SOLUTIONS GROUP INC.  
AND THE COMPANIES REFERRED TO IN SCHEDULE "A"**

**May 2, 2013**

## **1.0 Introduction**

1. Pursuant to an order ("Initial Order") of the Ontario Superior Court of Justice (Commercial List) ("Court") made on April 12, 2013, iMarketing Solutions Group Inc. ("IMSG") and the companies referred to in Schedule "A" (together with "IMSG", the "Company") were granted protection under the *Companies' Creditors Arrangement Act* (the "CCAA") and Duff & Phelps Canada Restructuring Inc. ("D&P") was appointed the monitor ("Monitor"). A copy of the Initial Order is attached as Appendix "A".
2. Pursuant to the Initial Order, the Company's stay of proceedings expires on May 11, 2013.
3. Also on April 12, 2013, the United States Bankruptcy Court for the District of Delaware ("US Court") made an order ("Recognition Order") recognizing the CCAA proceedings in the United States and granting the Company certain protections as contemplated by chapter 15 of title 11 of the *United States Code* ("Chapter 15"). A copy of the Recognition Order is attached as Appendix "B".
4. The US Court has scheduled a hearing on May 20, 2013 to consider final recognition of the CCAA proceedings as a foreign main proceeding.

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5. The Affidavit of Andrew Langhorne, the Company's Chief Executive Officer, sworn April 11, 2013 (the "Langhorne Affidavit") and filed in support of the Company's application for CCAA protection, describes, *inter alia*, the Company's background, including the reasons the Company determined it was necessary to commence these proceedings.
  6. The principal purpose of these restructuring proceedings is to create a stabilized environment in order to carry out a process to solicit investors, strategic partners or purchasers for the Company's business and assets in order to preserve its going-concern value.

## 1.1 Purposes of this Report

1. The purposes of this report ("Report") are to:
  - a) Provide background information about the Company and these proceedings;
  - b) Summarize a proposed sale and investor process ("SIP") pursuant to which parties interested in investing in the Company and buyers interested in purchasing the Company's business and assets would be sought;
  - c) Report on the Company's weekly cash flow projection for the period ending August 2, 2013;
  - d) Provide an overview of the Company's activities since the commencement of these proceedings;
  - e) Provide an overview of the Monitor's activities since its appointment; and
  - f) Recommend that this Honourable Court make an order:
    - Granting the Company's request for an extension of its stay of proceedings from May 11, 2013 to August 2, 2013;
    - Approving the SIP;
    - Approving an amended retention arrangement with the Company's Chief Restructuring Officer ("CRO") which defines the success fee that is payable to the CRO in certain instances on completion of a transaction, as set out in Section 3.1; and
    - Approving the Monitor's actions and activities, as described in this Report.

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## 1.2 Currency

1. Unless otherwise noted, all currency references in this Report are to Canadian dollars.

## 1.3 Defined Terms

1. Capitalized terms not defined in this Report have the meanings provided to them in the Langhorne Affidavit.

## 1.4 Restrictions

1. In preparing this Report, the Monitor has relied upon unaudited financial information prepared by the Company's representatives, the Company's books and records, discussions with management and discussions with the Company's advisors. The Monitor has not performed an audit or other verification of such information. An examination of the Company's cash flows and/or financial forecasts 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 the Company's assumptions regarding future events; actual results achieved may vary from this information and these variations may be material.
2. Based on its review of the cash flows and/or financial forecasts, their underlying assumptions and on discussions with management, the Monitor is of the view that the cash flow projection attached as Appendix "C" is reasonable. Any party relying on the cash flow projection and/or any financial forecasts of the Company is encouraged to perform its own diligence.

## 2.0 Background

1. IMMSG is incorporated under the Alberta *Business Corporations Act*. IMMSG's common shares are listed on the Canadian National Stock Exchange under the symbol "IMR".
2. The Company operates 22 direct and indirect subsidiaries in Canada and the US, of which five are inactive and are not subject to these proceedings. IMMSG's corporate chart is provided in Appendix "D".
3. The Company is an integrated marketing services provider of direct marketing solutions for not-for-profit organizations, political organizations and professional associations.

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4. The Company's core businesses include tele-fundraising; data development; direct mail fundraising and outreach; data management; publishing; social media; secure caging<sup>1</sup>; and marketing list rental<sup>2</sup>.
  5. Operating under its previous name, Xentel DM Incorporated, IMSG and its predecessor corporations have operated in the telemarketing and fundraising sector in North America for more than 25 years. IMSG acquired The Responsive Marketing Group Inc. ("RMG") in March, 2010.
  6. The Company operates out of twenty-five (25) leased premises located across Canada and the US. The Company's Canadian operations are located in Ontario, British Columbia, Alberta, Manitoba, Quebec and New Brunswick. US operations are located in Wisconsin, Colorado, Pennsylvania, Missouri, Virginia, New Mexico and Florida. The Company has closed, or is in the process of closing and vacating, 11 of its locations, including five in Canada and six in the US.
  7. As at the date of the Initial Order, the Company employed approximately 1,140 individuals, of which 480 individuals were laid off in March, 2013.
  8. Additional information concerning the Company and these proceedings is provided in the Langhorne Affidavit and the report of D&P as proposed monitor ("Pre-Filing Report"). A copy of this and other material filed in the CCAA and Chapter 15 proceedings can be found on the Monitor's website at: [www.duffandphelps.com/restructuringcases](http://www.duffandphelps.com/restructuringcases).

### 3.0 Sale and Investor Process

1. The SIP is intended to identify one or more investors for the Company and/or one or more purchasers for the Company's business and assets. The objective is to complete a transaction or transactions by the end of July, 2013, or as soon as possible thereafter.
2. The SIP is to be run by Illumina Partners Inc. ("Illumina") in its capacity as the CRO under the supervision of, and with the assistance of, the Monitor. Illumina's representative managing this matter is Upkar Arora.
3. The SIP is set out below:
  - The CRO has compiled, and with the assistance of the Monitor and Shotgun Fund Limited Partnership III ("Shotgun" or the "DIP Lender") may continue to compile, a list of interested parties ("Interested Parties") and will distribute to them an interest solicitation letter detailing this opportunity. The CRO, with the assistance of the

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<sup>1</sup> An industry term for the process or act of collecting donations, processing donor mail and depositing contributions to customer accounts.

<sup>2</sup> The renting of donor lists to third parties in exchange for a fee.

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Monitor, will contact all parties identified as well as any additional parties that come to its attention. A confidentiality agreement (“CA”) will be attached to the interest solicitation letter;

- The CRO, with the assistance of the Monitor, will prepare a confidential information memorandum (“CIM”) which will be made available to Interested Parties that execute the CA. The CIM will provide an overview of IMMSG’s business, property and financial results and be in form and substance acceptable to the DIP Lender;
- Interested Parties who execute the CA will have an opportunity to perform diligence, including reviewing information in a virtual data room;
- A notice will be published in the national edition of *The Globe and Mail* newspaper and, at the discretion of the CRO and the Monitor, in a US periodical. As soon as reasonably practicable after the granting of an order of the Court approving the SIP (“SIP Order”), IMMSG shall issue a press release setting out the notice and such other relevant information in form and substance satisfactory to the Monitor and the CRO, with *Canada Newswire* designating dissemination in Canada and the US;
- The CRO, with the assistance of the Monitor, will facilitate diligence efforts by, among other things, responding to questions and coordinating meetings between Interested Parties and IMMSG’s management and such other parties as the CRO and/or the Monitor may arrange. All meetings with management will be convened in the presence of a representative of the Monitor;
- Prospective investors shall be required to identify all material terms of their proposed investment to permit evaluation of such proposal but will not be required to submit the terms and structure of their proposed investment in a predetermined prescribed format;
- Parties interested in acquiring assets will be able to refer to a template asset purchase agreement (“APA”) that will be posted in the data room. The form and substance of the APA shall be approved by the DIP Lender prior to it being posted by the Monitor in the data room. Interested Parties will be encouraged to submit offers substantially in the form of the APA, with any changes black-lined against the APA;
- Interested Parties will be entitled to submit offers for IMMSG’s businesses and assets on an individual/divisional basis or *en bloc*. Subject to the value of the consideration to be paid, preference will be given to *en bloc* offers;
- The deadline for submission of offers (“Offer Deadline”) will be 5:00 pm EST on the 60<sup>th</sup> day from the date of the SIP Order;

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- Offers are to be submitted to the Monitor with a refundable cash deposit in the form of a wire transfer (to a bank account specified by the Monitor) or such other form of deposit as is acceptable to the Monitor, payable to the order of the Monitor, in trust, in an amount equal to 10% of the purchase price or investment amount. Offers are to be supported by evidence, satisfactory to the CRO and the Monitor, of financing sufficient to close a transaction within the timelines detailed in these procedures. All offers are to be irrevocable until 120 days after the date of the SIP Order, unless otherwise agreed;
  - The CRO and the Monitor will evaluate the offers and may seek clarifications and/or a re-bidding of certain offers, after consultation with the DIP Lender. Copies of all offers received shall be provided to the DIP Lender on a confidential basis provided that the DIP Lender is not a bidder in the SIP;
  - The Company's senior management, Canadian Imperial Bank of Commerce ("CIBC"), in its capacity as secured creditor (discussed below in Section 4) and the DIP Lender (or any of its affiliates), along with their respective legal counsel, will be consulted on a timely basis during the different phases of the SIP provided that they confirm to the Monitor that they are not bidders in the SIP. High level, directional updates only may be provided to these parties if they do not confirm that they are not a bidder; and
  - Upon completion of definitive documentation, the Monitor will apply to the Court for an order approving one or more offers ("Transaction"), with a transaction projected to be completed as soon as possible following approval of the Transaction by the Court. The Monitor will provide its recommendation to the Court with respect to the Transaction.

4. Other attributes of the SIP include:

- The CRO, with the approval of the Monitor and the DIP Lender, shall have the right to extend by up to three weeks any deadline in the SIP in order to facilitate the SIP. Further extensions will require Court approval;
- IMSG's management and employees are required to assist and support the efforts of the CRO and the Monitor as provided for herein;
- Any transaction will be consistent with insolvency principles, including that it will be without material representations and warranties and shall be on an "as is, where is" basis;

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- The CRO, with the prior approval of the Monitor, and after consultation with the DIP Lender (provided it is not a bidder), reserves the right to accept one or more offers on behalf of IMSG and to take such steps as are necessary to finalize and complete an APA or investment agreement or to continue negotiations with a selected number of Interested Parties with a view to finalizing an agreement(s) with one or more of them;
  - The CRO, with the approval of the Monitor, and after consultation with the DIP Lender, shall be under no obligation to accept the highest offer, the best offer, or any offer, and the selection of any offer(s) shall be at the discretion of the CRO and the Monitor, after consultation with the DIP Lender (provided it is not a bidder);
  - Acceptance of any transaction is subject to the approval of the Court, and the US Court, if necessary. Neither the Company nor the Monitor shall be bound by the terms of any transaction(s) until approval of the courts is obtained;
  - The CRO and the Monitor may consider transactions involving a restructuring or investment in IMSG if, in the opinion of the CRO and the Monitor, the resulting transaction is in the best interests of IMSG and maximizes value for the benefit of their stakeholders, and such transactions are in form and substance acceptable to the DIP Lender;
  - The CRO and the Monitor reserve the right to apply to the Court at any time to modify or terminate the SIP if they consider it appropriate in the circumstances or to apply to the Court for advice and directions with respect to the discharge of their powers and duties hereunder; and
  - The CRO and the Monitor may, after consultation with the DIP Lender, extend the period between execution of an APA and Court approval of a transaction should the successful bidder require time to obtain regulatory approvals.

### **3.1 Success Fee**

1. As noted above, Illumina was appointed as CRO pursuant to the Initial Order.
2. The CRO has a base monthly fee of \$75,000. The CRO's engagement letter appended to the Pre-Filing Report contemplated that it would be entitled to a success fee, but the terms of the success fee had not been finalized at the date of the Initial Order.

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3. The CRO and the Monitor have considered numerous factors relevant to the successful completion of the SIP, including:
    - a) the time and effort required to carry out the SIP;
    - b) the complexity of the Company's business and operations (over 1,000 employees across 17 operating entities in two countries);
    - c) a preliminary range of values for the Company's business and assets;
    - d) the significant reliance upon the CRO by the Company's management team; and
    - e) the additional professional costs that would be incurred by the Monitor should the CRO not assist with the SIP.
  4. Based on the discussions between the CRO and the Monitor, the CRO agreed to a fee of 5% of the gross proceeds from one or more transactions resulting from the SIP, provided such "gross proceeds" exceed \$2.5 million ("Success Fee"). Gross proceeds include any free cash flow generated from the Company's business during the CCAA period.
  5. A copy of the CRO's amended retention arrangement is provided in Appendix "E".

### **3.2 Recommendation - SIP**

1. The Monitor respectfully recommends that the Court approve the SIP for the following reasons:
  - The SIP provides an orderly and fair mechanism to expose the Company's business and assets to the market for a reasonable period of time;
  - The SIP is intended to identify both interested buyers and investors;
  - The SIP will assist to retain customers and reduce erosion to the Company's business – both of which are heightened for businesses subject to insolvency proceedings. In the case of this business it is a particular risk as customers rely on the Company for cash flow purposes;
  - The SIP is substantially similar to processes overseen and executed by the Monitor for the sale of businesses and assets in insolvency proceedings;

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- In the Monitor's view, the duration of the SIP is sufficient to canvass the market and for Interested Parties to respond, conduct diligence and submit offers; and
  - Shotgun, in its capacities as DIP Lender and secured creditor<sup>3</sup>, has reviewed the SIP and has not raised any objections to it. CIBC and Canada Revenue Agency ("CRA") were provided with copies of the SIP on April 29, 2013. No comments have been received from these parties as at the date of this Report. The Monitor will advise the Court of any comments received from, or changes resulting from, CIBC and CRA at the return of this motion.

