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

July 31, 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"**

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

July 31, 2013

1.0 Introduction

1. Pursuant to an Order (the "Initial Order") of Mr. Justice Newbould 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* (Canada) (the "CCAA") and Duff & Phelps Canada Restructuring Inc. ("D&P") was appointed as monitor (the "Monitor").
2. Also on April 12, 2013, the United States Bankruptcy Court for the District of Delaware (the "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 (the "SIP") to be carried out by Illumina Partners Inc. ("Illumina"), in its capacity as the Company's Chief Restructuring Officer (the "CRO"), under the supervision of, and with the assistance of, the Monitor.
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. On July 12, 2013, the Court made an Order, among other things, adding MLHL Marketing Inc. and MLHL Marketing LP to the CCAA proceedings and approving an agreement dated June 21, 2013 (the “CIBC Agreement”) among the Company, Canadian Imperial Bank of Commerce (“CIBC”) and Shotgun Fund Limited Partnership III (the “DIP Lender”) with respect to, *inter alia*, granting a charge in favour of CIBC over the accounts receivable of Engage Interactive Inc. under certain circumstances.
 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) Report on the Company’s weekly cash flow projection for the period ending October 4, 2013 (the “Projection”);
 - d) Provide an overview of the Company’s activities since July 5, 2013, the date of the Monitor’s second report to Court (the “Second Report”);
 - e) Provide an overview of the Monitor’s activities since the Second Report; and
 - f) Recommend that this Honourable Court make an order:
 - Granting the Company’s request for an extension of the stay of proceedings from August 2, 2013, the date that the current stay expires, to October 4, 2013; and
 - Approving the Monitor’s actions and activities described in this Report.

1.2 Currency

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

1.3 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 the Company's management, the Monitor is of the view that the Projection provided in Appendix "A" is reasonable. Any party relying on the Projection and/or any financial forecasts of the Company is required to perform its own diligence. The Monitor accepts no obligation nor liability for any reliance on the Company's financial forecasts.

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 North American telemarketing and fundraising sector for more than 25 years.
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 has 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.
6. There are presently approximately 700 active employees.
7. The Company's business is regulated and requires provincial and/or state licences and registrations to operate in Canada and the US.

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.

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8. The Company services over 300 customers. The terms of these services are, for the most part, pursuant to contractual arrangements.
 9. 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.
 10. 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 Monitor's reports to Court. 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 SIP is described in the Stay Extension and SIP Approval Order, a copy of which is provided in Appendix "B". The SIP is being carried out by the CRO, under the supervision of, and with the assistance of, the Monitor.
2. 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. On July 12, 2013, the CRO extended the offer deadline from July 12, 2013 to July 26, 2013 (the "Deadline") with the Monitor's consent. The CRO also advised that deadlines related to subsequent steps in the SIP would be provided at a later date.
3. The CRO and the Monitor are evaluating the results of the SIP and the offers received prior to the Deadline. They may seek clarifications and/or a re-bidding. Details of the offers received have been discussed with the DIP Lender and CIBC on a confidential basis as neither of them submitted offers. An updated SIP timeline will be provided by August 9, 2013 to the parties that submitted offers.
4. Details of the Company's SIP efforts will be provided in a subsequent report.

4.0 Cash Flow

4.1 Cash Flow for the Period April 12, 2013 to July 19, 2013

1. The Company's actual results for the period April 12, 2013 to July 19, 2013 (the "Period") compared to the projection included with the Company's application materials, are summarized below. Overall, the Company reported a positive cash flow variance of \$280,000 in the Period.

