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

July 5, 2013

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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"**

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

July 5, 2013

1.0 Introduction

1. Pursuant to an Order (the "Initial Order") of the Ontario Superior Court of Justice (Commercial List) (the "Court") made on April 12, 2013, iMarketing Solutions Group Inc. ("IMSG") and the companies listed on 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 (the "Monitor").
2. Also on April 12, 2013, the United States Bankruptcy Court for the District of Delaware ("US Court") made an interim 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").
3. On May 7, 2013, the Court made an Order (the "Stay Extension and SIP Approval Order") extending the stay of proceedings to August 2, 2013 and approving a sale and investment process ("SIP") to be carried out by Illumina Partners Inc. ("Illumina"), in its capacity as the Company's Chief Restructuring Officer ("CRO"), under the supervision of, and with the assistance of, the Monitor. A copy of the Stay Extension and SIP Approval Order is attached as Appendix "A".
4. On May 17, 2013, the US Court made a final Order recognizing 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 (the "Report") are to:
 - a) Provide background information about the Company and these proceedings;
 - b) Provide an update on the SIP;
 - c) Summarize an agreement among the Company, Canadian Imperial Bank of Commerce ("CIBC") and Shotgun Fund Limited Partnership III (the "DIP Lender") with respect to, *inter alia*, the accounts receivable of Engage Interactive Inc. ("Engage") (the "Engage Agreement");
 - d) Support the Company's request to for an Order adding MLHL Marketing Inc. ("MLHL Inc.") as an Applicant in the CCAA proceedings and declaring that MLHL Marketing LP ("MLHL LP") (together, with MLHL Inc., the "MLHL Entities") shall also enjoy the benefits of and the protections provided to the Applicants in the Initial Order;
 - e) Provide an overview of the Company's activities since May 2, 2013, the date of the Monitor's first report to Court (the "First Report");
 - f) Provide an overview of the Monitor's activities since the First Report; and
 - g) Recommend that this Honourable Court make an order:
 - Approving the Engage Agreement and granting a charge in favour of CIBC over the accounts receivable of Engage;
 - Adding MLHL Inc. as an Applicant in the CCAA proceedings and declaring that MLHL LP shall also enjoy the benefits of and the protections provided to the Applicants in the Initial Order and extending the charges granted pursuant to the Initial Order to the assets of the MLHL Entities;

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- Authorizing the CRO to engage third parties to assist the CRO in the performance of certain services and extending the CRO's indemnity granted pursuant to the Initial Order to third parties engaged by the CRO, provided that the Company and the Monitor consent to the engagement; and
 - Approving the Monitor's actions and activities, as described in this Report.

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.

2.0 Background

1. The Company is an integrated marketing services provider of direct marketing solutions for not-for-profit organizations, political organizations and professional associations.
2. The Company's core businesses include tele-fundraising; data development; direct mail fundraising and outreach; data management; publishing; social media; secure caging¹; and marketing list rental².
3. Operating under its previous name, Xentel DM Incorporated, IMSG and its predecessor corporations have been 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.
4. The Company currently operates from sixteen (16) leased premises across Canada and the US. Since the commencement of these proceedings, the Company has disclaimed two leases and exited from those premises.
5. 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. Presently there are approximately 680 active employees.

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

² The renting of donor lists to third parties in exchange for a fee.

6. Additional information concerning the Company and these proceedings is provided in the Langhorne Affidavit, the report of D&P as proposed monitor dated April 11, 2013 and the First Report. Materials filed in the CCAA and Chapter 15 proceedings can be found on the Monitor's website at: www.duffandphelps.com/restructuringcases.

3.0 Sale and Investment Process

1. The following are the timelines in the SIP:

Sale Process Procedures	Date(s)
Court approval of sale process	May 7 th
Marketing to interested parties	May 28 th to July 12 th
Distributing CIM and access to online data room	May 28 th to July 12 th
Management presentations and site visits for select interested parties	June 4 th to 28 th
Offer deadline	July 12 th
Clarification of offers and rebidding, if applicable	July 13 th to 22 nd
Execution of Asset Purchase Agreement	July 24 th
Court approval of transaction(s)	August 2 nd
Closing(s)	August 7 th

2. The Company has done a wide distribution of the SIP materials and is in discussions with parties concerning a potential transaction or transactions. Various parties continue to perform diligence. The full details of the Company's SIP efforts will be provided in a subsequent report.
3. As detailed in the table above, the offer deadline is July 12, 2013. Pursuant to the Stay Extension and SIP Approval Order, with the approval of the Monitor, the CRO may extend any deadline in the SIP by up to three weeks. As at the date of this Report, an extension of the offer deadline is being contemplated.