### 3.3 Recommendation – Success Fee

1. The Monitor respectfully recommends that the Court approve the CRO's amended retention arrangement, including the Success Fee, for the following reasons:
  - As set out in the Langhorne Affidavit, the CRO has been acting as the Company's interim CFO since September, 2012 and oversees the Company's financial affairs both in Canada and the US. In performing his role as interim CFO, the CRO has become a critical member of the management team, with knowledge of all aspects of the Company's operations. The Company's management and Shotgun believe that the Company has benefitted, and will continue to benefit, from the CRO's experience, including his corporate finance capabilities;
  - Mr. Arora, the primary representative of the CRO, is an experienced professional who has worked with distressed businesses. A copy of Mr. Arora's CV is provided in Appendix "F";
  - The Monitor has observed that the Company has limited management and accounting resources. The Company's accounting system is not well integrated which causes reporting challenges. The CRO has learned how to best obtain information from the Company's systems, which has assisted Shotgun and other parties to have more comfort with the reporting. Stakeholder comfort is integral to continuing in these proceedings. An understanding and ability to generate reports will also be critical to advancing the SIP and responding to diligence inquiries from Interested Parties;
  - The Monitor is of the view that it is appropriate to incentivize the CRO to carry out and conclude the SIP with a Transaction. Shotgun has reviewed the terms of the Success Fee and has not objected to them; and

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<sup>3</sup> Shotgun is a secured creditor pursuant to the Company's private placement offering of a \$3.5 million secured convertible promissory note with Shotgun completed on December 4, 2012. Shotgun has registered security against IMSG and two of IMSG's subsidiaries in the US.

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- A success fee is a standard provision of sale processes in insolvency proceedings. The Monitor believes that the Success Fee is reasonable in the circumstances and the CRO's role and compensation with respect to the SIP should assist to reduce the fees and costs of other professionals in these proceedings.

## 4.0 CIBC

1. CIBC provides the Company with a \$2 million operating line, of which \$1.894 million had been drawn at the date of the Initial Order. CIBC has registered security against RMG, one of IMSG's wholly-owned subsidiaries, pursuant to a general security agreement. Certain subsidiaries of RMG are guarantors of the indebtedness but did not grant a security interest in their assets.
2. The priority charges (Administration Charge, DIP Lender's Charge, Inter-Company Charge and Directors' Charge) granted pursuant to the Initial Order have priority over all claims against the Company other than CIBC's security interest to the extent such charge is properly perfected against the assets of RMG.
3. Following the making of the Initial Order, CIBC agreed that RMG's accounts at CIBC would operate as cash accounts with no loan or overdraft facility. Deposits received after the Initial Order have been available for use by the Company.
4. The Company and the Monitor have corresponded with CIBC; a meeting was convened with representatives of CIBC and its counsel on April 18, 2013.
5. In January, 2012, the community fundraising activities carried out by RMG were transferred to Engage Interactive Inc. ("Engage"), another of IMSG's subsidiaries. The Company has advised the Monitor that CIBC was informed that these activities were transferred to Engage at the time of the change. CIBC has not registered a security interest against Engage; however, the Company continued to include the accounts receivable of Engage, so identified, in its reporting of monthly accounts receivable to CIBC.
6. As at the date of the Initial Order, CIBC had a margin deficiency<sup>4</sup> (\$1.2 million) even with the inclusion of Engage's receivables. However, that deficiency increases by approximately \$300,000 when they are excluded.
7. The Company, with the Monitor's assistance, has committed to report regularly to CIBC and work cooperatively with it during these proceedings.
8. CIBC has reserved, and continues to reserve, all of its rights.

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<sup>4</sup> Based on the margin formula in the credit agreement.

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## **5.0 Cash Flow**

### **5.1 Receipts and Disbursements for the Week Ending April 19, 2013**

1. A comparison of the Company's budget to actual results for the week ended April 19, 2013 ("Comparison") is provided in Appendix "G".
2. As reflected in the Comparison, the Company generated net cash flow of approximately \$983,000 and had \$1.2 million on hand, net of outstanding cheques, as at April 19, 2013. Principal variances include:
  - Timing differences related to collection of accounts receivable, as well as payment of certain disbursements. The Company expects that the positive variances will reverse;
  - The DIP Lender advancing \$650,000, being approximately \$310,000 higher than projected, in response to the Company's concerns that it have sufficient cash on hand to address vendor issues that it feared may arise immediately after the commencement of these proceedings; and
  - The Company having an opening cash balance, net of outstanding cheques, of approximately \$180,000; the Company projected a nil opening cash balance.

### **5.2 Cash Flow for the Period Ending August 2, 2013**

1. The Company's weekly cash flow projection for the period ending August 2, 2013 ("Cash Flow"), together with Management's report on the cash-flow statement as required by Section 10(2)(b) of the CCAA, and the Monitor's report on the cash-flow statement as required by Section 23(1)(b) of the CCAA, are provided in Appendix "C". The Company updated the Cash Flow as part of its reporting obligations under the DIP Term Sheet.
2. The Monitor has reviewed the Cash Flow and believes it to be reasonable.
3. The Company has reviewed the Cash Flow with the DIP Lender.
4. The Company remains of the view that the DIP Facility (\$1 million limit) should be sufficient to fund the Company's operations during these proceedings.

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## 6.0 Company's Request for an Extension

1. The Company is seeking an extension of the stay of proceedings from May 11, 2013 to August 2, 2013. The Monitor supports the Company's request for an extension of the stay of proceedings for the following reasons:
  - The Company is acting in good faith and with due diligence;
  - The granting of the extension should not prejudice any employee or creditor, as the Company is projected to have sufficient funds to pay post-filing services and supplies as contemplated by the Cash Flow;
  - The DIP Lender supports the extension; and
  - It would allow the SIP to be substantially advanced.
2. The Monitor also notes that the liquidation value of the Company is likely negligible should the operations of the business be discontinued. The Company's only major asset in a liquidation would be its accounts receivable, which have uncertain value in such a scenario. The Monitor believes that the value of the business is likely to be maximized through completion of a going-concern transaction in a structure to be determined through the SIP. The Monitor also believes such a transaction provides a superior outcome for other stakeholders (including the Company's significant number of employees and its customers, many of whom rely on the Company's fundraising efforts) that would not exist in a liquidation.

## 7.0 Company's Activities

1. Details on the Company's activities since the commencement of the CCAA proceedings are set out in the affidavit of Andrew Langhorne sworn May 2, 2013, filed in support of the stay extension motion.
2. A summary of the Company's activities include:
  - Meeting and corresponding with customers regarding the Company's operations and continuity of service, including remittances to customers of funds raised and received by the Company prior to the Initial Order;
  - Communicating with suppliers to secure goods and services during these proceedings and to address payment terms;
  - Meeting and corresponding with employees and former employees regarding the CCAA proceedings and their treatment under the Initial Order;

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- Posting a notice of the CCAA proceedings in each of the Company's call centres;
  - Considering new business development opportunities and responding to requests for proposals from existing customers and new prospects;
  - Dealing with sub-contractors regarding their treatment under the Initial Order and continuity of their services to the extent required by the Company;
  - Meeting with CRA on April 15, 2013 to review the Company's sales and payroll tax accounts ("Accounts"), the balances owing to CRA on an entity basis, the prospect of scheduling audits of the Accounts, as well as to discuss the proposed SIP;
  - Corresponding with CRA regarding the Accounts and scheduling an audit by CRA related thereto;
  - Meeting with and reporting to the DIP Lender pursuant to the terms of the DIP Term Sheet;
  - Meeting and corresponding with CIBC regarding the issues detailed in Section 4 above;
  - Consulting with the Monitor to develop the SIP;
  - Continuing to review cost-cutting opportunities, including with respect to headcount reductions, surplus leased locations and bank account consolidation;
  - Reviewing and placing stop payments on outstanding cheques;
  - Reporting receipts and disbursements;
  - Providing notice to creditors of the Chapter 15 proceedings; and
  - Making payments to suppliers for goods and services received following the date of the Initial Order.

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## 8.0 Overview of the Monitor's Activities

1. Since the date of the Initial Order the Monitor's activities have included:
  - Participating in a meeting of the Company's management team on April 12, 2013, to discuss the purpose of the CCAA proceedings, the impact of the proceedings on operations and to respond to management concerns;
  - Participating in the Company's meeting with CRA on April 15, 2013 and corresponding with CRA subsequent thereto;
  - Meeting with the Company and its legal counsel to review the security interests, if any, registered against IMSG and each of its subsidiaries and considering the implications from that review in the context of these proceedings and the SIP;
  - Participating in the Company's meeting with CIBC on April 18, 2013 and corresponding with the Company subsequent thereto;
  - Reviewing the Company's reporting to CIBC and considering enhanced reporting options on a go-forward basis;
  - Reviewing the Company's leases and locations and discussing with representatives of the Company the process to disclaim surplus leased locations;
  - Considering processes to market the Company's business and assets for sale and developing the SIP;
  - Reviewing the Company's internal accounting and cash management structure and discussing options to simplify same with the Company's representatives;
  - Negotiating the terms of the CRO's success fee arrangement;
  - Monitoring the Company's receipts and disbursements;
  - Assisting the Company to prepare its weekly reporting to the DIP Lender, including its weekly variance analysis and rolling 16-week cash flow projection;
  - Convening meetings and corresponding frequently with the DIP Lender;
  - Responding on April 26, 2013, to requests for payment from two of the Company's sub-contractors;

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- Attending frequently at the Company's head office in Toronto, Ontario and meeting with the CRO and the Company's employees to discuss the Company's operations;
  - Arranging for notices of the CCAA filing to be published in the national edition of *The Globe and Mail* as required pursuant to the Initial Order;
  - Sending a notice of the CCAA proceedings to known creditors and posting same on its website;
  - Completing the statutory filings pursuant to Section 23 of the CCAA and filing those forms with the Office of the Superintendent of Bankruptcy (Canada);
  - Corresponding extensively with the Company and its legal counsel;
  - Responding to calls and enquiries from creditors regarding the Company's CCAA proceedings;
  - Responding to calls from the Company's former employees, employees on layoff and those subject to severance agreements;
  - Posting Court materials filed in these proceedings on the Monitor's website; and
  - Preparing this Report.

## 9.0 Conclusion and Recommendation

1. Based on the foregoing, the Monitor respectfully recommends that this Honourable Court make the Order(s) granting the relief detailed in Section 1.1 of this Report.

\* \* \*

All of which is respectfully submitted,



**DUFF & PHELPS CANADA RESTRUCTURING INC.  
IN ITS CAPACITY AS CCAA MONITOR OF  
iMARKETING SOLUTIONS GROUP INC. AND THE  
COMPANIES REFERRED TO IN SCHEDULE "A"  
AND NOT IN ITS PERSONAL CAPACITY**

## **Schedule “A”**

**SCHEDULE "A"**

**LIST OF APPLICANTS**

iMarketing Solutions Group Inc.  
The Responsive Marketing Group Inc.  
GWE Consulting Group (USA) Inc.  
Direct Contact Strategies Inc.  
Front Line Support Inc.  
iMark Events Inc.  
RMG General Partner Inc.  
Cabot Call Centre Inc.  
Engage Interactive Inc.  
RMG Smiths Falls LP.  
RMG Thunder Bay LP  
Xentel Inc. (Delaware)  
Wellesley Corporation Inc. (Delaware)  
US Billing Inc. (Delaware)  
American Graphics & Design Inc. (Wisconsin)  
Courtesy Health Watch Inc. (Delaware)  
Target Outreach Inc. (Nevada)  
Engage Funding Inc. (Delaware)

## **Appendix “A”**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE MR. )  
JUSTICE NEWBOULD )  
FRIDAY, THE 12TH  
DAY OF APRIL, 2013

IN THE MATTER OF THE COMPANIES' CREDITORS  
ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR  
ARRANGEMENT OF **iMARKETING SOLUTIONS GROUP  
INC.** and the Companies referred to in Schedule "A"(the  
"Applicants")

**INITIAL ORDER**

THIS APPLICATION, made by the Applicants, pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Andrew Langhorne sworn April 11, 2013 and the Exhibits thereto (the "**Langhorne Affidavit**"), and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing the submissions of counsel for the Applicants, counsel for the DIP Lender (as defined herein), counsel for the Canadian Imperial Bank of Commerce, no one else appearing although duly served as appears from the affidavit of service of Sandra Reid sworn April 12, 2013 and on reading the consent of Duff & Phelps Canada Restructuring Inc. to act as the Monitor.

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

## **APPLICATION**

2. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies. Although not Applicants, the limited partnerships listed in Schedule “B” to this Order (the “LPs”) shall enjoy the benefits of and the protections provided to the Applicants by this Order. (The Applicants and the LPs are hereinafter referred to collectively as “**IMSG Parties**”).

## **PLAN OF ARRANGEMENT**

3. **THIS COURT ORDERS** that the IMSG Parties shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the “**Plan**”).