	Unaudited; C\$000s		
	Actual	Projected	Variance
<i>Cash Inflows</i>			
Collections from accounts receivable	12,358	12,042	316
Other collections	194	-	194
Total cash inflows	12,552	12,042	510
<i>Cash Outflows</i>			
Operating costs (variable and fixed)	10,980	9,967	(1,013)
Net cash from operations	1,572	2,075	(503)
<i>Restructuring and Other Costs</i>			
Professional fees	674	880	206
Contingency	230	611	381
DIP loan fees and interest	91	125	34
Customer remittances (pre-filing)	469	573	104
Payroll withholdings (pre-filing)	186	-	(186)
State regulators (pre-filing)	69	89	20
Total restructuring and other costs	1,719	2,278	559
Net Cash Flow	(147)	(203)	56
DIP advance	650	890	240
Adjusted net cash flow	503	687	(184)
Opening cash position	224	-	224
Adjusted net cash flow	503	687	(184)
Closing cash position	727	687	40
Remove DIP advance	(650)	(890)	240
Adjusted closing cash	77	(203)	280

4.2 Cash Flow for the Period Ending October 4, 2013

1. The Company prepared the Projection, which is provided in Appendix "A" together with the Company's and the Monitor's reports on the cash flow statement. The Monitor has reviewed the Projection and believes it to be reasonable, subject to the qualification noted in Section 1.3 above.
2. The Company prepared the Projection following a review of its revenue and its variable and fixed costs. The Projection assumes that the Company operates in the normal course and does not account for a transaction under the SIP being completed before October 4, 2013.

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3. The Company's business is seasonal. The Company advised the Monitor that revenue generation and collection is weakest in the third quarter, which spans the summer months. Part of this is due to longer time periods between when fundraising calls are placed and pledges are made and collected; the timing differences are most acute during this period. These factors and others contribute to an increase the projected amount to be drawn under the debtor-in-possession credit facility (the "DIP Facility") by the end of the period; however, there is, basically, a corresponding increase in the working capital assets during the same period.

5.0 DIP Facility Extension

1. The Company and the DIP Lender entered into the DIP Term Sheet as of April 11, 2013 which provides for a \$1 million limit. To date, the DIP Lender has advanced \$650,000 to the Company; however, the Company has not drawn on these funds during the proceedings.
2. The DIP Facility matures on the earlier of: i) the occurrence of any Event of Default under the DIP Term Sheet which is continuing and has not been cured; or ii) August 1, 2013.
3. The Company has been reporting to and meeting with the DIP Lender on a weekly basis, as required pursuant to the DIP Term Sheet.
4. The Company requires the DIP Facility in order to continue to operate while it works to complete a transaction. Accordingly, the Company negotiated an amendment to the DIP Term Sheet with a maturity date of October 4, 2013 ("Amended and Restated DIP Term Sheet").
5. The Company and the DIP Lender are finalizing the Amended and Restated DIP Term Sheet. A copy of it will be provided to the Court upon the return of the Company's motion and to any party that requests it from the Monitor.
6. The Amended and Restated DIP Term Sheet provides for a:
 - a) \$100,000 extension fee, payable at maturity;
 - b) further \$50,000 fee if the Company does not enter into an asset purchase agreement ("APA") by September 15, 2013 ("APA Fee"); and
 - c) further \$50,000 fee if the Company does not complete a transaction pursuant to the SIP by October 4, 2013 (together with the APA Fee, the "Milestone Payments"). All other terms remain the same, including annualized interest at 5%, compounded monthly, on the outstanding balance.

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7. The Monitor has considered the amount of the extension fee relative to the:
 - a) size of the DIP Facility, on a percentage basis;
 - b) time being spent by the DIP Lender to monitor the DIP Facility, which is significant notwithstanding that the DIP Facility is \$1 million. In general terms, there is a certain amount of time and effort that is incurred in all DIP loan situations which does not necessarily correlate with the size of the DIP facility - on a smaller DIP facility, the fees charged to perform those activities represent a larger percentage of the DIP facility. The Monitor has observed that the DIP Lender is heavily engaged monitoring the Company's performance and the SIP, all of which is expected to continue, and perhaps, increase over the next several weeks;
 - c) increase in the DIP Lender's exposure during the period – exposure under the DIP Facility is projected to total almost \$800,000 by the end of the projection period;
 - d) uncertainty and risks related to the realization of the working capital assets in the event that a transaction is not completed (being the primary assets available to satisfy the DIP obligations outside of a transaction);
 - e) contingent structure of the Milestone Payments, which the CRO believes can be achieved; and
 - f) interest rate (5%) pursuant to the DIP Facility, which is below market for a DIP Facility.
 8. The Monitor also notes that identifying an alternative DIP lender unfamiliar with the Company and its business may be a challenge as prospective lenders may have difficulty gaining comfort with the collateral available to recover the DIP Facility outside of a transaction.
 9. Based on the factors described above, the Monitor is of the view that the extension fee reflects the risks in this situation, as well as the time commitment of the DIP Lender, and as such, the Monitor considers it reasonable.