4.0 CIBC

1. As set out in the First Report, CIBC provided 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 a security interest against RMG, one of IMSG's wholly-owned subsidiaries, pursuant to a general security agreement. Certain subsidiaries of RMG are guarantors of the Company's indebtedness to CIBC; however, these subsidiaries did not grant a security interest in their assets.

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2. In March, 2012, certain business activities carried out by RMG were transferred to Engage, another of IMMSG's subsidiaries. The Company has advised the Monitor that CIBC was informed that RMG's business activities were transferred to Engage at the time of the transfer. RMG's monthly reporting to CIBC after the transfer and the ownership of RMG's marginable accounts receivable remains a matter of dispute between RMG and CIBC.
 3. 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 business and assets of RMG. There were no registrations against Engage in favour of CIBC as at the date of the Initial Order.
 4. 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.

4.1 Engage Agreement

1. The Company has been reporting regularly to CIBC throughout these proceedings and has provided it with, among other things, weekly accounts receivable balances of RMG and Engage.
2. The Company, CIBC and the DIP Lender have also discussed providing CIBC with a level of protection over the Engage receivables while at the same time avoiding disruption to the CCAA proceedings.
3. On June 21, 2013, the Company and CIBC entered into the Engage Agreement. Pursuant to the Engage Agreement, the Company agreed to use reasonable best efforts to seek an order granting CIBC a charge over Engage's accounts receivable that will rank behind the Administration Charge and the DIP Lender's Charge. The priority claims of Canada Revenue Agency ("CRA") and other parties, if any, are not to be affected by the proposed charge in favour of CIBC. A copy of the Engage Agreement is provided in Appendix "B".
4. In addition to granting CIBC a charge over Engage's accounts receivable, the Engage Agreement also provides that:
 - The Company will continue to report weekly to CIBC;
 - The Company will pay from cash flow the reasonable legal fees and disbursements of CIBC's counsel incurred during the CCAA proceedings up to a maximum of \$50,000. Any amounts above \$50,000 may be added by CIBC to the indebtedness owed to it;
 - Except as required pursuant to the DIP Term Sheet, the Company will not voluntarily prepay or repay any advances under the DIP Facility, except with the prior written consent of CIBC; and

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- CIBC's charge over Engage's accounts receivable is to rank in priority to the DIP Lender's Charge, to a maximum of \$250,000, subject to a further Court order and the condition contemplated by the Engage Agreement.

4.2 Recommendation

1. The Monitor recommends that this Court approve the Engage Agreement for the following reasons:
 - The DIP Lender is the only party with a security interest in Engage's accounts receivable. The DIP Lender consents to the Engage Agreement; and
 - Resolution of this issue between the DIP Lender and CIBC is in the best interests of these proceedings as it avoids a potential conflict between two of the largest stakeholders in these proceedings and the risks associated with a potential disruption to the proceedings should CIBC take steps to enforce its security.

5.0 MLHL Entities

1. MLHL Inc. is incorporated pursuant to the *Business Corporations Act* (New Brunswick).
2. MLHL LP is a registered partnership pursuant to the *Limited Partnerships Act* (Ontario).
3. MLHL Inc. operates a call center out of leased premises in Miramichi, New Brunswick. MLHL Inc. executed the lease in February 2004. The initial term of the lease expired March 31, 2009; however, it was subsequently extended to March 31, 2014. The tenant of the lease was also changed from MLHL Inc. to MLHL LP.
4. At the commencement of the CCAA proceedings, the Company did not consider it necessary for the MLHL Entities to be parties to the CCAA proceedings.
5. The Company now believes that it is appropriate that MLHL Inc. be added as an Applicant to the CCAA proceedings and to have the benefits of and the protections provided to the Applicants in the Initial Order extended to MLHL LP for the following reasons:
 - The Company's operations include those carried out by the MLHL Entities;
 - The business and assets of the MLHL Entities have been included in the SIP and their inclusion will add value to the Company's business operations; and
 - The MLHL Entities will benefit from the protections subject to the Initial Order.

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6. The Monitor supports the Company's request to add the MLHL Entities to these proceedings and to extend the charges granted pursuant to the Initial Order to the assets of the MLHL Entities.