## **POSSESSION OF PROPERTY AND OPERATIONS**

4. **THIS COURT ORDERS** that the IMSG Parties shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the “**Property**”). Subject to further Order of this Court, the IMSG Parties shall continue to carry on business in a manner consistent with the preservation of their business (the “**Business**”) and Property. The IMSG Parties shall be authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively

“**Assistants**”) currently retained or employed by them, with liberty to retain such further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

5. **THIS COURT ORDERS** that the IMMSG Parties shall be entitled to continue to utilize the central cash management system currently in place as described in the Langhorne Affidavit (the “**Cash Management System**”) and that any bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the IMMSG Parties of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the IMMSG Parties, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

6. **THIS COURT ORDERS** that the IMMSG Parties shall be entitled but not required to pay the following expenses whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, employee benefits, vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and

- (b) the fees and disbursements of any Assistants retained or employed by the ISMG Parties in respect of these proceedings, at their standard rates and charges.

7. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ISMG Parties shall be entitled but not required to pay all reasonable expenses incurred by the ISMG Parties in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; and
- (b) payment for goods or services actually supplied to the ISMG Parties following the date of this Order.

8. **THIS COURT ORDERS** that the ISMG Parties shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or payable in any other jurisdiction or any other taxation authority which are required to be deducted from employees' wages on or after the date hereof, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the ISMG Parties in connection with the sale of goods and services by the ISMG Parties, but only where such Sales Taxes are accrued or

collected after the date of this Order or where such Sales Taxes were accrued or collected prior to the date of this Order but not required to be remitted until on or after the date of this Order, and

- (c) any amount payable to the Crown in right of Canada or payable in any other jurisdiction or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the IMSG Parties.

9. **THIS COURT ORDERS** that until a real property lease (where the leased premises are occupied by the IMSG Parties or any of them as of the date hereof) is disclaimed or resiliated in accordance with the CCAA, the IMSG Parties shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the IMSG Parties and the landlords from time to time (“**Rent**”), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the IMSG Parties are hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the IMSG Parties to any of their

creditors as of this date, except as contemplated in the DIP Credit Documentation, as herein defined; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property, except as permitted hereunder; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business or as permitted hereunder.

### **CRITICAL SUPPLIER PAYMENTS**

11. **THIS COURT ORDERS** that the IMSG Parties shall be permitted to make such payments to customers to which the IMSG Parties are indebted and to those suppliers of goods and services as the IMSG Parties, always in consultation with the Monitor and only as permitted under the DIP Credit Documentation (as hereinafter defined), determine to be necessary to permit the IMSG Parties to proceed with the Restructuring (as defined below).

### **RESTRUCTURING**

12. **THIS COURT ORDERS** that the IMSG Parties shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Credit Documentation, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of their business or operations and to dispose of redundant or non-material assets not exceeding \$50,000 in any one transaction or \$100,000 in the aggregate;
- (b) terminate the employment of such of their employees or temporarily lay off such of their employees as they deem appropriate; and

- (c) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the IMMSG Parties to proceed with an orderly restructuring of the Business (the “**Restructuring**”).

13. **THIS COURT ORDERS** that the IMMSG Parties shall provide each of the relevant landlords with notice of the IMMSG Parties’ intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the IMMSG Parties’ entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the IMMSG Parties, or by further Order of this Court upon application by the IMMSG Parties on at least two (2) days notice to such landlord and any such secured creditors. If the IMMSG Parties disclaim or resiliate the lease governing such leased premises in accordance with Section 32 of the CCAA, they shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to the IMMSG Parties’ claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to

prospective tenants during normal business hours, on giving the IMMSG Parties and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the IMMSG Parties in respect of such lease or leased premises and such landlord shall be entitled to notify the IMMSG Parties of the basis on which it is taking possession and to gain possession of and re-lease such leased premises to any third party or parties on such terms as such landlord considers advisable, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

#### **NO PROCEEDINGS AGAINST THE IMMSG PARTIES OR THE PROPERTY**

15. **THIS COURT ORDERS** that until and including May 11, 2013, or such later date as this Court may order (the “**Stay Period**”), no proceeding or enforcement process in any court or tribunal (each, a “**Proceeding**”) shall be commenced or continued against or in respect of the IMMSG Parties, the CRO, as herein defined, or the Monitor, or affecting the Business or the Property, except with the written consent of the IMMSG Parties and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the IMMSG Parties or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

16. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being “**Persons**” and each being a “**Person**”) against or in respect of the

IMSG Parties or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the IMSG Parties and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the IMSG Parties to carry on any business which the IMSG Parties are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH RIGHTS**

17. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the IMSG Parties, except with the written consent of the IMSG Parties and the Monitor, or leave of this Court.

#### **CONTINUATION OF SERVICES**

18. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the IMSG Parties or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Business or the IMSG Parties, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the IMSG Parties, and that the IMSG Parties shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for

all such goods or services received after the date of this Order are paid by the IMSG Parties in accordance with normal payment practices of the IMSG Parties or such other practices as may be agreed upon by the supplier or service provider and each of the IMSG Parties and the Monitor, or as may be ordered by this Court.

#### **NON-DEROGATION OF RIGHTS**

19. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of lease or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the IMSG Parties. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

#### **PROCEEDINGS AGAINST DIRECTORS AND OFFICERS**

20. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the IMSG Parties with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the IMSG Parties whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the IMSG Parties, if one is filed, is sanctioned by this Court or is refused by the creditors of the IMSG Parties or this Court.

**CHIEF RESTRUCTURING OFFICER**

21. **THIS COURT ORDERS** that the appointment of Illumina Partners Inc. using the services of Upkar Arora thereof, as chief restructuring officer of the IMSG Parties (the “CRO”) and as an officer of this Court is hereby confirmed and approved and the CRO is hereby authorized and empowered to operate and manage the affairs of the IMSG Parties during the pendency of these CCAA proceedings.

22. **THIS COURT ORDERS** that the IMSG Parties shall pay the CRO his fees and disbursements, including the fees and disbursements of the CRO’s counsel, if any, in accordance with the CRO’s retention agreement with the IMSG Parties dated April 11, 2013, annexed as **Exhibit “Z”** to the Langhorne Affidavit save and except that any payment of a success fee thereunder shall be subject to further Order of this Court.

23. **THIS COURT ORDERS** that the CRO shall incur no liability or obligation as a result of his appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on his part.

**DIRECTORS’ AND OFFICERS’ INDEMNIFICATION AND CHARGE**

24. **THIS COURT ORDERS** that the IMSG Parties shall indemnify their directors and officers, including the CRO, against obligations and liabilities that they may incur as directors or officers of the IMSG Parties after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

25. **THIS COURT ORDERS** that the directors and officers of the IMMSG Parties, including the CRO, shall be entitled to the benefit of and are hereby granted a charge (the “**Directors’ Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$1,300,000, as security for the indemnity provided in paragraph 24 of this Order. The Directors’ Charge shall have the priority set out in paragraphs 44 and 46 herein.

26. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors’ Charge, and (b) the IMMSG Parties’ directors and officers shall only be entitled to the benefit of the Directors’ Charge to the extent that they do not have coverage under any directors’ and officers’ insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 24 of this Order.

#### **APPOINTMENT OF MONITOR**

27. **THIS COURT ORDERS** that Duff & Phelps Canada Restructuring Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the IMMSG Parties with the powers and obligations set out in the CCAA or set forth herein and that the IMMSG Parties and their shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the IMMSG Parties pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor’s functions.

28. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby authorized and empowered to:

- (a) monitor the IMMSG Parties' receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) assist the IMMSG Parties, to the extent required by the IMMSG Parties, in their dissemination, to the DIP Lender (as herein defined) and its counsel of financial and other information as agreed to between the IMMSG Parties and the DIP Lender which may be used in these proceedings including reporting on the basis agreed with the DIP Lender in the DIP Credit Documentation;
- (d) advise the IMMSG Parties in their preparation of the IMMSG Parties' cash flow statements and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, as agreed to by the DIP Lender in the DIP Credit Documentation;
- (e) advise the IMMSG Parties in their development of the Plan and any amendments to the Plan;
- (f) assist the IMMSG Parties, to the extent required by the IMMSG Parties, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the IMMSG Parties, to the extent that is necessary to adequately assess the IMMSG

Parties' business and financial affairs or to perform its duties arising under this Order;

- (h) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (i) perform such other duties as are required by this Order or by this Court from time to time.

29. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

30. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable

Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

31. **THIS COURT ORDERS** that that the Monitor shall provide any creditor of the IMSG Parties and the DIP Lender with information provided by the IMSG Parties in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the IMSG Parties is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the IMSG Parties may agree.

32. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

33. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor (including U.S. counsel), the CRO and counsel (including U.S. counsel) to the IMSG Parties shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges, by the IMSG Parties as part of the costs of these proceedings subject to the passing of their accounts. The IMSG Parties are hereby authorized and directed to pay the accounts of the Monitor, counsel for

the Monitor, the CRO and counsel for the IMSG Parties at regular intervals at such time as each of them may agree with the IMSG Parties and, in addition, the IMSG Parties are hereby authorized to pay to the Monitor, counsel to the Monitor, the CRO and counsel to the IMSG Parties, retainers in such amount as may be agreed with each of them to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

34. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

35. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, if any, the CRO and counsel to the IMSG Parties shall be entitled to the benefit of and are hereby granted a charge (the “**Administration Charge**”) on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 44 and 46 hereof.

#### **INTER-COMPANY CHARGE**

36. **THIS COURT ORDERS** that, subject to the terms of the DIP Term Sheet (as defined herein) and the DIP Credit Documentation:

- (a) iMarketing Solutions Group Inc. (“**IMSG**”) is authorized to make loans, advances or transfers of funds to any of the other Applicants or LPs (each an “**IMG Subsidiary**” and collectively, the “**IMSG Subsidiaries**”) from time to time in

accordance with the Cash Management System and the DIP Credit Documentation;

- (b) the IMMSG Subsidiaries are hereby authorized to repay funds previously advanced to the IMMSG Subsidiaries by IMMSG from time to time in accordance with the Cash Management System and the DIP Credit Documentation; and
- (c) for greater certainty, the IMMSG Parties shall not be entitled to transfer funds to any direct or indirect subsidiary, affiliate or associate of IMMSG or an IMMSG Subsidiary that is not a Credit Party under the DIP Term Sheet (as defined therein) without prior consent of the DIP Lender, or Order of this Court.

37. **THIS COURT ORDERS** that IMMSG shall be entitled to the benefits of, and is hereby granted, a charge (the “**Inter-Company Charge**”) on the Property of the IMMSG Subsidiaries in an amount equal to but not exceeding the aggregate amounts outstanding at any given time based on advances made by IMMSG Subsidiaries pursuant to the authorization granted under subparagraph 36 herein from and after the date of this Order. The Inter-Company Charge shall have the priority set out in paragraphs 44 and 46 hereof.

#### **DIP FINANCING**

38. **THIS COURT ORDERS** that IMMSG is hereby authorized and empowered to obtain and borrow under a credit facility (the “**DIP Loan**”) from Shotgun Fund Limited Partnership III (the “**DIP Lender**”) for the purposes set out in the DIP Term Sheet, provided that borrowings under such credit facility shall not exceed a total of CAD \$1,000,000 unless agreed to by the DIP Lender and permitted by further Order of this Court.

39. **THIS COURT ORDERS** that such credit facility shall be on the terms and subject to the conditions set forth in the term sheet amongst IMSG, as borrower, the IMSG Subsidiaries, as guarantors, and the DIP Lender dated as of April 11, 2013 (the “**DIP Term Sheet**”), filed.

40. **THIS COURT ORDERS** that the IMSG Parties are hereby authorized and empowered to execute and deliver the DIP Term Sheet and such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the “**DIP Credit Documentation**”), as are contemplated by the DIP Term Sheet or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the IMSG Parties are hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the DIP Term Sheet and the DIP Credit Documentation for the benefit of the DIP Lender as and when the same become due and are to be performed, notwithstanding any other provision of this Order. For greater certainty, the IMSG Subsidiaries are hereby authorized and directed to execute and deliver the Confirmations (as defined in the DIP Term Sheet), and the New Guarantees (as defined in the DIP Term Sheet), as applicable.

41. **THIS COURT ORDERS** that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the “**DIP Lender’s Charge**”) on the Property, to secure the repayment and the payment of all amounts owing by the IMSG Parties to the DIP Lender, including all principal, interest, fees, liabilities and obligations under the DIP Credit Documentation, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender’s Charge shall have the priority set out in paragraphs 44 and 46 hereof. For greater certainty, the DIP Lender’s Charge shall apply to the Inter-Company Charge.

42. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

- (a) the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the DIP Credit Documentation;
- (b) upon the occurrence of an event of default under the DIP Term Sheet, the DIP Credit Documentation or the DIP Lender's Charge, the DIP Lender, upon two (2) days notice to IMSG and the Monitor, and subject to the prior approval of this Court, may exercise any and all of its rights and remedies against the IMSG Parties, the Guarantors, or the Property under or pursuant to the DIP Term Sheet, the DIP Credit Documentation and the DIP Lender's Charge; and
- (c) the foregoing rights and remedies of the DIP Lender shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of the IMSG Parties or the Property.

