
**Supplement to the 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 6, 2013

Contents

	Page
1.0 Introduction.....	1
1.1 Purposes of this Supplementary Report	1
1.2 Currency	2
1.3 Defined Terms	2
2.0 American Express.....	2
3.0 Conclusion and Recommendation	4
Appendix	Tab
Monitor's letter to Amex dated May 3, 2013.....	A

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"**

**SUPPLEMENT TO THE 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 6, 2013

1.0 Introduction

1. This report ("Supplementary Report") supplements the First Report to Court dated May 2, 2013 ("First Report") filed by Duff & Phelps Canada Restructuring Inc. as Monitor in these proceedings.

1.1 Purposes of this Supplementary Report

1. The purposes of this Supplementary Report are to:
 - a) Summarize an issue that has arisen with American Express Corporate Credit Cards, American Express and any affiliated companies (collectively, "Amex") upon which the Company relies for certain aspects of its business;
 - b) Describe the importance of Amex to the Company's business; and
 - c) Request that the Court make an Order compelling Amex to comply with the Initial Order, specifically by reactivating the Company's accounts and continuing to provide services to the Company.

1.2 Currency

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

1.3 Defined Terms

1. Capitalized terms not defined in this Supplementary Report have the meanings provided to them in the First Report.

2.0 American Express

1. Individual credit cards are held by certain of the Company's employees, sales representative and client service providers. The Company advises that twenty or more people use travel services paid on an Amex credit card through a travel agent. Additionally, the Company uses Amex to pay various important vendors.
2. A summary of the manner in which the Company relies on Amex is as follows:
 - a) US Postal Service mailboxes. The Company pays the US Postal Service through Amex. The Company maintains over 100 mailboxes with the US Postal Service. This is a key process by which the Company collects pledges in the US. The Company advises that it would be administratively challenging to change the payment process for these mailboxes and that doing so could impair the collection of pledges, thereby negatively impacting cash flow;
 - b) Certain other vendors charge their costs directly to the Company's Amex account. These vendors include providers of web hosting, email distribution, domain name registration and travel services. These services are essential to continuing operations of the Company on an uninterrupted basis; and
 - c) Employee travel expenses and bookings. The Company uses Amex corporate cards because many employees do not have their own credit cards, their own cards do not have sufficient credit to allow them to charge travel expenses or they do not feel comfortable using their own credit cards, particularly in the context of this CCAA proceeding.
3. On April 30, 2013, the Company learned that the Amex accounts were frozen (Amex had declined a transaction by an employee). The Company immediately contacted Amex to understand the reasons that the card was declined. Amex advised that it had frozen the accounts due to the CCAA process.

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4. The Monitor understands that on April 30, 2013, the Company explained to representatives of Amex the importance of Amex to its business. The Company also explained that pursuant to the Initial Order, all suppliers, including Amex, are required to continue to provide service without disruption, provided that they were not extending further credit. The Company confirmed that it would pay a deposit to Amex (and would continue to replenish the deposit) such that Amex would not be extending credit to the Company. The Company requested that the Accounts be immediately reactivated. The Company was unable to make any progress with Amex, which resulted in the Monitor getting involved in this issue.
 5. On May 1, 2013, the Monitor contacted Amex representatives. On May 3, 2013, Derek Choi, a representative of Amex, advised the Monitor that Amex's legal department would review the matter and provide a response by no earlier than May 6, 2013. A copy of the Monitor's correspondence to Mr. Choi is provided in Appendix "A"¹.
 6. On May 6, 2013, the Monitor spoke with Kelly Lawson in Amex's legal department, at which time the Monitor summarized the urgency of the issue and Ms. Lawson undertook to respond in a short period of time. The Monitor advised Ms. Lawson that it would be in Court on May 7th in the context of a scheduled motion and that it intended to bring this issue to the attention of the Court if it was not resolved by the time scheduled for the motion. The Monitor also advised that it would be necessary for it to draft and file with the Court a report summarizing this issue.
 7. The Monitor followed up several times on May 6, 2013 with Ms. Lawson who advised that the matter was being reviewed. The Monitor was advised that Amex had retained Dentons Canada LLP ("Dentons"). The Monitor, its counsel and the Company's counsel discussed the matter on a preliminary basis with Dentons prior to finalizing this Supplementary Report.
 8. Dentons advised the Monitor that Amex was reviewing the matter internally and considering a structure to allow the Company to use the Amex accounts. However, at the time this Supplementary Report was finalized the Accounts had not been reactivated.