6.0 CRO Indemnity

1. Illumina was appointed CRO pursuant to the terms of the Initial Order. As discussed in Section 3 above, the CRO is, among other things, carrying out the SIP with the Monitor's assistance.
2. The CRO engaged a third party, at its own expense and with the consent of the Company and the Monitor, to assist it in carrying out certain aspects of the SIP.
3. Given the complexity of the Company's operations and the myriad of operational issues being addressed by the CRO, the CRO does not have the time to be fully engaged in all aspects of the SIP, as well as all operational matters. The Company has therefore benefitted from the retention by the CRO of an agent to assist with the SIP.
4. Pursuant to the Initial Order, the CRO was provided with certain indemnities. The CRO and the Company believe that the indemnity in favour of the CRO should be extended to the third party and any other third parties engaged by the CRO.
5. For the reasons noted in point 3 above, the Monitor supports the relief sought by the Company.

7.0 Company's Activities

1. A summary of the Company's activities since the date of the First Report include:
 - Corresponding with customers regarding the Company's operations and continuity of service, including securing new contracts;
 - Communicating with suppliers to secure goods and services during these proceedings and to address payment terms;
 - Corresponding with employees and former employees regarding the CCAA proceedings;
 - 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;
 - Corresponding with CRA regarding the Company's sales and payroll tax accounts;

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- Meeting with and reporting weekly to the DIP Lender pursuant to the terms of the DIP Term Sheet;
 - Dealing with CIBC regarding the issues detailed in Section 4 above;
 - Executing the SIP;
 - Compiling information to be included in the data room opened for the SIP;
 - Preparing monthly internal financial statements for the five months ending May 31, 2013;
 - Disclaiming two real property leases and one contract;
 - Filing HST returns and remitting post-filing payments to CRA;
 - Negotiating with telecom providers and other information technology providers in order to reduce costs;
 - Preparing a detailed twelve-month budget;
 - Continuing to review cost-cutting opportunities, including with respect to headcount reductions and surplus leased locations;
 - Reporting receipts and disbursements; and
 - Making payments to suppliers for goods and services received following the date of the Initial Order.

8.0 Overview of the Monitor's Activities

1. Since the date of the First Report, the Monitor's activities have included:
 - Corresponding extensively with American Express and affiliated entities regarding the Company's accounts (the "Amex Accounts");
 - Preparing a supplementary report to Court dated May 6, 2013 and reviewing additional Court materials filed in relation to the Amex Accounts;
 - Meeting and corresponding extensively with the CRO regarding the SIP;
 - Meeting and corresponding at a high level with the DIP Lender regarding the SIP;
 - Preparing guidelines for a member of the Company's management to participate in the SIP and corresponding with the CRO regarding same;

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- Reviewing and commenting on the interest solicitation letter to interested parties;
 - Preparing a confidentiality agreement for use in the SIP;
 - Reviewing and commenting on a confidential information memorandum;
 - Reviewing and commenting on a template asset purchase agreement and transition services agreement;
 - Reviewing updates to the target buyers list and corresponding with the CRO in that regard;
 - Corresponding with certain parties performing diligence on the Company;
 - Reviewing documents to be posted in the Company's data room;
 - Reviewing and commenting on the Company's weekly reporting to CIBC;
 - Corresponding with the DIP Lender regarding CIBC's security position;
 - Corresponding with the Company and its counsel regarding the inclusion of MLHL Inc. and MLHL LP in the CCAA proceedings;
 - Corresponding extensively with the CRO and the Monitor's counsel regarding issues with certain of the Company's subcontractors;
 - Reviewing the Company's internally prepared financial statements for the five months ending May 31, 2013;
 - Reviewing certain of the Company's historical financial statements;
 - Corresponding with the Company regarding renewals and revisions to its customer contracts;
 - Reviewing and discussing with the Company its disclaimers;
 - 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;
 - Attending the weekly meetings and corresponding with the DIP Lender;

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- Corresponding extensively with the CRO regarding an action commenced prior to the CCAA proceedings by the State of Iowa against Courtesy Health Watch, Inc., one of the Company's subsidiaries, and reviewing materials with respect to same;
 - Reviewing the results of CRA's audit of the Company's payroll records;
 - Reviewing the Company's detailed budget and corresponding with the CRO and Mr. Langhorne in that regard;
 - Reviewing and commenting on Court materials to be filed in connection with the motion returnable on July 11, 2013;
 - Corresponding extensively with the Company and its legal counsel;
 - Corresponding with the Monitor's US counsel regarding the Company's Chapter 15 proceedings;
 - 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;
 - Preparing this Report; and
 - Other matters pertaining to the administration of this mandate.