43. **THIS COURT ORDERS AND DECLARES** that the claims of the DIP Lender in relation to the DIP Loan are not claims that may be compromised pursuant to the Plan, and shall be treated as unaffected in any Plan, any proposal under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA") or any other restructuring and no such Plan, proposal or restructuring shall be approved that does not provide for the payment of all amounts due to the DIP Lender pursuant to the terms of the DIP Term Sheet and the DIP Credit Documentation.

**VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER**

44. **THIS COURT ORDERS** that the priorities of the Directors' Charge, the Administration Charge, the DIP Lender's Charge and the Inter-Company Charge, as among them, shall be as follows for all IMSG Parties except The Responsive Marketing Group Inc. ("**RMG**"):

First – Administration Charge (to the maximum amount of \$300,000);

Second – DIP Lender's Charge (to the maximum amount of \$1,400,000);

Third – Inter-Company Charge; and

Fourth – Directors' Charge (to the maximum amount of \$1,300,000);

and, solely in respect of the Applicant, RMG, the priorities of the Directors' Charge, the Administration Charge, the DIP Lender's Charge and the Inter-Company Charge, as among them, shall be as follows:

First – The security interest of Canadian Imperial Bank of Commerce ("**CIBC**") to the extent such charge is properly perfected against the assets of RMG;

Second – Administration Charge (to the maximum amount of \$300,000);

Third – DIP Lender's Charge (to the maximum amount of \$1,400,000);

Fourth – Inter-Company Charge; and

Fifth – Directors' Charge (to the maximum amount of \$1,300,000).

45. **THIS COURT ORDERS** that the filing, registration or perfection of the Directors' Charge, the Administration Charge, the DIP Lender's Charge or the Inter-Company Charge (collectively, the "**Charges**") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

46. **THIS COURT ORDERS** that each of the Directors' Charge, the Administration Charge, the Inter-Company Charge and the DIP Lender's Charge (all as constituted and defined herein) shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person, except solely in relation to the assets of RMG, the security interest of CIBC and any Encumbrances that have priority over the security interest of CIBC.

47. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the IMSG Parties shall not grant any Encumbrances over any Property that rank in priority to, or pari passu with, any of the Directors' Charge, the Administration Charge or the DIP Lender's Charge, unless the IMSG Parties also obtain the prior written consent of the Monitor, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge, or further Order of this Court.

48. **THIS COURT ORDERS** that the Directors' Charge, the Administration Charge, the DIP Term Sheet, the DIP Credit Documentation and the DIP Lender's Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "**Chargees**") and/or the DIP Lender thereunder shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained

in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an “**Agreement**”) which binds the IMSG Parties, and notwithstanding any provision to the contrary in any Agreement:

- (a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Term Sheet or the DIP Credit Documentation shall create or be deemed to constitute a breach by the IMSG Parties of any Agreement to which they are parties;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the IMSG Parties entering into the DIP Term Sheet, the creation of the Charges, or the execution, delivery or performance of the DIP Credit Documentation; and
- (c) the payments made by the IMSG Parties pursuant to this Order, the DIP Term Sheet or the DIP Credit Documentation, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

49. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the IMSG Parties’ interest in such real property leases.

#### **SERVICE AND NOTICE**

50. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) a notice containing the information prescribed under the CCAA, (ii)

within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the IMSG Parties of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder.

51. **THIS COURT ORDERS** that the IMSG Parties and the Monitor be at liberty to serve this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or electronic transmission to the IMSG Parties' creditors or other interested parties at their respective addresses as last shown on the records of the IMSG Parties and that any such service or notice by courier, personal delivery or electronic transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

52. **THIS COURT ORDERS** that the IMSG Parties, the Monitor, and any party who has filed a Notice of Appearance may serve any court materials in these proceedings by e-mailing a PDF or other electronic copy of such materials to counsels' email addresses as recorded on the Service List from time to time, and the Monitor may post a copy of any or all such materials on its website at <http://www.duffandphelps.com/services/restructuring/Pages/RestructuringCases.aspx>.

**GENERAL**

53. **THIS COURT ORDERS** that the IMMSG Parties or the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

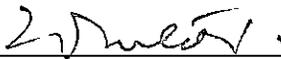
54. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the IMMSG Parties, the Business or the Property.

55. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist the IMMSG Parties, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the IMMSG Parties and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor or iMarketing Solutions Group Inc. in any foreign proceeding, or to assist the IMMSG Parties and the Monitor and their respective agents in carrying out the terms of this Order.

56. **THIS COURT ORDERS** that each of the IMMSG Parties and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that iMarketing Solutions Group Inc. is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

57. **THIS COURT ORDERS** that any interested party (including the IMSG Parties and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days notice to any other party or parties likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

58. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

  
\_\_\_\_\_

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.



APR 12 2013

**Schedule "A"**

**List of Applicants**

iMarketing Solutions Group Inc.

The Responsive Marketing Group Inc.

GWE Consulting Group (USA) Inc.

Direct Contact Strategies Inc.

Front Line Support Inc.

iMark Events Inc.

RMG General Partner Inc.

Cabot Call Centre Inc.

Engage Interactive Inc.

RMG Smiths Falls LP.

RMG Thunder Bay LP

Xentel Inc. (Delaware)

Wellesley Corporation Inc. (Delaware)

US Billing Inc. (Delaware)

American Graphics & Design Inc. (Wisconsin)

Courtesy Health Watch Inc. (Delaware)

Target Outreach Inc. (Nevada)

Engage Funding Inc. (Delaware)

**Schedule "B"**

**List of Limited Partnerships**

RMG Smiths Falls LP

RMG Thunder Bay LP

IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF IMARKETING GROUP SOLUTIONS  
INC. and those Companies referred to on Schedule "A"

*Cv 13-10067 OCL*

Court File No.:

*ONTARIO*  
**SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceedings commenced at **Toronto**

**ORDER**

**Thornton Grout Finnigan LLP**  
Barristers and Solicitors  
100 Wellington Street West  
Suite 3200  
Toronto, Ontario M5K 1K7

**Robert I. Thornton** (LSUC# 24266B)  
**Danny M. Nunes** (LSUC# 53802D)  
**Sandra Reid** (LSUC# 62351A)

Tel: 416-304-1616

Fax: 416-304-1313

Lawyers for the Applicants

## **Appendix “B”**

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

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In re:	)	
	)	Chapter 15
XENTEL INC., <i>et al.</i> , <sup>1</sup>	)	
	)	Case No. 13-10888 (KG)
Debtors in a Foreign Proceeding.	)	
	)	Joint Administration Pending
	)	
	)	Related to Docket No. 7

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**ORDER GRANTING PROVISIONAL RELIEF**

Upon the motion (the "Motion")<sup>2</sup> of iMarketing Solutions Group Inc., in its capacity as the authorized foreign representative for the above captioned debtors (collectively, the "Debtors") in a proceeding commenced under Canada's *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, and pending before the Ontario Superior Court of Justice, pursuant to sections 362, 364, 365, 1517, 1519, 1520, 1521, and 105(a) of title 11 of the United States Code, as amended from time to time (the "Bankruptcy Code") for entry of (a) a provisional order (this "Order"): (i) recognizing and enforcing in the United States, on an interim basis, the Initial Order (the "Initial CCAA Order") issued on April 12, 2013 by the Canadian Court, including, without limitation, the Canadian Court's decision (A) to authorize the Debtors to enter into and perform under that certain DIP Loan, and (B) to grant the DIP Charge to the DIP Lender under the DIP Loan, (ii) granting, on an interim basis, to and for the benefit of the DIP

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<sup>1</sup> The Debtors in these chapter 15 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Xentel Inc. (6267); Wellesley Corporation Inc. (4092); GWE Consulting Group (USA) Inc. (2629); US Billing Inc. (7752); American Graphics & Design Inc. (7772); Courtesy Health Watch Inc. (1403); and Target Outreach Inc. (9046). The Debtors' main corporate address is 481 University Ave., Toronto, Canada M5G 2E9.

<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the Motion.

Lender certain protections afforded by the Bankruptcy Code, including those protections provided by sections 364(c), 364(d), and 364(e) of the Bankruptcy Code, as applicable, (iii) granting an interim stay of execution against the Debtors' assets and applying sections 362 and 365(e) of the Bankruptcy Code in these chapter 15 cases on an interim basis pursuant to sections 1519(a)(3), 1521(a)(7), and 105(a), of the Bankruptcy Code, and (iv) granting such other and further relief as this Court deems just and proper; and (b) entry of a final order after notice and a hearing (the "Final Order") (i) granting the petitions in these cases and recognizing the CCAA Proceeding as a foreign main proceeding pursuant to section 1517 of the Bankruptcy Code, (ii) giving full force and effect in the United States to the Initial CCAA Order, including any extensions or amendments thereof authorized by the Canadian Court and extending the protections of this Order to the Debtors on a final basis, (iii) granting the DIP Lender certain protections afforded by the Bankruptcy Code, and (iv) granting such other and further relief as this Court deems just and proper; and it appearing that this Court has jurisdiction to consider the Motion pursuant to sections 157 and 1334 of title 28 of the United States Code, and the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012; and this Court having reviewed the Motion, the Petitions for Recognition, the Langhorne Declaration, and the Memorandum of Law, and having considered the statements of counsel with respect to the Motion at a hearing before this Court (the "Hearing"); and due and sufficient notice of the provisional relief sought in the Motion having been given; and it appearing that no other or further notice need be provided; and it appearing that the provisional relief requested by the

Motion is in the best interest of the Debtors, their creditors, and other parties in interest; and after due deliberation and sufficient cause appearing therefor;

**THIS COURT HEREBY FINDS AND DETERMINES THAT:**

A. The findings and conclusions set forth herein constitute this Court's findings of fact and conclusions of law pursuant to Rule 7052 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

B. This Court has jurisdiction to consider this matter pursuant to 28 U.S.C. §§ 157 and 1334, as well as the Amended Standing Order of Reference from the United States District Court for the District of Delaware dated as of February 29, 2012. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P). Venue for this proceeding is proper before this Court pursuant to 28 U.S.C. § 1410.

C. The Foreign Representative has demonstrated a substantial likelihood of success on the merits that (a) the Debtors are subject to a pending "foreign main proceeding" as that term is defined in section 1502(4) of the Bankruptcy Code, (b) the Foreign Representative is a "foreign representative" as that term is defined in section 101(24) of the Bankruptcy Code, and (c) all statutory elements for recognition of the CCAA Proceeding are satisfied in accordance with section 1517 of the Bankruptcy Code.

D. The Foreign Representative has demonstrated that (a) the commencement of any proceeding or action against the Debtors and their respective businesses and all of their assets should be enjoined pursuant to sections 1519, 1521, and 105(a) of the Bankruptcy Code, which protections, in each case, shall be coextensive with the

provisions of section 362 of the Bankruptcy Code, to permit the fair and efficient administration of the CCAA Proceeding and an orderly sale process for substantially all of the property and assets used in connection with the business carried on by the Debtors in North America pursuant to the Initial CCAA Order and any other applicable orders of the Canadian Court, for the benefit of all stakeholders; and (b) the relief requested will neither cause an undue hardship nor create any hardship to parties in interest that is not outweighed by the benefits of the relief granted herein.

E. The Foreign Representative has demonstrated that unless this Order is entered, there is a material risk that one or more parties in interest will take action against the Debtors or their assets, thereby interfering with the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code and interfering with and causing harm to the efforts to maximize the value of the Debtors' assets, including through the sale process, pursuant to the terms of the Initial CCAA Order. As a result, the Debtors will suffer immediate and irreparable harm for which they will have no adequate remedy at law and therefore it is necessary that this Court grant the relief requested without prior notice to parties in interest or their counsel.

F. The Foreign Representative has demonstrated that the incurrence of indebtedness under the DIP Loan, as authorized by the Initial CCAA Order, is necessary to prevent irreparable harm to the Debtors because without such financing, the Debtors will be unable to continue operations, which will significantly impair the value of their assets.

G. The Foreign Representative has demonstrated that the terms of the DIP Loan are fair and reasonable and were entered into in good faith by the Debtors and the

DIP Lender, as defined in the Initial CCAA Order, and the DIP Lender would not have extended financing without conditions precedent requiring a final recognition order by this Court and the interim protection pursuant to sections 364(c), 364(d), and 364(e) of the Bankruptcy Code, as made applicable by sections 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code, while consideration of final recognition was pending.

H. Absent the relief granted herein, the Debtors may suffer immediate and irreparable injury, loss, or damage for which there is no adequate remedy at law. Further, unless this Order is entered, the assets of the Debtors located in the United States could be subject to efforts by creditors to control, possess, or execute upon such assets and such efforts could result in the Debtors suffering immediate and irreparable injury, loss, or damage by, among other things, (a) interfering with the jurisdictional mandate of this Court under chapter 15 of the Bankruptcy Code, and (b) interfering with or undermining the success of the CCAA Proceeding and the Debtors' efforts to pursue a going-concern sale of their core business for the benefit of all their stakeholders.

I. The Foreign Representative has demonstrated that without the protection of section 365(e) of the Bankruptcy Code, there is a material risk that counterparties to certain of the Debtors' contracts and leases may take the position that the commencement of the CCAA Proceeding authorizes them to terminate such contracts or accelerate obligations thereunder. Such termination or acceleration, if permitted and valid, would severely disrupt the Debtors' operations and efforts to consummate a sale, resulting in irreparable damage to the value of the Debtors' business, and causing substantial harm to the Debtors' creditors and other parties in interest.

J. The Foreign Representative has demonstrated that no injury will result to any party that is greater than the harm to the Debtors' business, assets, and property in the absence of the requested relief.