6.0 Company's Request for an Extension

1. The Monitor supports the Company's request for an extension of the stay of proceedings to October 4, 2013 for the following reasons:
 - The Company is acting in good faith and with due diligence;

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- 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 Projection;
 - The DIP Lender supports the extension; and
 - It would provide the CRO and the Monitor time to review the offers received under the SIP and potentially complete a transaction, subject to Court approval.

7.0 Company's Activities

1. A summary of the Company's activities since the date of the Second Report include:
 - Corresponding with customers regarding the Company's operations and continuity of service;
 - Reviewing whether the Company has surplus leased equipment that can be returned to lessors;
 - Corresponding with Canada Revenue Agency regarding the Company's sales tax accounts;
 - Meeting with and reporting weekly to the DIP Lender pursuant to the terms of the DIP Term Sheet;
 - Corresponding with and reporting weekly to CIBC pursuant to the terms of the CIBC Agreement and in connection with the SIP;
 - Executing the SIP;
 - Providing information to the Monitor to be included in the SIP data room;
 - Meeting with and assisting interested parties with their diligence;
 - Preparing monthly internal financial statements;
 - Negotiating with telecom providers and other information technology providers in order to reduce costs;
 - Preparing a detailed twelve-month budget reflecting the Company's business on a normalized basis;
 - Continuing to review cost-cutting opportunities, including with respect to surplus leased locations, surplus leases, sales commissions and insurance rates; and

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- Reporting receipts and disbursements.

8.0 Overview of the Monitor's Activities

1. Since the date of the Second Report, the Monitor's activities have included:
 - Meeting and corresponding extensively with the CRO regarding the SIP;
 - Meeting and corresponding (at a high level) with the DIP Lender regarding the SIP;
 - Reviewing responses from parties approached with respect to the SIP;
 - Corresponding with interested parties performing diligence on the Company;
 - Discussing with the CRO structures of a transaction for the Company's business and assets;
 - Reviewing the Company's weekly reporting to CIBC and discussing same with the CRO;
 - Corresponding with the DIP Lender regarding CIBC's security position;
 - Corresponding with the Company regarding renewals and revisions to its customer contracts;
 - 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 Company's weekly meetings with the DIP Lender;
 - Reviewing the Company's monthly financial statements and discussing same with representatives of the Company;
 - Reviewing the Projection;
 - Reviewing the Company's detailed twelve-month budget and corresponding extensively with the CRO and Mr. Langhorne in that regard;
 - Posting documents in the online data room;
 - Considering the Company's tax filing obligations;

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- Corresponding 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 and shareholders regarding the Company's CCAA proceedings;
 - 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.

* * *

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
MLHL Marketing Inc.
MLHL Marketing 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”

iMarketing Solutions Group Inc. and its Direct and Indirect Subsidiaries

Projected Statement of Cash Flows¹

For the Period July 20, 2013 to October 4, 2013

(\$CAD, Unaudited)