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.

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All of which is respectfully submitted,

Duff + Phelps Canada Restructuring Inc.

**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.) TUESDAY, THE 7TH
)
JUSTICE NEWBOULD) DAY OF MAY, 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"

Applicants



~~AMENDED~~ ORDER *← du 5*
(Stay Extension and SIP Approval)

THIS MOTION, made by the Applicants, for an order, among other things: (a) approving the sale and investment process (the "SIP"), attached as Schedule "B" to this Order; (b) approving the amended agreement (the "Amended CRO Agreement") between iMarketing Solutions Group Inc. and Illumina Partners Inc. ("Illumina") appointing Illumina as the Applicants' Chief Restructuring Officer (the "CRO") and permitting the Applicants to pay a success fee to Illumina, in its capacity as CRO; (c) extending the Stay Period (as defined in the Initial Order of the Honourable Mr. Justice Newbould granted on April 12, 2013 in these proceedings) to August 2, 2013 (the "Initial Order"); (d) requiring American Express Corporate Credit Cards, American Express and any affiliated companies ("collectively, AMEX") to immediately comply with the provisions of the Initial Order; and (e) approving the First Report

of Duff & Phelps Canada Restructuring Inc. (the “**Monitor**”) dated May 2, 2013 (the “**First Report**”), the Supplemental Report of the Monitor dated May 6, 2013 (the “**Supplemental Report**”) and the actions and activities of the Monitor described therein, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Andrew Langhorne sworn May 2, 2013, and the Exhibits thereto (the “**Langhorne Affidavit**”), and the First Report and the Supplemental Report, and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for Shotgun Fund Limited Partnership III, counsel for the Canadian Imperial Bank of Commerce, counsel for AMEX, no one else appearing although duly served as appears from the affidavit of service of Danny M. Nunes sworn on May 3, 2013.

SERVICE

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

SALE AND INVESTOR SOLICITATION PROCESS

2. **THIS COURT ORDERS** that the SIP, attached as Schedule “B” to this Order, be and is hereby approved.

3. **THIS COURT ORDERS** that the Applicants, the CRO and the Monitor be and are hereby authorized and directed to perform their obligations under and take such steps as they consider necessary or desirable in carrying out the SIP and any step taken by the Applicants, the

CRO and the Monitor in connection with the SIP prior to the date hereof be and is hereby approved and ratified.

4. **THIS COURT ORDERS** that the Monitor and the CRO, to the extent either of them assists with the SIP, shall have no personal or corporate liability in connection with the SIP, including, without limitation:

- (a) by advertising the SIP, including, without limitation, the opportunity to acquire all or a portion of the Applicants' assets (the "**Assets**") or to invest by way of equity or debt in the Applicants' business;
- (b) by exposing the Assets to any and all parties, including, but not limited to, those parties who have made their interests known to the Monitor or the CRO;
- (c) by responding to any and all requests or inquiries in regards to due diligence conducted in respect of the Applicants or the Assets;
- (d) through the disclosure of any and all information regarding the Applicants or the Assets arising from, incidental to or in connection with the SIP;
- (e) pursuant to any and all offers received by the Applicants in accordance with the SIP;
and
- (f) pursuant to any agreements entered into by any of the Applicants in respect of the sale of any of the Assets or the investment in or financing of the Applicants' business.

5. **THIS COURT ORDERS** that, in connection with the SIP and pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Applicants,

the CRO and the Monitor are authorized and permitted to disclose personal information of identifiable individuals to prospective investors, financiers, purchasers or bidders and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more investment, finance or sale transactions (each, a “**Transaction**”). Each prospective investor, financier, purchaser, or bidder to whom such information is disclosed shall maintain and protect the privacy of such information and shall limit the use of such information to its evaluation of the Transaction, and if it does not complete a Transaction, shall: (i) return all such information to the Applicants, the CRO or the Monitor; (ii) destroy all such information; or (iii) in the case of such information that is electronically stored, destroy all such information to the extent it is reasonably practical to do so.

