

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

In re:

XENTEL INC., *et al.*¹

Debtors in a Foreign Proceeding.

Chapter 15

Case No. 13-10888 (KG)

Jointly Administered

Hearing Date: October 14, 2014 at 11:00 a.m. (ET)

Objection Deadline: October 7, 2014 at 4:00 p.m. (ET)

**FOREIGN REPRESENTATIVE'S MOTION FOR ENTRY OF AN ORDER
RECOGNIZING AND ENFORCING CANADIAN ORDER
GRANTING STAY EXTENSION AND APPROVING DISTRIBUTION**

1. IMarketing Solutions Group, Inc. ("IMSG"), as authorized foreign representative (the "Foreign Representative") of Xentel Inc. ("Xentel"), Wellesley Corporation Inc. ("Wellesley"); GWE Consulting Group (USA) Inc. ("GWE"); US Billing Inc. ("US Billing"); American Graphics & Design Inc. ("AG&D"); Courtesy Health Watch Inc. ("CHW"); and Target Outreach Inc. ("Target" and, together with, Xentel, Wellesley, GWE, US Billing, AG&D and CHW, the "Debtors") in proceedings (the "Canadian Proceedings") under Canada's *Companies' Creditors Arrangement Act* (R.S.C. 1985 c. 36) (the "CCAA"), pending before the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court"), hereby moves this Court (the "Motion"), pursuant to sections 105(a), 1525 and 1527 of title 11 of the United States Code (11 U.S.C. §§ 101 *et. seq.* as amended, the "Bankruptcy Code"), Rule 2002 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2002-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of

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

Delaware (the "Local Rules") for entry of an order recognizing an order issued by the Canadian Court. In support of the Motion, the Foreign Representative respectfully represents as follows:

JURISDICTION AND VENUE

2. This Court has jurisdiction over these matters pursuant to 28 U.S.C. §§ 157 and 1334. These matters are core proceedings within the meaning of 28 U.S.C. § 157(b)(2).

3. Venue is proper pursuant to 28 U.S.C. § 1410.

4. The statutory bases for the relief requested herein are sections 105(a), 1525 and 1527 of the Bankruptcy Code, Rule 2002 of the Bankruptcy Rules and Rule 2002-1 of the Local Rules.

BACKGROUND

5. On April 12, 2013, the Debtors and certain of their affiliates sought and were granted protection under the CCAA. Also on that date, the Honorable Mr. Justice Newbould of the Canadian Court entered an order appointing Duff & Phelps Canada Restructuring Inc. as the monitor (the "Monitor") and Illumina Partners Inc. as chief restructuring officer (the "CRO") in the Canadian Proceedings.

6. On May 17, 2013, this Court entered its Order Granting Recognition of Foreign Main Proceeding and Certain Related Relief on a Final Basis (the "Recognition Order") [D.I. No. 26].

7. On October 18, 2013, the Debtors filed in the Canadian Proceeding their motion for entry of a Sale Approval and Vesting Order (the "Canadian Sale Motion"). The Canadian Sale Motion was heard on October 25, 2013 and the Canadian Court entered an order approving the sale (the "Canadian Sale Order").

8. On November 1, 2013, the Foreign Representative filed its Motion for Entry of an Order (I) Enforcing Canadian Sale Order; (II) Approving the Sale of Debtors' Assets Free and

Clear of Liens, Claims, Encumbrances and Other Interests and (III) Granting Related Relief [D.I. No. 29] and on November 20, 2013, this Court entered its Order (I) Recognizing the Canadian Sale Order, (II) Authorizing and Approving the Sale of Debtors' Assets Free and Clear of All Liens, Claims, Encumbrances and Other Interests and (III) Granting Related Relief [D.I. No. 34] (the "Chapter 15 Sale Order").