	For the Weeks Ended										Total		
	26-Jul	2-Aug	9-Aug	16-Aug	23-Aug	30-Aug	6-Sep	13-Sep	20-Sep	27-Sep		4-Oct	
Cash Inflows													
Collections from Accounts Receivable and Other	(2)	756,886	493,115	783,145	781,198	780,024	771,237	465,411	789,758	794,605	802,206	730,052	7,947,639
Cash Outflows													
Operating Costs (Variable & Fixed)	(3)	616,728	769,014	553,246	1,021,374	583,284	722,659	701,249	805,949	850,659	654,741	783,644	8,062,546
Net Cash from Operations		140,158	(275,899)	229,899	(240,175)	196,740	48,578	(235,838)	(16,191)	(56,054)	147,466	(53,592)	(114,908)
Restructuring and Other Costs													
Professional fees	(4)	40,000	77,500	49,000	87,500	-	37,500	125,000	62,500	37,500	37,500	131,000	685,000
DJP loan legal fees and interest	(5)	-	10,000	-	-	-	-	10,000	-	-	-	16,000	36,000
State regulators	(6)	-	-	-	17,333	-	-	-	-	17,333	-	-	34,666
Total Restructuring and Other Costs		40,000	87,500	49,000	104,833	-	37,500	135,000	62,500	54,833	37,500	147,000	755,666
Net Cash Flow		100,158	(363,399)	180,899	(345,008)	196,740	11,078	(370,838)	(78,691)	(110,887)	109,966	(200,592)	(870,574)
Opening Cash Position													
Net Cash Flow	(7)	725,999	826,157	462,758	643,658	298,649	495,389	506,468	135,630	56,939	51	110,017	725,999
DIP loan advances		100,158	(363,399)	180,899	(345,008)	196,740	11,078	(370,838)	(78,691)	(110,887)	109,966	(200,592)	(870,574)
Closing Cash Position		826,157	462,758	643,658	298,649	495,389	506,468	135,630	56,939	51	110,017	425	425
DIP Loan Balance		(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(650,000)	(704,000)	(704,000)	(795,000)	(795,000)
Adjusted Closing Cash Position (excluding DIP Loan)		176,157	(187,242)	(6,342)	(51,351)	(154,611)	(143,532)	(514,370)	(593,061)	(703,949)	(593,983)	(794,575)	(794,575)

iMarketing Solutions Group Inc. and its Direct and Indirect Subsidiaries

Notes to Projected Statement of Cash Flows

For the Period July 20, 2013 to October 4, 2013

(\$CAD, Unaudited)

Purpose and General Assumptions

1. The purpose of the projection is to present a forecast of the cash flow of iMarketing Solutions Group Inc. and its direct and indirect subsidiaries (collectively, the "Company") for the period July 20, 2013 to October 4, 2013 ("Period") in respect of its proceedings under the *Companies' Creditors Arrangement Act* and Chapter 15 of Title 11 of the *United States Code*.

The projected cash flow statement has been prepared based on hypothetical and most probable assumptions developed and prepared by the Company.

Hypothetical Assumptions

2. Represents collection of existing accounts receivable and revenue generated during the Period, net of sales taxes. Collections are based on historical patterns.

Most Probable Assumptions

3. Represents both variable and fixed costs associated with 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, telecom, insurance, rent and utilities.
4. Represents the projected professional fees related to the restructuring proceedings, including the fees of the Company's Canadian and US legal counsel, Monitor and its Canadian and US legal counsel and the fees of the Chief Restructuring Officer.
5. Relates to legal fees and interest associated with the DIP loan facility.
6. Reflects balances owing to State regulators in the United States.
7. The opening cash balance reflects the Company's estimated net cash position.

**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

The attached statement of projected cash-flow of iMarketing Solutions Group Inc. (the "Company"), as of the 29th day July, 2013, consisting of a weekly projected cash flow statement for the period July 20, 2013, to October 4, 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 7.

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 30th day of July, 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

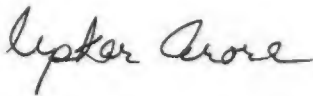
The management of iMarketing Solutions Group Inc. (the "Company") has developed the assumptions and prepared the attached statement of projected cash flow as of the 29th day of July, 2013 for the period July 20, 2013 to October 4, 2013 ("Cash Flow").

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 7.

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 7. Consequently, readers are cautioned that the Cash Flow may not be appropriate for other purposes.

Dated at Toronto, Ontario this 30th day of July, 2013.



Upkar Arora, Chief Restructuring Officer

iMarketing Solutions Group Inc.

Appendix “B”

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

THE HONOURABLE MR.)
JUSTICE NEWBOULD) TUESDAY, THE 7TH
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
Bégin 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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