APPROVAL OF AMENDED CRO AGREEMENT AND SUCCESS FEE

6. **THIS COURT ORDERS** that the Applicants shall pay the CRO his fees and disbursements, including the fees and disbursements of the CRO’s counsel, if any, in accordance with the Amended CRO Agreement annexed as Exhibit “F” to the Langhorne Affidavit and that the Applicants are permitted to pay the success fee set out therein when due.

STAY EXTENSION

7. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 15 of the Initial Order, be and is hereby extended to and including August 2, 2013.

AMERICAN EXPRESS

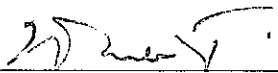
8. **THIS COURT ORDERS** that AMEX shall immediately comply with the provisions of the Initial Order, including but not limited to those provisions of the Initial Order preventing all

persons having agreements with the Applicants for the supply of goods and/or services from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, and shall immediately unfreeze and make available to the Applicants, subject to the qualifications below, all credit accounts held by the Applicants with AMEX upon the Applicants (i) paying AMEX, (which term includes Amex Bank of Canada and Amex Canada Inc.) all post-filing amounts currently owing to AMEX by the Applicants under the credit accounts, and (ii) posting a deposit with AMEX in an amount sufficient to cover the Applicants' expected charges on their credit accounts for the following two (2) week period and replenishing said deposit on a going forward basis as required (the "Deposit").

9. **THIS COURT ORDERS** that notwithstanding anything contained in paragraph 8 of this order, under no circumstance shall AMEX be required to provide post-filing credit to the Applicants, and AMEX shall not be required to process any transaction initiated by the Applicants in a credit account, which would result in AMEX providing credit to the Applicants in an amount greater than the Deposit held by AMEX .

APPROVAL OF THE FIRST REPORT, SUPPLEMENTAL REPORT AND MONITOR'S ACTIVITIES

10. **THIS COURT ORDERS** that the First Report, the Supplemental Report and the actions and activities of the Monitor as described therein be and they are hereby approved.



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"

iMarketing Solutions Group Inc. Sale and Investment Process Summary

The purpose of the Sale and Investment Process (the "SIP") is to identify one or more purchasers of, or investors in, the IMSG Group of Companies' ("IMSG") business with a projected completion date of a transaction or transactions by the middle of July, 2013.

All capitalized terms used but not otherwise defined herein have the meaning given to them in the Order granted by the Ontario Superior Court of Justice (the "Court") on April 12, 2013 (the "Initial Order") in respect of the IMSG Parties' proceedings commenced under the *Companies' Creditors Arrangement Act* (the "CCAA").

The SIP details are provided below.

- IMSG's Chief Restructuring Officer ("CRO") has compiled, and with the assistance of the Monitor and 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 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 the IMSG'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 U.S. periodical. As soon as reasonably practicable after the granting of an order of the Court approving the SIP (the "SIP Order"), IMSG 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 U.S.;
- 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 IMSG'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 IMSG’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 60th day from the date of the SIP Order;
- 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;
- The CRO and the Monitor will evaluate the offers and may seek clarifications and/or a re-bidding of certain offers. 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;
- IMSG’s senior management, Canadian Imperial Bank of Commerce (“CIBC”), in its capacity as secured creditor, 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. Only High level, directional updates 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.

Other attributes of the SIP:

- The CRO, with the approval of the Monitor, 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;

- IMMSG'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 without material representations and warranties and shall be on an "as is, where is" basis;
- 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 IMMSG 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 Bankruptcy Court for the District of Delaware in IMMSG's proceedings under Chapter 15 of the US Bankruptcy Code, if necessary. Neither IMMSG 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 IMMSG if, in the opinion of the CRO and the Monitor, the resulting transaction is in the best interests of IMMSG and maximizes value for the benefit of its 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.

SUMMARY TIMELINE OF IMPORTANT DATES

Sale Process Procedures	Date
Court approval of Sale Process	Day 1
Begin marketing to Interested Parties	Days 2-60
Begin distributing CIM and access to on-line data room	Days 2-60
Management presentations and site visits for select Interested Parties	Days 14-60
Offer Deadline	Day 60
Clarification of offers and re-bidding, if applicable	Days 61-75
Execution of APA	Day 75
Court approval of Transaction(s)	Day 85
Closing(s)	Day 90

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"

Court File No.: CV-13-100067-00CL

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

Proceedings commenced at Toronto

AMENDED ORDER
(Stay Extension and SIP Approval)