9. On September 5, 2014, the Debtors filed in the Canadian Proceeding their motion seeking an order (the "Distribution Order") from the Canadian Court (i) extending the automatic stay until September 30, 2015 and (ii) approving a distribution to the Debtors' secured lenders (the "Distribution Motion"). The Canadian Court entered the Distribution Order on September 22, 2014. A true and correct copy of the Distribution Order and the Monitor's 9th Report (filed with the Canadian Court on September 5, 2014 are attached hereto as Exhibit A.

RELIEF REQUESTED AND BASIS THEREFORE

10. The Foreign Representative respectfully requests that this Court enter the order attached hereto as Exhibit B recognizing the Distribution Order.

11. Sections 1525 and 1527 of the Bankruptcy Code, when read in conjunction, direct the Court to "cooperate to the maximum extent possible" with the Canadian Court regarding the "coordination of the administration and supervision" of the Debtors' assets and affairs. 11 U.S.C. §§ 1525, 1527(3); *see also In re Metcalfe & Mansfield Alt. Invs.*, 421 B.R. 685 (Bankr. S.D.N.Y. 2010) (generally recognizing orders entered in a Canadian insolvency proceeding on the basis of the statutory provisions of chapter 15 and the principles of comity). Indeed, a Bankruptcy Court is not required to "make an independent determination about the propriety of individual acts of a foreign court ... The key determination required by [U.S. Bankruptcy Courts] is whether the procedures used in Canada meet our fundamental standards of fairness." *Id.* at 697.

12. Further, section 105(a) of the Bankruptcy Code provides the Court with broad powers in the administration of a chapter 15 case, providing that “[t]he court may issue any order, process, or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a).

13. The Canadian Court had the opportunity to scrutinize the Distribution Motion and proposed Distribution Order and is the proper court to consider the relief requested therein. The Foreign Representative seeks recognition and enforcement by this Court of the Distribution Order so that it is effective under the laws of the United States. Accordingly, the Foreign Representative respectfully requests that this Court recognize and give full effect and force under the laws of the United States to the findings, authorities, and provisions set forth in the Distribution Order as entered by the Canadian Court.

14. The Foreign Representative submits that fair and reasonable notice of the relief requested has been provided to interested parties. Notice of this Motion will be provided to all parties that filed a request under Bankruptcy Rule 2002, all known holders of liens or interests in the Assets, and the office of the United States Trustee. The Foreign Representative submits that no additional notice is necessary. *See In re Snug Enter, Inc.*, 169 B.R. 31, 33 (Bankr. E.D. Va. 1994) (citing *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306, 314-15 (1950) (noting that notice should be “reasonably calculated, under the circumstances, to appraise an interested party of the pendency of an action”).

WHEREFORE, the Foreign Representative respectfully requests that this Court (i) grant this Motion and the relief requested herein; (ii) enter the Proposed Order substantially in the form attached hereto as Exhibit B; and (iii) grant such other and further relief as it deems just and proper.

Dated: September 24, 2014
Wilmington, Delaware

/s/ Margaret M. Manning

Domenic E. Pacitti (DE Bar No. 3989)
Michael W. Yurkewicz (DE Bar No. 4165)
Margaret M. Manning (DE Bar No. 4183)

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Representative*

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

In re:

XENTEL INC., *et al.*⁴

Debtors in a Foreign Proceeding.

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Case No. 13-10888 (KG)

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Hearing Date: October 14, 2014 at 11:00 a.m. (ET)

Objection Deadline: October 7, 2014 at 4:00 p.m. (ET)

NOTICE OF MOTION

PLEASE TAKE NOTICE that on September 25, 2014, the Foreign Representative filed and served the Motion for Entry of an Order Recognizing and Enforcing Canadian Order Granting Stay Extension and Approving Distribution (the "*Motion*") with the United States Bankruptcy Court for the District of Delaware (the "*Bankruptcy Court*").