K. The interests of the public and the public policy of the United States will be served by entry of this Order.

L. The Foreign Representative and the Debtors are entitled to the full protections and rights available pursuant to section 1519(a)(1)-(3) of the Bankruptcy Code.

**NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED, AND DECREED THAT:**

1. The Motion is granted to the extent set forth herein.
2. The Initial CCAA Order is hereby enforced on an interim basis, including, without limitation, (a) authorizing the Debtors to obtain credit under the DIP Loan and granting the DIP Lender the DIP Lender's Charge, and (b) staying the commencement or continuation of any actions against the Debtors or their assets, and shall be given full force and effect in the United States until otherwise ordered by this Court.
3. While this Order is in effect, the Foreign Representative and the Debtors shall be entitled to the full protections and rights pursuant to section 1519(a)(1), which protections shall be coextensive with the provisions of section 362 of the Bankruptcy Code, and this Order shall operate as a stay of any execution against the Debtors' assets within the territorial jurisdiction of the United States; *provided* that upon the occurrence of an event of default under the DIP Credit Documentation (as defined below) or the DIP Lender's Charge, this paragraph shall be deemed to be automatically modified to the

extent necessary to allow the DIP Lender to exercise its rights pursuant to the Initial CCAA Order. Specifically, all persons and entities are hereby enjoined from continuing any action or commencing any additional action involving the Debtors, their assets or the proceeds thereof, (b) enforcing any judicial, quasi-judicial, or administrative judgment, assessment or order, or arbitration award against the Debtors or their assets, (c) commencing or continuing any action to create, perfect, or enforce any lien, setoff, or other claim against the Debtors or any of their property, or (d) managing or exercising control over the Debtors' assets located within the territorial jurisdiction of the United States, except as expressly authorized by the Debtors in writing.

4. While this Order is in effect, pursuant to sections 1519(a)(3) and 1521(a)(7) of the Bankruptcy Code, (a) section 362 of the Bankruptcy Code is hereby made applicable in these cases to the Debtors and the property of the Debtors within the territorial jurisdiction of the United States and (b) section 365(e) of the Bankruptcy Code is hereby made applicable to the Debtors in these cases.

5. Notwithstanding anything to the contrary contained herein, this Order shall not be construed as (a) enjoining the police or regulatory act of a governmental unit, including a criminal action or proceeding, to the extent not stayed pursuant to section 362 of the Bankruptcy Code or (b) staying the exercise of any rights that section 362(o) of the Bankruptcy Code does not allow to be stayed.

6. As authorized under the Initial CCAA Order, the DIP Lender is hereby granted, on a provisional basis, the DIP Lender Charge, as defined in the Initial CCAA Order, including, among other things, the grant of a first lien on the Debtors' United States assets pursuant to § 364(c)(2) of the Bankruptcy Code (and to the extent necessary

pursuant to Section 364(d) of the Bankruptcy Code after appropriate hearing) in the amount outstanding from time to time under the DIP Loan up to a maximum of USD \$1.4 million, subject to the priorities, terms, and conditions of the Initial CCAA Order, to secure current and future amounts outstanding under the DIP Loan. The obligations under the DIP Loan shall be on a joint and several basis for all Debtors. As set forth in the Initial CCAA Order, all Debtors shall provide Foreign Representative a lien that is a super-priority, first-ranking charge on account of any funds extended by Foreign Representative to any Debtor after the commencement of the Canadian Proceeding (the "Intercompany Liens"). The obligations arising under the DIP Loan shall be further secured by the Intercompany Liens. The DIP Lender Charge shall apply to the Intercompany Liens.

7. The obligations of the Debtors under the DIP Loan shall be an allowed administrative expense claim with priority under section 364(c)(1) of the Bankruptcy Code, subject and subordinate only to the Carve-Out, and otherwise over all administrative expense claims and unsecured claims against the Debtors, now existing or hereafter arising.

8. To the extent provided in the Initial CCAA Order, the Debtors are hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees, and other definitive documents as are contemplated by the DIP Loan (collectively, the "DIP Credit Documentation") or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Debtors are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities, and obligations to the DIP Lender under and pursuant to the DIP

Loan (and in accordance with the budget delivered in connection therewith) including, but not limited to, the fees and expenses of the DIP Lender's Canadian and United States counsel, and other advisors, as and when the same become due and are to be performed, notwithstanding any other provision of this Order and without any further order of this Court.

9. This Order shall be sufficient and conclusive notice and evidence of the grant, validity, perfection, and priority of the liens granted to the DIP Lender in the Initial CCAA Order without the necessity of filing or recording this Order or any financing statement, mortgage, or other instrument or document which may otherwise be required under the law of any jurisdiction; *provided* that the Debtors are authorized to execute and the administrative agent under the DIP Loan may file or record financing statements, mortgages, or other instruments to further evidence the liens authorized, granted, and perfected hereby and by the Initial CCAA Order.

10. The DIP Credit Documentation has been negotiated in good faith and at arm's-length between the Debtors and the DIP Lender. Any financial accommodations made to the Debtors by the DIP Lender pursuant to the Initial CCAA Order and the DIP Documents shall be deemed to have been made by the DIP Lender in good faith, as that term is used in section 364(e) of the Bankruptcy Code. Accordingly, pursuant to sections 364(e), 1519(a)(3), 1521(a)(7), and 105(a) of the Bankruptcy Code, section 364(e) of the Bankruptcy Code hereby applies for the benefit of the DIP Lender, and the validity of the indebtedness, and the priority of the liens authorized by the Initial CCAA Order made enforceable in the United States by this Order, shall not be affected by any reversal or

modification of this Order, on appeal or the entry of an order denying recognition of the CCAA Proceeding pursuant to section 1517 of the Bankruptcy Code.

11. No action, inaction or acquiescence by the DIP Lender including funding of the Debtors' ongoing operations under this Order, shall be deemed to be or shall be considered as evidence of any alleged consent by the DIP Lender to a charge against the collateral pursuant to sections 506(c), 552(b) or 105(a) of the Bankruptcy Code. The DIP Lender shall not be subject in any way whatsoever to the equitable doctrine of "marshalling" or any similar doctrine with respect to the collateral.

12. Any party in interest may make a motion seeking relief from, or modification of, this Order, by filing a motion, unless otherwise ordered by the Court, on not less than seven business days' written notice to Klehr Harrison Harvey Branzburg LLP, 919 N. Market Street, Suite 1000, Wilmington, Delaware 19801 Attn: Domenic E. Pacitti, Esq., and this Court will hear such motion on a date to be scheduled by this Court.

13. Notwithstanding any provision in the Bankruptcy Rules to the contrary: (a) this Order shall be effective immediately and enforceable upon entry; (b) the Foreign Representative shall not be subject to any stay in the implementation, enforcement, or realization of the relief granted in this Order; and (c) the Foreign Representative is authorized and empowered, and may in its discretion and without further delay, take any action and perform any act necessary to implement and effectuate the terms of this Order. Pursuant to Rule 65(b) of the Federal Rules of Civil Procedure, made applicable to these proceedings pursuant to Bankruptcy Rule 7065, no notice to any person is required prior to entry and issuance of this Order. Pursuant to Bankruptcy Rule 7065, the provisions of Federal Rule of Civil Procedure 65(c) are hereby waived, to the extent applicable.

14. This Court shall retain jurisdiction with respect to any and all matters relating to the interpretation or implementation of this Order.

Date: **April 12**, 2013  
Wilmington, Delaware



The Honorable Kevin Gross  
Chief United States Bankruptcy Judge

## Appendix “C”

**iMarketing Solutions Group Inc. and its Direct and Indirect Subsidiaries**  
 Projected Statement of Cash Flows <sup>(1)</sup>  
 For the Period April 26, 2013 to August 2, 2013  
 (\$CAD, Unaudited)

Notes	For the Weeks Ended														Total	
	26-Apr	3-May	10-May	17-May	24-May	31-May	7-Jun	14-Jun	21-Jun	28-Jun	5-Jul	12-Jul	19-Jul	26-Jul		2-Aug
<b>Cash Inflows</b>	899,100	856,200	856,200	893,087	843,877	853,999	885,334	789,570	826,146	825,635	819,366	810,369	800,348	800,906	791,128	12,550,863
<b>Cash Outflows</b>	665,849	1,070,498	552,029	612,595	662,095	960,445	749,712	667,112	667,312	667,112	902,412	625,512	620,512	620,512	854,412	10,898,114
Operating Costs (Variable & Fixed)	233,251	(214,298)	304,171	280,492	181,782	(106,846)	135,622	122,458	158,834	158,523	(83,046)	184,857	179,836	180,395	(63,284)	1,652,749
<b>Net Cash from Operations</b>																
<b>Restructuring and Other Costs</b>																
Professional fees	125,000	108,000	90,000	100,000	90,000	-	30,000	210,000	-	-	30,000	225,000	-	-	25,000	1,033,000
Contingency	307,000	204,667	102,333	-	-	-	-	-	-	-	-	-	-	-	(552,600)	61,400
DIP loan fee and interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	116,000	116,000
Customer reimbursements (pre-filing)	129,447	83,583	104,242	50,000	-	-	-	-	-	-	-	-	-	-	-	367,272
Payroll withholdings (pre-filing)	166,678	-	-	-	-	-	-	-	-	-	-	-	-	-	233,617	400,295
State regulations (pre-filing)	-	-	5,000	17,300	-	-	5,000	-	17,300	-	-	-	17,300	-	-	66,900
Sales taxes (pre-filing)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Restructuring and Other Costs</b>	728,125	396,250	301,575	167,300	90,000	(106,846)	35,000	210,000	17,300	158,523	(118,046)	225,000	17,300	180,395	(177,983)	2,044,867
<b>Net Cash Flow</b>	(494,874)	(610,548)	2,596	113,192	91,782	(106,846)	100,622	(87,542)	141,534	158,523	(118,046)	(40,143)	162,536	180,395	114,699	(392,118)
Opening Cash Position	1,165,030	670,156	59,608	62,204	175,397	267,179	160,333	260,955	173,413	314,947	473,471	355,425	315,282	477,818	658,213	1,165,030
Net cash flow	(494,874)	(610,548)	2,596	113,192	91,782	(106,846)	100,622	(87,542)	141,534	158,523	(118,046)	(40,143)	162,536	180,395	114,699	(392,118)
DIP loan advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing Cash Position</b>	670,156	59,608	62,204	175,397	267,179	160,333	260,955	173,413	314,947	473,471	355,425	315,282	477,818	658,213	772,912	772,912
DIP Loan Balance	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)
Adjusted Closing Cash Position (excluding DIP Loan)	20,156	(590,392)	(587,796)	(474,603)	(382,821)	(489,667)	(389,045)	(476,587)	(335,053)	(176,529)	(294,575)	(334,718)	(172,182)	8,213	122,912	122,912

**Notes to Projected Statement of Cash Flows**

For the Period April 20, 2013 to August 2, 2013

(\$CAD, Unaudited)

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**Purpose and General Assumptions**

1. The purpose of the projection is to present the forecast of the cash flow of iMarketing Solutions Group Inc. and its direct and indirect subsidiaries (collectively, the "Company") for the period April 20, 2013 to August 2, 2013 ("Period") in respect of its proceedings pursuant to the *Companies' Creditors Arrangement Act* and Chapter 15 of Title 11 of the *United States Code*.

**Specific Assumptions**

2. Represents collection of accounts receivable balances from the pre-filing period, inclusive of sales taxes, and cash flows from revenues to be generated during the Period, net of sales taxes and customer remittances. Collections are based on historical patterns.
3. Represents both variable and fixed costs associated with continued operation of the Company's fundraising, direct mail and direct voter contact businesses. Variable costs include direct labour and fulfillment costs (printing, postage, courier). Fixed costs include salaries, subcontractors, employee retention plan, rent and utilities. Projected variable and fixed costs are based on historical results, adjusted to reflect recent cost-saving initiatives.
4. Represents the professional fees projected to be paid in the Period related to the restructuring proceedings, including the fees of the Company's Canadian and US legal counsel, the Monitor and its Canadian and US legal counsel and the DIP lender.
5. Represents a contingency for unknown expenses, including, potentially, security deposits to critical vendors and a return of such deposits in the week ended August 2, 2013.
6. Relates to fees and interest associated with the DIP Facility.
7. Reflects payment to certain customers regarding pre-filing amounts collected.
8. Includes source deductions and US withholding taxes outstanding prior to the Period.
9. Reflects balances owing to certain State regulators in the United States.
10. Represents cash on hand less outstanding cheques as at April 19, 2013.
11. The initial DIP advance at the commencement of these proceedings was \$650,000.

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
IMARKETING SOLUTIONS GROUP INC. AND THE COMPANIES REFERRED TO IN  
SCHEDULE "A"**

**MONITORS' REPORT ON CASH FLOW STATEMENT**

(paragraph 23(1)(b) of the CCAA)

The attached statement of projected cash-flow of iMarketing Solutions Group Inc. (the "Company"), as of the 25<sup>th</sup> day April, 2013, consisting of a weekly projected cash flow statement for the period April 20, 2013, to August 2, 2013 ("Cash Flow") has been prepared by the management of the Company for the purpose described in Note 1, using the probable and hypothetical assumptions set out in Notes 2 to 11.

Our review consisted of inquiries, analytical procedures and discussion related to information supplied by the management and employees of the Company. Since hypothetical assumptions need not be supported, our procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow. We have also reviewed the support provided by management for the probable assumptions and the preparation and presentation of the Cash Flow.