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Lawyers for the Applicants

Appendix “B”



June 21, 2013

Canadian Imperial Bank of Commerce
CIBC Special Loans, Canada
Retail Risk Management
25 King Street West, 16th Floor
Toronto, Ontario
M5L 1A2

Attention: Ben J. Tucci, General Manager

Dear Sirs:

Re: Letter Agreement Between DIP Lender and CIBC

We refer to the term sheet from Shotgun Fund Limited Partners III (the "DIP Lender") to CIBC annexed as Schedule "A" hereto (the "DIP Lender/CIBC Term Sheet") and to the DIP term sheet (the "DIP Term Sheet") dated as of April 11, 2013 between iMarketing Solutions Group Inc. (the "Borrower") and the DIP Lender approved in the proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA") commenced by the Borrower and the other applicants (collectively, the "Applicants") and to the credit facilities described in the DIP Term Sheet (the "DIP Facility").

In addition to complying with the DIP Lender/CIBC Term Sheet, the Borrower, on its own behalf and on behalf of the other Applicants, agrees with CIBC as follows:

1. The Applicant, Responsive Marketing Group Inc. ("RMG") will continue to provide the same weekly reporting to CIBC as is provided to the DIP Lender in accordance with the DIP Term Sheet.
2. CIBC confirms that its legal counsel, Gowling Lafleur Henderson LLP ("Gowlings"), has incurred costs of approximately \$39,000 thus far in the CCAA proceeding of the Applicants and that it has received an estimate from Gowlings that the total expected legal costs to be incurred by CIBC in the CCAA proceeding will be approximately \$60,000 (including the costs incurred to date). RMG agrees to pay the reasonable legal fees and disbursements of CIBC's counsel as incurred on a monthly basis during the course of the CCAA proceeding up to a maximum cap of \$50,000. Amounts in excess of \$50,000 may be added by CIBC to the indebtedness owed to CIBC by RMG and will bear interest at the same rate as advances by CIBC to RMG.

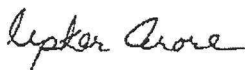
3. Except as required pursuant to the DIP Term Sheet, the Applicants will not voluntarily prepay or repay any advances under the DIP Facility except with the express prior written consent of CIBC.

4. The Borrower confirms that it has received advances to date of \$650,000 from the DIP Lender under the DIP Facility.

5. This Agreement is not intended to supersede, amend or override the terms of the DIP Term Sheet, which remain in full force and effect, unamended.

If the terms hereof are satisfactory to CIBC, please execute and return where indicated below.

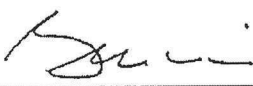
**iMARKETING SOLUTIONS GROUP INC. on its
own behalf and on behalf of the Applicants**

Per: 
Name: **Upkar Arora**
Title: **Chief Restructuring Officer**

I have the authority to bind the Applicants.

For consideration received, the above terms and conditions are accepted and agreed by CIBC.

CIBC

Per: 
Name: **BEN J. TUCCI**
Title: **GENERAL MANAGER**

I have the authority to bind the Bank.

Letter Agreement with CIBC to cover the following

- 1) undertaking of the Company to use reasonable best efforts to obtain a court order providing CIBC with a second charge over the Engage AR (behind the DIP Loan and priority payables)
- 2) undertaking of the Company to provide to CIBC and Argosy weekly monitoring of AR for RMG and Engage, showing the Erosion Amount;
- 3) undertaking of Argosy and the Company to implement the following terms (via court order and/or formal inter-creditor agreement) if the Erosion Amount (using the weekly reporting as the deemed Measurement Date) exceeds \$100,000 for four consecutive weeks]:

CIBC Priority over DIP Security	CIBC's charge over the Engage AR will rank in priority to the DIP Security in an amount equal to the least of the following amounts: 1) the Erosion Amount; 2) \$250,000; and 3) 25% of the value of the eligible Engage AR as at the Measurement Date (value = 75% of AR<90 days).
where:	
"Erosion Amount" means	the amount by which (i) \$567,029, being the value of the eligible RMG AR as at April 12, 2013 (75% of AR<90 days) exceeds (ii) the value of the eligible RMG AR as at the Measurement Date (75% of AR<90 days)
"Measurement Date" means	the earlier of (i) August 31, 2013 and (ii) the cessation of the CCAA process and institution of liquidation proceedings other than at the instance of CIBC.