PLEASE TAKE FURTHER NOTICE THAT in accordance with Rule 9006-1 of the Local Rules of Bankruptcy Practice and Procedure of the Court, any objections or responses to the Application must be in writing and filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 Market Street, Third Floor, Wilmington, Delaware 19801, and served upon the following parties: (a) counsel for the Foreign Representative Klehr Harrison Harvey Branzburg LLP, 919 N. Market Street, Suite 1000, Wilmington, Delaware 19801, Attn: Margaret M. Manning, Esq.; and (b) the office of the United States Trustee for the District of Delaware, Caleb Boggs Federal Building, 844 King Street, Suite 2207, Lockbox 35, Wilmington, Delaware 19801, so as to be received on or before **4:00 p.m. prevailing Eastern**

⁴ The Debtors in these chapter 15 cases, along with the last four digits of each Debtor's federal taxpayer-identification number, are: Xentel Inc. (6267); Wellesley Corporation Inc. (4092); GWE Consulting Group (USA) Inc. (2629); US Billing Inc. (7752); American Graphics & Design Inc. (7772); Courtesy Health Watch Inc. (1403); and Target Outreach Inc. (9046). The Debtors' main corporate address is 481 University Ave., Toronto, Canada M5G 2E9.

Time on October 7, 2014, or such other time as the Court may hereafter order and of which you may receive subsequent notice.

PLEASE TAKE FURTHER NOTICE THAT if an objection is timely filed, served and received and such objection is not otherwise timely resolved, a hearing to consider such objection and the Motion will be held before The Honorable Brendan L. Shannon, 824 Market Street, 6th Floor, Courtroom No. 1, Wilmington, Delaware 19801 on **October 14, 2014 at 11:00 a.m. prevailing Eastern Time.**

IF NO OBJECTIONS TO THE APPLICATION ARE TIMELY FILED, SERVED AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE APPLICATION WITHOUT FURTHER NOTICE OR HEARING.

.Dated: September 24, 2014
Wilmington, Delaware

/s/ Margaret M. Manning

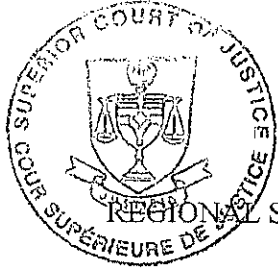
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EXHIBIT A

(DISTRIBUTION ORDER AND MONITOR'S 9TH REPORT)

Court File No. CV-13-10067-00CL



**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

REGIONAL SENIOR
JUSTICE MORAWETZ

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)
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MONDAY, THE 22ND
DAY OF SEPTEMBER 2014

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

**ORDER
(Stay Extension and Distribution Approval)**

THIS MOTION, made by the Applicants for the relief sought in the Notice of Motion herein dated September 4, 2014, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Motion dated September 4, 2014 (the "**Notice of Motion**"), the affidavit of Upkar Arora sworn September 3, 2014 and the Exhibits thereto and the Ninth Report of Duff & Phelps Canada Restructuring Inc. (the "**Monitor**"), to be filed (the "**Ninth Report**"), and on hearing the submissions of counsel for the Applicants, counsel for the Monitor, counsel for Shotgun Fund Limited Partnership III ("**Shotgun Fund**") and counsel for Canadian Imperial Bank of Commerce ("**CIBC**") and those other parties as appearing on the counsel slip, no one else appearing although duly served as appears from the affidavit of service of Danny M. Nunes sworn on September 9, 2014.

STAY EXTENSION

1. **THIS COURT ORDERS** that the Stay Period, as defined in paragraph 15 of the Order of the Honourable Mr. Justice Newbould dated April 12, 2013, is hereby extended to and including ~~September 30~~ ^{February 2}, 2015.

APPROVAL OF ALLOCATION AND DISTRIBUTIONS

2. **THIS COURT ORDERS** that the allocation methodology (the "Allocation") set out in the Ninth Report and the distributions to Shotgun Fund and CIBC set out therein are hereby approved and that any further distributions shall be made in accordance with the Allocation.