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects:

- a) the hypothetical assumptions are not consistent with the purpose of the Cash Flow;
- b) as at the date of this report, the probable assumptions developed by management are not suitably supported and consistent with the plans of the Company or do not provide a reasonable basis for the Cash Flow, given the hypothetical assumptions; or
- c) the Cash Flow does not reflect the probable and hypothetical assumptions.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, we express no assurance as to whether the Cash Flow will be achieved.

We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this report, or relied upon in preparing this report.

The Cash Flow has been prepared solely for the purpose described in Note 1 and readers are cautioned that it may not be appropriate for other purposes.

Dated at Toronto this 2<sup>nd</sup> day of May, 2013.

*Duff + Phelps Canada Restructuring Inc.*

**DUFF & PHELPS CANADA RESTRUCTURING INC.  
IN ITS CAPACITY AS CCAA MONITOR OF  
IMARKETING SOLUTIONS GROUP INC.  
AND THOSE COMPANIES REFERRED TO ON SCHEDULE "A"  
AND NOT IN ITS PERSONAL CAPACITY**

Encl.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,  
R.S.C. 1985, c.C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF  
iMARKETING SOLUTIONS GROUP INC. AND THE COMPANIES REFERRED TO IN  
SCHEDULE "A"**

**MANAGEMENT'S REPORT ON CASH FLOW STATEMENT  
(paragraph 10(2)(b) of the CCAA)**

The management of iMarketing Solutions Group Inc. (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow as of the 25<sup>th</sup> day of April, 2013 for the period April 20, 2013 to August 2, 2013 ("Cash Flow").

The hypothetical assumptions are reasonable and consistent with the purpose of the Cash Flow as described in Note 1 to the Cash Flow, and the probable assumptions are suitably supported and consistent with the plans of the Company and provide a reasonable basis for the Cash Flow. All such assumptions are disclosed in Notes 2 to 11.

Since the Cash Flow is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material.

The Cash Flow has been prepared solely for the purpose outlined in Note 1, using a set of hypothetical and probable assumptions set out in Notes 2 to 11. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 2<sup>nd</sup> day of May, 2013.



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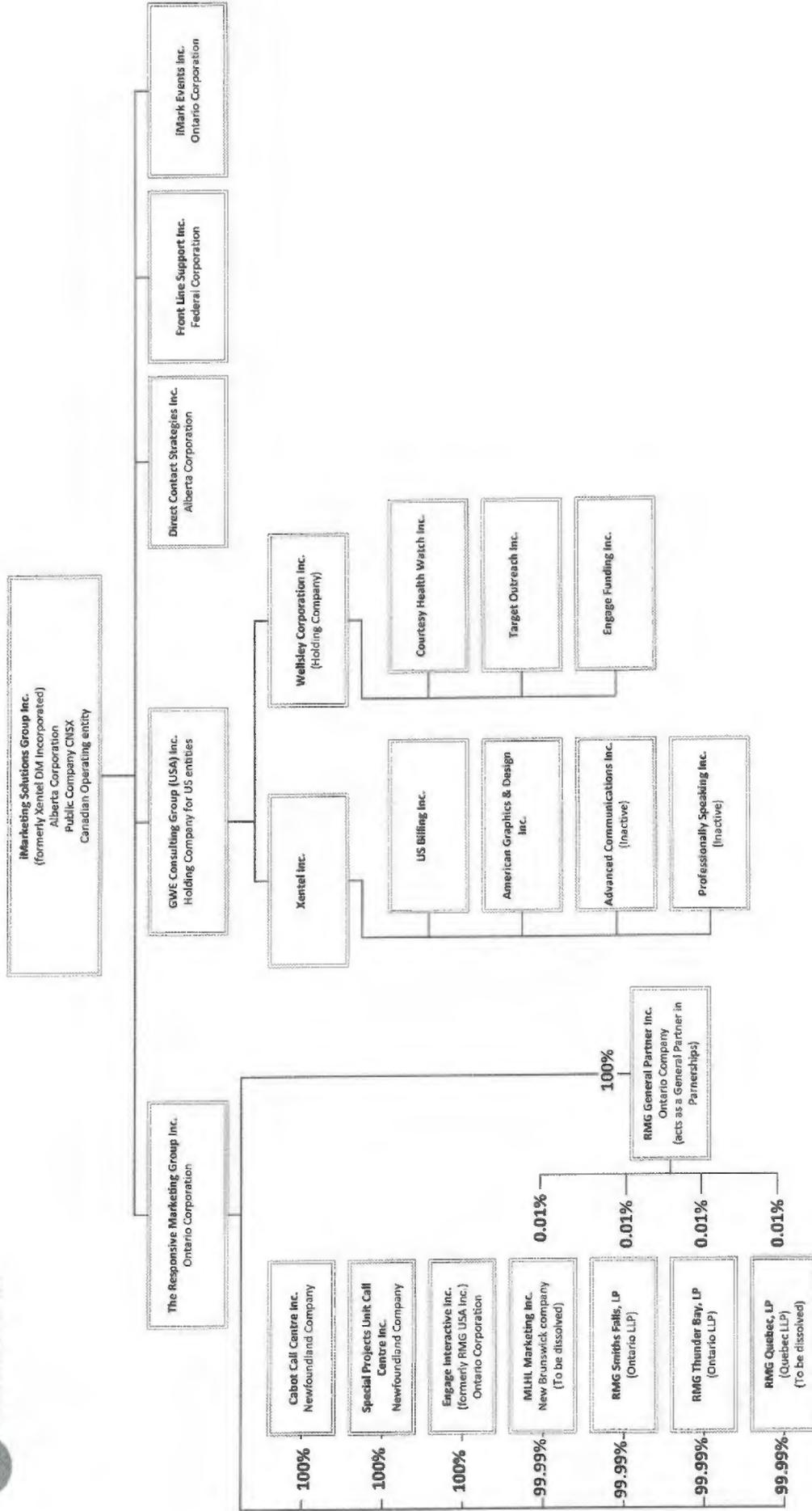
Upkar Arora, Chief Financial Officer

iMarketing Solutions Group Inc.

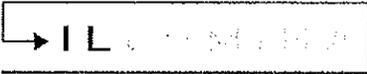
## **Appendix “D”**



# Corporate Structure



## Appendix “E”



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Illumina Partners Inc.  
Suite 800, 357 Bay Street  
Toronto, Ontario  
M5H 2T7

May 2, 2013

iMarketing Solutions Group Inc.  
6th Floor, 481 University Avenue,  
Toronto, ON M5G 2E9

Attn: Andrew Langhorne, CEO

Dear Mr. Langhorne:

**Re: Appointment of Chief Restructuring Officer**

On April 11, 2013, iMarketing Solutions Group Inc. and those related companies noted on Schedule "A" (collectively referred as the "**Company**") filed for protection pursuant to the *Companies' Creditors Arrangement Act* (Canada) ("**CCAA**").

The Company has brought a motion for the appointment of Duff & Phelps Canada Restructuring Inc. as the Monitor under the CCAA (the "**Monitor**") of the Company. The Company wishes to retain Illumina Partners Inc. ("**Illumina**") who will provide the services of Upkar Arora ("**Arora**") to manage the day-to-day operations of the Company in the capacity of Chief Restructuring Officer ("**CRO**"). The Company has also brought a motion confirming and approving the appointment of Illumina as CRO of the Company.

### **The Engagement**

Illumina will act as an independent contractor and provide the services of Arora as the CRO of the Company and as an officer of the Court in accordance with the terms of the Order in respect thereof (the "**CRO Appointment Order**").

Illumina will have the powers and duties of the CRO of the Company, including completing and implementing a restructuring plan for the Company, cash management

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and financial reporting in conjunction with and under the supervision of the Monitor. Furthermore, Illumina shall (i) comply with all applicable laws, rules and regulations, and all requirements of all applicable regulatory, self-regulatory and administrative bodies; and (ii) comply with orders of the Court in connection with the Company's proceedings under the CCAA. As an officer of the Court, the CRO may apply to the Court for advice and directions in the discharge of its powers and duties, and may report to the Court as it sees fit or as requested by the Court.

Commencing on the date of the CRO Appointment Order, the CRO will have the following specific duties, all of which will be carried out for, on behalf of and in the name of the Company:

- (a) The direction of the day-to-day operations of the Company and carriage of the business of the Company, as the CRO deems necessary or advisable;
- (b) The preservation and protection of the property, assets and undertaking of the Company (the "Property");
- (c) The establishment of a plan or plans for the restructuring of the Company and reporting on its progress, timeframe and issues related thereto;
- (d) The implementation of the restructuring plan or plans and coordinating and participating in communications to the Company, creditors and other stakeholders;
- (e) The management of receipts and disbursements consistent with the cash flows filed in the proceedings and arising out of the operations of the Company (and the obligation to forthwith bring any and all issues related thereto to the attention of the Company and the Monitor);
- (f) The power to evaluate all potential sale or investment transactions and negotiate on behalf of the Company with respect to the sale of or transfer of the Property or an investment in the Company and in doing so, shall cooperate and work with the Monitor on the basis contemplated in the Sale and Investment Process; and
- (g) The power to provide information to the Company, the Monitor and the secured lenders (and each of their advisors) regarding the business and affairs of the Company, on a basis consistent with the Orders issued in these proceedings.

(collectively, the "Engagement").

For greater certainty, the Engagement and all aspects related thereto shall be subject to the review by and oversight of the Monitor. The CRO shall advise the Company and the Monitor as to the status of the Engagement and the overall business and affairs of the Company as and how requested.

The CRO will continue the Engagement until the appointment of the CRO is terminated by Order of the Court or pursuant to the terms of this Agreement.

### **Fees and Indemnity**

Provided that the CRO shall not have ceased to perform its duties and responsibilities diligently, faithfully and honestly, the Company will provide the following consideration to Illumina for the Engagement hereunder:

- (a) **Monthly Fees.** C\$75,000 per month (the “**Monthly Fees**”), payable bi-weekly in arrears, plus any applicable taxes.
- (b) **Expenses.** The Company shall reimburse Illumina at actual cost without markup for all reasonable out-of-pocket expenses incurred by it (including any applicable taxes) in connection with the Engagement upon submission of invoices therefor. Illumina’s reasonable legal expenses in connection with this Agreement or any modification thereto shall be paid by the Company upon submission of an invoice or invoices for such expenses.
- (c) **Success Fee.**
  - (i) For purposes hereof, the “**Success Event**” will have occurred upon the closing of one or more sale or investment transactions pursuant to which a cash injection is made into the Company or all or part of the Company’s assets are sold or the implementation of a plan of arrangement and, in any case, such transaction(s) or arrangement yields cumulative gross sale proceeds in an amount greater than \$2.5 million or results in the Company’s creditors receiving securities or cash or a combination thereof which, in the aggregate, have a value exceeding \$2.5 million.
  - (ii) If the Success Event occurs within the term of this Agreement or within six (6) months thereafter, then the Company shall pay to Illumina the Success Fee as set forth in Schedule “**B**”.
  - (iii) The Success Fee will be paid promptly following the occurrence of the

### Success Event.

The Company shall indemnify and hold harmless the CRO against and from any obligations and liabilities that they both or either of them may incur as CRO and the Company after the commencement of the CCAA proceedings, except in the event that the obligation or liability was incurred as a direct result of the CRO's gross negligence or willful misconduct.

### Role of CRO

The CRO shall provide the services of Arora who has particular knowledge and expertise applicable to the activities and affairs of the Company, to act in such capacity and perform the services required herein on and subject to the terms and conditions contained herein. It is acknowledged and agreed that Arora shall be the only individual who performs the services required by this engagement.

### Termination

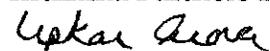
Subject to the CRO's right to terminate set forth below, and unless extended by agreement between Illumina and the Company, this agreement terminates on the earlier of: (a) the closing of the sale of the Property or investment in the Company resulting from the sale and investment process to be undertaken in the CCAA proceedings; (b) the appointment of a trustee in bankruptcy of the Company and the discharge of the Monitor; and (c) September 10, 2013.

It is understood that the CRO may terminate this agreement and that the CRO shall end its engagement hereunder, on fourteen (14) calendar days written notice to the Company and the Monitor; provided that in the event that the CRO terminates this agreement, it shall forfeit any further Success Fee otherwise falling due to it thereafter and no further Monthly Fees shall be payable other than those accruing to the termination date. Notice shall be sent by way of email to the President of the Company and counsel to the Monitor and the secured lender.

If this letter meets with your approval and reflects your understanding of our role and responsibilities, please sign the enclosed duplicate copy and return it to me.

Yours very truly,

**Illumina Partners Inc.**



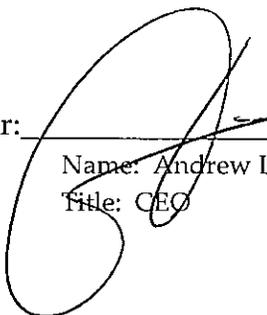
Upkar Arora, CA, ICD.D

UA

We confirm our agreement to retain Illumina Partners Inc. as CRO on the terms described in this letter.

Dated at Toronto, this 2<sup>nd</sup> day of May, 2013.