¹ The credit card account numbers have been redacted.

3.0 Conclusion and Recommendation

1. The Monitor recommends that the Court compel Amex to comply with the Initial Order by immediately reactivating the Accounts and continuing to provide service to the Company, provided that the Company pays a deposit to Amex equivalent to two weeks of Amex exposure (estimated to be \$25,000) to be used for transactions from and after the date of the Initial Order and subject to the Company replenishing the deposit on an ongoing basis.

* * *

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"

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”

DELIVERED BY FAX [REDACTED]

May 3, 2013

American Express Corporate Credit Cards
101 McNabb Street
Markham, ON L3R4H8

To: Derek Choi and Kelly Lawson

URGENT - RESPONSE REQUIRED IMMEDIATELY

**Re: iMarketing Solutions Group Inc. and the companies referred to in Schedule "A"
(collectively the "Company")**

Control accounts ("Accounts"): [REDACTED]

On April 12, 2013, the Company filed for protection pursuant to the *Companies' Creditors Arrangement Act* ("CCAA"). Pursuant to the order issued by the Ontario Superior Court of Justice – Commercial List (the "Initial Order"), Duff & Phelps Canada Restructuring Inc. was appointed the Company's monitor. A copy of the Initial Order is attached for your reference.

On April 12, 2013, an order was sought from the United States Bankruptcy Court for the District of Delaware ("Delaware Court") recognizing the CCAA proceedings and granting the Company protections as contemplated by Chapter 15 of Title 11 of the *United States Code*. The Delaware Court made the order on that date.

The Company relies on the Accounts to conduct business in Canada and the US. Earlier this week, the Company was advised that American Express ("Amex") suspended the Accounts due to the CCAA filing. We understand that the Company specifically advised Amex representatives that its inability to utilize the Accounts is impairing its business and that Amex is in contravention of the Initial Order¹. We further understand that the Company advised Amex representatives that it is prepared to pay a deposit on the Accounts and replenish such deposit such that Amex will not be extending credit – the Accounts would operate as pre-paid credit cards.

The Company has not received a response from Amex despite leaving phone messages with numerous representatives, including Derek Choi and Kirandeep (last name not provided).

¹ Pursuant to Paragraph 18 of the Initial Order, all persons having oral or written agreements with the Company or statutory or regulatory mandates for the supply of goods and/or services are restrained until further Order of the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Company, provided that the normal prices or charges for all such goods or services received after the date of the Initial Order are paid by the Company in accordance with normal payment practices of the Company or such other practices as may be agreed upon by the supplier or service provider, the Company and the Monitor, or as may be ordered by the Court.

The Monitor has also left messages with numerous representatives, including Derek Choi, Kirandeep, Benjamin Richard and Kelly Lawson.

Derek Choi advised the Monitor on May 3, 2013 at 2:45 pm that Amex's legal department must review this matter and will not respond before Monday, May 6, 2013.

The Accounts remain suspended. **Urgent attention is needed.** The Company will be in Court on May 7, 2013. The Company and the Monitor will report to the Court regarding this matter if it is not resolved prior to the hearing. The Company may be required to seek relief compelling Amex to comply with the terms of the Initial Order.

Please contact us to resolve this matter without delay.

Sincerely,

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



Per: Amanda Bezner

AB:rk

Encl.

cc Shelley Sheppard, iMarketing Solutions Group Inc. (shelley.sheppard@imkgrp.com)
Robert Thornton, ThorntonGroutFinnigan LLP (RThornton@tgf.ca)