APPROVAL OF MONITOR'S ACTIVITIES

3. **THIS COURT ORDERS** that the activities of the Monitor, as described in the Ninth Report, are hereby approved.

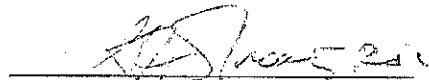
APPROVAL OF MONITOR'S FEES AND DISBURSEMENTS

4. **THIS COURT ORDERS** that the fees and disbursements of the Monitor and its counsel, Lax O'Sullivan Scott Lisus LLP and Young Conaway Stargatt & Taylor LLP, as set out in the Ninth Report and as detailed in the Affidavits of Robert Kofman sworn September 4, 2014, Tracy L. Wynne sworn August 27, 2014 and Matthew B. Lunn sworn August 21, 2014, are hereby approved.

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

SEP 22 2014

MB



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)

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

ORDER
(Stay Extension and Distribution Approval)

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Lawyers for the Applicants

DUFF & PHELPS

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

September 5, 2014

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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"**

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

September 5, 2014

1.0 Introduction

1. Pursuant to an order of the Honourable Mr. Justice Newbould of the Ontario Superior Court of Justice (Commercial List) (the "Ontario Court") made on April 12, 2013 (the "Initial Order"), 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 the 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 Ontario Court made an 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.

-
5. On July 12, 2013, the Ontario Court made an order, among other things, adding MLHL Marketing Inc. and MLHL Marketing LP to the CCAA proceedings.
 6. The principal purpose of these restructuring proceedings was to create a stabilized environment to carry out the SIP to solicit investors, strategic partners or purchasers for the Company's business and assets.
 7. On October 25, 2013, the Ontario Court approved a sale of substantially all of the Company's business and assets (the "Purchased Assets") to IMKT Direct Solutions Corporation ("IMKT") and iMarketing Solutions Acquisition, LLC ("iMarketing Acquisition" and together with IMKT, the "Purchaser") pursuant to an Asset Purchase Agreement dated October 8, 2013 between the Company and the Purchaser (the "APA") (the "Transaction"). The US Court approved the Transaction on November 20, 2013.
 8. Pursuant to an amending agreement dated December 4, 2013, the Company and the Purchaser agreed, among other things, that the effective date of the Transaction's closing would be 12:01AM (EST) on December 1, 2013 ("Effective Date"). The Transaction was completed on December 6, 2013 (the "Closing Date").
 9. Pursuant to an order of the Ontario Court made on May 30, 2014, the Company's stay of proceedings was extended until September 30, 2014.

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 allocation methodology (the "Allocation") of the proceeds realized from the Transaction;
 - c) summarize the outstanding issues in these proceedings; and
 - d) recommend that the Ontario Court make an order:
 - approving the Allocation;
 - approving distributions to Shotgun Fund Limited Partnership III ("Shotgun Fund") and Canadian Imperial Bank of Commerce ("CIBC") as set out in Section 3.6 of this Report;
 - granting the Company's request for an extension of the stay of proceedings from September 30, 2014 to September 30, 2015;

- approving the fees and disbursements of the Monitor and its legal counsel, Lax O'Sullivan Scott Lisus LLP ("Lax") and Young Conaway Stargatt & Taylor, LLP ("Young Conaway") from the commencement of these proceedings to July 31, 2014, and in the case of Young Conaway, to August 21, 2014; 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. As discussed further in Section 3.1 of this Report, the Company's accounting records do not reflect all intercompany transactions, nor does it appear that they consistently allocate revenues and expenses across the various entities in the IMMSG group of companies.

2.0 Background

1. The Company provided integrated direct marketing solution services for not-for-profit organizations, political organizations and professional associations.
2. IMMSG and its predecessor corporations operated in the North American telemarketing and fundraising business for more than 25 years.
3. The Company occupied fifteen leased premises across Canada and the US as at the Closing Date.
4. The Company's industry is regulated and requires provincial and/or state licences and registrations to operate in Canada and the US.
5. The affidavit of Andrew Langhorne, the Company's Chief Executive Officer as at the date of the Initial Order, sworn April 11, 2013, and filed in support of the Company's initial CCAA application, describes, *inter alia*, the Company's background, including the reasons the Company determined it was necessary to commence these proceedings.