**iMarketing Solutions Group Inc.**

Per:  \_\_\_\_\_  
Name: Andrew Langhorne  
Title: CEO

## **Schedule "A"**

### **List of Applicants**

iMarketing Solutions Group Inc.  
The Responsive Marketing Group Inc.  
GWE Consulting Group (USA) Inc.  
Direct Contact Strategies Inc.  
Front Line Support Inc.  
iMark Events Inc.  
RMG General Partner Inc.  
Cabot Call Centre Inc.  
Engage Interactive Inc.  
RMG Smiths Falls LP.  
RMG Thunder Bay LP  
Xentel Inc. (Delaware)  
Wellesley Corporation Inc. (Delaware)  
US Billing Inc. (Delaware)  
American Graphics & Design Inc. (Wisconsin)  
Courtesy Health Watch Inc. (Delaware)  
Target Outreach Inc. (Nevada)  
Engage Funding Inc. (Delaware)

## SCHEDULE "B"

### Calculation and Payment of CRO Success Fee

#### Guaranteed Minimum Success Fee

None

#### Definition of a "Success Event"

A success fee shall be payable upon the occurrence of a "Success Event" which will have occurred upon the closing of one or more sale or investment transactions pursuant to which a cash injection is made into the Company or all or part of the Company's assets are sold or the implementation of a plan of arrangement and, in any case, such transaction(s) or arrangement yields cumulative gross sale proceeds in an amount greater than \$2.5 million or results in the Company's creditors receiving securities or cash or a combination thereof which, in the aggregate, have a value exceeding \$2.5 million.

For greater certainty, the value of any investment transaction(s) for the purpose of calculating the success fee will be determined using the valuation evidence provided to the Court by the Monitor in support of the Applicants' motion for approval of such transaction(s).

For greater certainty, "gross sale proceeds" shall also include any residual free cash flow from operations during the sixteen (16) week cash flow period after repayment of the DIP Loan (residual cash flow being the net cash generated, prepared on a basis which is consistent with the Company's cash flow projections filed with the Court as an Exhibit to the Affidavit of Andrew Langhorne sworn April 11, 2013) and shall exclude any brokerage fees or transaction costs.

If cumulative sale proceeds are less than \$2.5 million, no success fee shall be paid.

#### Success Fee Calculation

Upon the occurrence of a "Success Event", a success fee representing 5% of the gross sale proceeds above \$2.5 million shall be payable to the CRO.

By way of example, if residual free cash flow is \$500,000 and the proceeds of sale are \$3.5 million for total gross sale proceeds in the amount of \$4.0 million, the success payable to the CRO shall be \$200,000 (5% x \$4.0 million = \$200,000)

## Appendix “F”

## Upkar Arora CA, ICD.D, M.Acc, B.A.Hons

uarora@illuminapartners.com

(416) 567-8994

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### **EXECUTIVE SUMMARY**

A seasoned senior executive with a proven track record of delivering value to small, medium and large organizations at all stages of their growth profile; knowledgeable and versatile with a broad domestic and international experiential base to draw from; equally capable of contributing at a strategic level or at a detailed execution level; demonstrates an effective leadership style built on leading by example, being both a team player and a team builder; develops trust, confidence and credibility anchored by a high level of integrity, strong principles of conduct and a commitment to excellence; entrepreneurial and results oriented; able to deal effectively in complex, multi-stakeholder environments.

### **CAREER OBJECTIVE**

To apply my extensive transactional, operational and financial experience as well as my personal and professional strengths to help create or build outstanding businesses.

### **CAREER EXPERIENCE**

#### **ILLUMINA PARTNERS INC. ([www.illuminapartners.com](http://www.illuminapartners.com)) (TORONTO – NOVEMBER 2002 TO PRESENT)**

– Managing Director and Founder

*Co founded Illumina Partners, an independent financial advisory firm specializing in providing organizations with practical solutions to complex business challenges. Illumina provides operational, financial and strategic expertise to help clients successfully navigate transformational events. Until 2009 Illumina was a merchant bank that both advised and acquired small to mid-sized businesses that required financial, operational, or strategic repositioning. Since 2009 Illumina has been focused strictly on advisory services rather than acquisitions.*

#### **RELIANCE AEROTECH INC.**

**(TORONTO – FEBRUARY 2001 TO NOVEMBER 2002)**

– Executive Vice President and Minority Shareholder

*Supported CEO with strategic, operational and financial management responsibilities with a focus on mergers, acquisitions and financing to support the creation of a market leader in the MRO (maintenance repair and overhaul) business for regional jets.*

Evaluated for investment purposes 35 different opportunities, completed two acquisitions, two dispositions, an out of court wind-up, and generated an overall return on investment of 75% in 16 months in the aviation sector in a post 9/11 environment. Highlights included:

#### **Acquisitions**

- Successfully negotiated the conversion of a 20% option into an acquisition of 100% of Flight International Services, (renamed Reliance Aerotech Atlantic) an aviation maintenance repair and overhaul (“MRO”) operation in South Carolina.
  - Successfully acquired Celsius Aerotech Inc. the leading independent provider of MRO services from Saab AB of Sweden at a price of 50% of net asset value, or < 4 times trailing EBITDA

**RELIANCE AEROTECH INC. (CONT'D)****(TORONTO –2001 TO 2002)**

- Performed due diligence, structured proposed acquisition, developed letter of intent, secured commitment for financing within three days to waive financing condition on letter of intent and secure exclusivity.
- Handled all negotiations of business and legal issues and entire management of acquisition process including assembling and directing due diligence team and external service providers.
- Negotiated an attractive purchase price of \$18 million based on rigorous, extensive, financial due diligence.
- Successfully negotiated bridge loan with Trilon with significant improvements from the term sheet re structure, covenants, reps and warranties, security, guarantees, warrant pricing, etc.
- Invested personal capital equal to 10% of the equity requirements to fund acquisition.
- Negotiated a letter of intent to acquire two separate businesses owned by Standard Auto which were being wound up through Section 363 bankruptcy process. Conducted preliminary due diligence, met with principal customers, secured financing commitments, and commenced negotiation of Stalking Horse Agreement (equivalent to Purchase and Sale Agreement). Transaction not completed due to unwillingness to match a competing offer in the face of declining levels of profitability and minimal revenue visibility.

**Operational Enhancements at Acquired Companies**

- Developed strategic plan, conducted two day off site strategic planning session with senior management from three Reliance companies
- Engaged in integration of Celsius and Atlantic to create synergies, reduce costs and enhance sales and marketing efforts
- Negotiated long term contract with Bombardier worth US\$15-20 million over three years, to be the sole authorized provider of modification services on fleet of Global Express jets.
- Enhanced the operational performance of Celsius Aerotech Inc. by improving on time delivery, enhancing customer satisfaction, raising employee morale, reducing costs. Specifically:
  - developed operational performance metrics
  - compressed layers of mid management and changed adversarial relationship between various departments by rewarding all managers on a composite measure of performance based on customer satisfaction
  - Changed and improved process and work flow design
  - Pursued strategic alliances with major owner operators based on a developing a proven outsourcing model
  - Radically reorganized sales and marketing function to convert it from being passive, reactive and complacent to driven, proactive, customer service oriented, resulting in enhanced customer satisfaction, increase in order backlog, and greater customer diversification.
  - Changed strategic focus to create specialization on specific airframes or platforms to enhance competitive advantage and efficiency.
  - Developed plan to convert spot business to longer term contractual business to gain greater revenue visibility
- Negotiated reduction of costs for ongoing operations by entering into global relationships with service providers to generate annual savings of >\$1 million: Canadian legal counsel, US legal counsel, KPMG, global aviation insurance programs, employee benefits.
- Developed and implemented business unit and consolidated operational and financial reporting to permit evaluation of performance on a timely basis.

**RELIANCE AEROTECH INC. (CONT'D)****(TORONTO –2001 TO 2002)****Dispositions**

- Sold for \$21 million, the Tennessee Operations of Celsius to Embraer Aircraft Corporation of Brazil, the world's fourth largest aircraft manufacturer at seven times trailing EBITDA
  - Parlayed discussions regarding a strategic alliance with Embraer into a sale of the Nashville business unit to create a North American Centre of Excellence for Embraer
  - Negotiated a price far in excess of our purchase cost just four months earlier
  - Handled all negotiations with President, the COO and four man legal team of Embraer including drafting of entire sections of purchase and sale and ancillary documents to deal with material business risks or potential post closing issues
  - Completed definitive Asset Purchase Agreement with Embraer in record time, on December 31 to meet year-end deadline imposed by CEO of Embraer in Brazil, in absolute secrecy
  - Handled all aspects of Embraer due diligence, third party consents, regulatory approvals, employee communications, post integration issues, post closing adjustments, documentation (disclosure schedules)
  - Created unusual but effective solutions to deal with significant number of business issues to mitigate risk, create economic alignment of interests and enhance returns
  
- Sold for \$8 million the Furst division of Celsius, to Triumph Group, a large publicly traded aerospace company at greater than five times EBITDA on July 31, 2002
  - Identified and targeted strategic buyers of Furst operation
  - Secured two potential acquirers
  - Negotiated letter of intent, purchase and sale agreement, facilitated due diligence, completed all documentation
  
- Recommended and implemented closure of operations of Reliance Atlantic as a result of the dramatic loss of business following 9/11 and a breach of a material contract by Bombardier
  - Initiated proactive sale process to sell the operations of Atlantic as a going concern to strategic buyers. Process was unsuccessful.
  - Successfully wound up the operations of Atlantic on a commercial basis through direct negotiations with each trade creditor, land lessor, secured and unsecured creditors at a cost of approximately 20% of the value of all third party liabilities. Net savings of >\$2 million.
  - Successfully negotiated settlement of outstanding litigation with minimal payment and full releases.

**ELECTROFUEL INC.****(TORONTO –2000 TO 2001)**

– Chief Financial Officer, Reporting to Chairman, President and Chief Executive Officer

*Joined Electrofuel, a pre-IPO battery technology start-up to drive the execution strategy to transform company into a global player in the portable power sector for notebook computers, mobile telephones and other wireless devices.*

**ELECTROFUEL INC. (CONT'D)****(TORONTO –2000 TO 2001)**

- Led the company's efforts to complete a US\$100 million cross border initial public offering with a dual Nasdaq/TSE Listing through CSFB and Nesbitt Burns. Prepared prospectus, facilitated SEC review and underwriter due diligence, and completed all requirements for proposed offering. Offering was deferred due to market conditions.
- Led a successful domestic Can \$50 million IPO with a TSE listing including completion of all regulatory and financial aspects and road show meetings with investors.
- Provided business leadership and direction in all aspects of company's operations including sales and marketing, corporate development, business strategy, manufacturing and human resources.
- Evaluated, recommended and implemented major changes to upgrade all aspects of financial management, including treasury and cash management, financial planning, corporate governance, management information systems and risk management.
- Implemented changes to improve functioning of Board of Directors including board composition, board compensation, and creation of appropriate mandates for audit committee and corporate governance and compensation committee.
- Responsible for corporate communications (investor relations, web site, and financial media).

**ONEX CORPORATION (ONCAP INVESTMENT PARTNERS)****(TORONTO –1999 TO 2000)**

- Managing Director, Oncap Investment Partners
- Reporting to Onex Corporation

*Joined Onex to create a private equity fund dedicated to the acquisition and growth of public or private small capitalization companies in Canada and the United States. Onex' focus on larger transactions created a need for a dedicated team focused exclusively on this smaller market segment.*

- Evaluated structural changes in capital markets, analyzed Onex' competitive positioning and developed business plan for capitalizing on the small cap opportunity.
- Structured and developed the terms of the offering to large institutional investors.
- Created the offering memorandum used to raise \$250 million, outlining the opportunity, the sponsorship and the principal terms of an offering.
- Prepared the marketing materials, synopsis of the private equity industry and met with institutional investors throughout Canada on the road show.
- Negotiated detailed terms of investment with institutional investors and formalized all requisite documentation to close Canadian and offshore partnership.
- Successfully raised \$400 million (\$150 million more than targeted) in one of the fastest such offerings.
- Recruited three investment professionals to join team to source, evaluate, structure, negotiate, acquire, expand, and realize value from potential small cap companies.
- Met with more than 30 management teams, evaluated more than 60 business opportunities and actively pursued under valued companies and sectors for potential investment.

***TrizecHahn Europe (London - 1998 to 1999)***

- Executive Vice President and Chief Financial Officer
- Reporting to President and Chief Operating Officer Trizec Hahn Corporation and Office of the Chairman, Europe

*Relocated to London from San Diego at request of President and COO of TrizecHahn Corporation to help spearhead the creation and execution of Company's European business strategy. Worked closely with Chairman Peter Munk, Vice Chairman Bill Birchall and European Managing Director. Full fiscal responsibility for European operation.*

- Developed business plan and formulated strategy that would allow TrizecHahn to become the largest pan-European property company within five years.
- From an initial staff of six, established European headquarters in London by building infrastructure, organizational framework and team comprising more than 50 people in nine months. Team included finance, treasury, human resources, MIS, business development, acquisitions, asset management, and operations personnel. Operations included Frankfurt, Budapest, Lille, Madrid, Barcelona, Athens, Berlin, Brno, Prague and Pescara.
- Developed a tax efficient and operationally flexible structure for organizing the affairs of the European operations via a Luxembourg holding company.
- Established new investment protocol for entering into joint venture or partnership transactions.
- Assisted in the formation of joint venture partnerships in Germany, Greece, Poland, Czech Republic and Hungary.
- Facilitated planned US\$500 million private placement initiative with two strategic investors (Morgan Stanley and George Soros).
- Established long term incentive plan for Europe wide organization spanning approximately 200 employees in eight countries.
- Developed financing strategy for multiple countries in multiple currencies.
- Negotiated US\$150 million financing for West End City Centre project in Budapest, Hungary with a consortium of Hungarian banks;
- Facilitated financing of projects in Bratislava, Athens and Brno.
- Developed quantitative model for evaluating risk adjusted rates of return on invested capital in varying political and economic climates.
- Established corporate governance and reporting structure, accounting and reporting systems for consolidated reporting and statutory/compliance requirements and budgeting and forecasting process.

***Trizec Hahn Centres (San Diego, California -1997 to 1998)***

- Executive Vice President and Chief Financial Officer
- Reporting to President and Chief Operating Officer Trizec Hahn Corporation

*Relocated to San Diego from Toronto at request of President and COO of TrizecHahn Corporation to co-head retail operating division. Mandate was to improve financial and operating performance of division. As a result of rapid consolidation in the industry at historically high values, the division was "put into play". Facilitated a sale to a strategic buyer for gross proceeds of Can\$ 3.8 billion and an \$800 million gain on sale.*

**Trizec Hahn Centres (cont'd)**

- Directly responsible for asset management, acquisitions, dispositions, financial services, MIS, finance, treasury, and human resources. Shared operational responsibility with COO
- Developed blueprint and action plan for creating US\$400 million of additional value from operating portfolio
- Evaluated several potential asset or portfolio acquisitions aggregating \$1.5 billion.
- Completed acquisition of partner's interest in Oakridge Mall – US \$55 million purchase.
- Facilitated the sale of the division to Rouse and Westfield including preparation of materials and documentation, management presentations to potential buyers and structuring staged closings to generate US\$150 million higher proceeds than expected
- Designed and implemented an effective retention, incentive and severance program to retain staff and facilitate staggered closing of retail portfolio sale and effective continuation of retained development division.

**Trizec Hahn Corporation (Toronto - 1995 to 1997)**

- Vice President Investor Relations (February, 1995 to October 1995)
- Senior Vice President, Finance (October, 1995 to September, 1997)
- Reporting to Executive Vice President and Chief Financial Officer

**Responsible for the following areas:****Investor Relations**

- Responsible for the company's relationship with the capital markets (debt and equity) including investment dealer research analysts (sell side analysts), the Company's major shareholders (portfolio managers), institutional analysts (buy side analysts), retail investor groups, rating agencies and other stakeholders.
- Developed investor relations program that provided Trizec Corporation with credibility in the capital markets after a major financial insolvency/reorganization; overcame small public float, no research coverage, no track record of new management team and an out of favour industry sector.
- Secured sell side research coverage from four Canadian investment dealers and four bulge bracket Wall Street investment banks.
- Obtained a listing on the New York Stock Exchange despite legal and technical impediments
- Broadened Company's shareholder base into the United States.
- Responsible for preparation of Annual Report, Annual Information Form, Management's Discussion & Analysis, and other corporate disclosure.
- Company spokesperson at numerous industry and finance conferences.

**Project and Corporate Finance**

- Responsible for development of Company's capital strategy to create optimal capital structure consistent with business objectives, strategy and outlook.
- Responsible for the Company's public and private, corporate and project finance activity, including structuring, negotiating and executing a US\$250 million public high yield issue in the United States, \$150 million Bankers Hall project refinancing, US\$250 million acquisition facility with CSFB, US\$280 million whole loan and rated public securitization on a portfolio of New York properties, US\$173 million secondary equity offering, Can.\$300 million and Can.\$250 million public unsecured investment grade debenture offerings.

**Trizec Hahn Corporation (cont'd)**

- Facilitated a decrease in the Company's weighted average cost of debt from approximately 8.5% to 7% in three years.
- Expanded Company's sources of capital and lending relationships.
- Completed first securitization ever done by Trizec Hahn.
- Completed the largest "BBB" public debt transaction done by a Canadian issuer in ten years.
- Facilitated three upgrades on public debt rating to investment grade from Standard & Poor's and Moody's thereby increasing financing alternatives and reducing cost of capital.

**Mergers & Acquisitions**

- Evaluated potential acquisition of four public corporations with a transaction value of >\$7 billion (Cadillac Fairview, Bentall, CP Hotels, RPT).
- Assisted in the structuring and financing of various property or portfolio acquisitions.
- Assisted in the privatization/merger of Trizec Corporation with parent Horsham Corporation.

**Financial Reporting**

- Assisted in the development of effective financial reporting for internal and external purposes.
- Derived appropriate performance metrics to evaluate operational performance of business units and underlying risks and returns, such as return on capital, return on equity, WACC, EVA, exposure to interest rate volatility, etc.

**Operational and Other**

- Monitored, evaluated and worked with subsidiaries to improve their operational performance.
- Responsible for the implementation of thirteen management information system projects across organization (\$5 million budget) to improve quality, quantity, timeliness and accuracy of operational and financial information.

**REICHMANN INTERNATIONAL****(TORONTO - 1993 TO 1995)**

*At Paul Reichmann's request joined Company to help re-establish a new global real estate and investment company following the demise of Olympia & York Developments in 1993. At the time the Company consisted of only five other professionals.*

- Evaluated various asset/portfolio acquisitions or corporate investments for five public companies, and potential real estate asset purchases > 5 million square feet. Analysis included valuation of company, assessment of return potential, all aspects of due diligence, deriving investment structure, creating investment memorandum, identifying and soliciting potential investors.
- Established Mexican Operations - identified, evaluated and assisted in the formation of the corporate investment vehicle for a \$1.5 billion investment program in Mexico designed to optimise tax efficiency, partnership rights and obligations, funding flexibility, and liquidity.
- Negotiated and implemented joint venture arrangements for admission of partner in Mexican real estate development project.
- Oversaw Reichmann/Soros joint venture involving Quantum Realty.
- Oversaw all operational aspects of organisation, including banking relationships, information systems, human resources, accounting, JV reporting, budgeting and compliance requirements.

**OLYMPIA & YORK DEVELOPMENTS LIMITED****(TORONTO - 1988 TO 1993)**

- Vice President, Treasurer
- Assistant Vice President, Finance
- Reporting to Chief Financial Officer
  
- Financing - Negotiated private and public lending arrangements for corporate and project construction financing & permanent debt facilities aggregating >\$5 billion.
- Acquisitions - Evaluated real estate opportunities aggregating a gross purchase price > \$5 billion.
- Business Development - Researched, identified and commenced discussions with potential strategic alliances in Japan, Hong Kong, Russia and Singapore.
- Interest Rate and Currency Risk - Managed derivatives portfolio >\$2.5 billion.
- Portfolio Investments – Managed portfolio investments >\$1.2 billion including various sale/liquidation/spin-off/merger scenarios for Santa Fe Pacific/Catellus/Santa Fe Energy, Home Oil, Interprovincial Pipeline, GW Utilities, Gulf Canada Resources, Trilon.
- Treasury and Cash Management - Developed cash flow reporting and monitoring process and investment program to facilitate short term and long-term cash flow management including commercial paper program, letters of credit and maturing loan advances.
- CCAA Restructuring - Participated in formulation of strategy, assisted in preparation and review of Company's corporate restructuring plan for CCAA plan of Compromise & Arrangement and Chapter 11 filings, developed and implemented general & administrative cost reduction program.

**NORTEL NETWORKS – DIGITAL SWITCHING DIVISION (BRAMALEA, ONTARIO (1987 TO 1988))**

- Financial Analyst in Financial Planning & Analysis and Accounting & Control functions
  
- Evaluated actual performance, performed variance analysis and prepared reporting package for presentation to management committee. Contributed to budget and forecast process.
- Recommended approval or rejection of new capital projects; analysed and recommended changes in capital management process.

**KPMG CHARTERED ACCOUNTANTS (KITCHENER, ONTARIO - 1985 TO 1987)**

- Senior Auditor in charge of medium and large clients including Top 500 Companies.

**KPMG CHARTERED ACCOUNTANTS (LONDON, ONTARIO - 1981 TO 1984)**

- Co-op and internship terms spanning 20 months forming part of C.A. articling experience.

**UNIVERSITY OF WATERLOO (WATERLOO, ONTARIO - 1986 TO 1987)**

- Lecturer for second year intermediate financial accounting course.

**SOCIETY OF MANAGEMENT ACCOUNTANTS OF ONTARIO (1986)**

- Lecturer for Advanced Financial Accounting course, marker for Final Accreditation Exams (“FAE”) creator of case study exam question for advanced financial accounting FAE.

## **EDUCATION & PROFESSIONAL DESIGNATIONS**

ICD.D - Independent Corporate Director designation June 2011

Chartered Accountant (C.A.) professional designation (1986)

Certified Management Accountant (CMA) professional designation (1986) (not currently active)

University of Waterloo, Waterloo, Ontario (1980 to 1985)

- Masters of Accounting (M.Acc) Degree from Professional School of Accounting
- Bachelor of Arts (Honours Economics) Degree

## **ACHIEVEMENTS AND AWARDS**

2004 Fellow (The Upkar Arora Fellow) under the Fellowship Program of the School of Accountancy named after illustrious alumni to recognize the achievements and support of the School by the alumni

Master of Ceremonies for 20<sup>th</sup> anniversary celebration of University of Waterloo's Accounting Program (2002)

National CMA Professional Examinations - 7<sup>th</sup> place in Canada (1986)

Uniform Final Examinations for C.A. Designation (1986)

- Institute of Chartered Accountants Prize for 5th Place in Ontario (Score of 342/400).
- 1st place in Ontario for C.A. firm, third in Canada, 1st place in Waterloo Wellington Region.

University of Waterloo, Waterloo, Ontario (1980 to 1985)

- Class Valedictorian - Masters Class
- RJR MacDonald Accounting Excellence Award
- Honour Roll - Masters Class
- Deans List (all four years of Honours Bachelor of Arts program)

## **OTHER INTERESTS AND ACTIVITIES**

### ***Community Service***

- Chair of the Board of Trustees for McMichael Canadian Art Collection in Kleinberg, Ontario
- Volunteer as Big Brother
- Volunteer soccer coach for boys soccer teams (house league and rep)
- Previous volunteer at Fort York Food Bank
- Previous director of Canadian Stage Company
- Previous director of Meadowood Tennis Club, responsible for junior tennis program
- Previous director of Cow Over Moon Children's Theatre
- Previous volunteer for Children's Aid Society and Big Brothers

## Appendix “G”

iMarketing Solutions Group Inc. and its Direct and Indirect Subsidiaries  
**Weekly Variance Analysis**  
For the week ending April 19, 2013  
(C\$; Unaudited)

	Notes	19-Apr-13			
		Actual	Projected	Variance (\$)	Variance (%)
<b>Cash Flow Summary</b>					
<i>Cash Inflows</i>					
Accounts receivable collections	1, 2	1,101,316	899,100	202,216	22%
Other collections	3	22,043	-	22,043	100%
DIP loan advance	4	650,000	339,773	310,227	91%
<b>Total Cash Inflows</b>		<b>1,773,359</b>	<b>1,238,873</b>	<b>534,486</b>	<b>43%</b>
<i>Cash Outflows</i>					
Total cash outflow from operations	5	639,814	726,887	87,073	12%
Net cash flow before the undernoted		1,133,546	511,986	621,560	121%
<b>Restructuring and Other Costs:</b>					
Professional fees	2	3,500	100,000	96,500	97%
Contingency	6	-	305,500	305,500	100%
Customer remittances	2	129,000	84,186	(44,814)	-53%
State regulators		17,333	22,300	4,967	22%
<b>Total Restructuring and Other Costs</b>		<b>149,833</b>	<b>511,986</b>	<b>362,153</b>	<b>71%</b>
<b>Net Cash Flow</b>		<b>983,712</b>	<b>-</b>	<b>983,712</b>	<b>100%</b>
<b>Opening Cash Position</b>	7	<b>181,318</b>	<b>-</b>	<b>181,318</b>	<b>100%</b>
Net Cash Flow		983,712	-	983,712	100%
<b>Closing Cash Position</b>		<b>1,165,031</b>	<b>-</b>	<b>1,165,031</b>	<b>100%</b>
DIP loan advances		(650,000)	(339,773)	(310,227)	-91%
<b>Adjusted Closing Cash Position (excludes DIP advance)</b>		<b>515,031</b>	<b>(339,773)</b>	<b>854,804</b>	<b>252%</b>

General Note:

Actual receipts and disbursements are presented net of sales taxes. Projected collection of existing accounts receivable includes sales taxes. US dollars have been converted to Canadian dollars at par.

Notes

1. Collections are net of the estimated portion due to the Company's clients, where applicable.
2. These variances are timing differences.
3. Represents collections of sales tax refunds.
4. Represents the initial DIP advance at the commencement of these proceedings.
5. Disbursements for the week ending April 19, 2013 are summarized below:

Payroll (gross)	319,682
Fulfillment, including postage and printing	129,977
Subcontractors	55,021
Benefits	33,030
Rent for leased locations in the US	28,607
Other costs	73,497
<b>Total fixed and variable costs</b>	<b>639,814</b>

The Company processes payroll manually and does not maintain an outstanding cheque register for payroll cheques. Payroll disbursements represent cheques that cleared the bank account, whereas all other disbursements are based on payments released during the week.

6. Represents a contingency for unknown expenses, including, potentially, security deposits to critical vendors.
7. Represents the opening cash in the Company's bank accounts less outstanding cheques as at April 12, 2013.