6. Additional information concerning the Company is provided in D&P's report dated April 11, 2013, filed as proposed monitor, and in the Monitor's subsequent reports filed in these proceedings. Materials filed in the CCAA and Chapter 15 proceedings can be found on the Monitor's website at:

<http://www.duffandphelps.com/intl/en-ca/Pages/RestructuringCases.aspx>.

3.0 Allocation

1. Details of the Transaction are provided in Section 3.4 below.
2. The APA does not allocate the purchase price among the Purchased Assets; the Purchased Assets were owned by IMSG and ten of its subsidiaries. Accordingly, with input from the CRO, the Monitor developed the Allocation, which it believes is reasonable in the circumstances, giving consideration to a variety of factors, including the Company's accounting records, the manner in which the Company operated and the functions of IMSG and its subsidiaries.
3. The Allocation is attached as Appendix "A".
4. Information relevant to the Allocation and its underlying assumptions is set forth below.

3.1 Company Operations

1. The Company is comprised of 23 entities, including 13 in Canada and 10 in the US. The Company's corporate chart is provided in Appendix "B".
2. The Company employed approximately 745 individuals as at the Closing Date, as follows:

Entity	Employees
RMG Smith Falls, LP ("Smith Falls")	369
Xentel, Inc. ("Xentel")	196
Courtesy Health Watch Inc. ("Courtesy")	83
IMSG	43
Target Outreach Inc. ("Target")	38
US Billing Inc. ("US Billing")	12
American Graphics & Design, Inc. ("Graphics")	4
Total	745

3. IMSG, the parent company in the group, is a public company, the shares of which were listed on the CNSX under the symbol IMR. IMSG was the entity through which capital was sourced for the business.

4. IMMSG provided management services, data, information technology and other support services to allow IMMSG's subsidiaries to carry out their businesses. Many of the entities in the group lacked any infrastructure – they had no independent management, administration, technology, employees, treasury functions or premises.
5. IMMSG's costs were not consistently allocated (i.e. via, for example, a management fee or royalty) to the entities which benefited from these services.
6. Similarly, IMMSG and its subsidiaries flowed monies among one another, based on which entity had cash and which entity needed it. The intercompany accounting for these transactions was neither consistent nor complete.
7. IMMSG owned all or substantially all of the Company's intellectual property and intangible assets, such as donor lists, donation history by fundraising campaign, donor demographics database and donation processing methodology (collectively referred to as "IP"). The IP was integral to the performance of the Company's business. The IP is not reflected on the Company's balance sheets.

3.2 DIP Facility

1. Shotgun Fund provided a \$1 million debtor-in-possession loan facility ("DIP Facility") to the Company in the CCAA proceedings (in that capacity, the "DIP Lender"), against which it advanced \$650,000.
2. Pursuant to the Initial Order, the DIP Lender was granted a charge ranking in priority to all existing security interests over all of the Company's properties, assets and undertakings ("Assets"), with the exception of: a) CIBC's interests in the business and assets of The Responsive Marketing Group Inc. ("RMG"), one of IMMSG's wholly-owned subsidiaries; and b) the Administration Charge.
3. On April 10, 2014, the Company paid \$1,043,048 to the DIP Lender, representing full repayment of the DIP Facility, inclusive of interest and fees.

3.3 Secured Creditors and Priority Obligations

1. The obligations owing to CIBC and Shotgun Fund as at the date of the Initial Order totaled approximately \$5,394,000 (before unpaid and accrued interest and costs), as detailed below:

Lenders	Facility	Amount (\$000s)
CIBC	Credit Facility	1,894
Shotgun Fund	Secured Convertible Note	3,500
Total		5,394

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2. CIBC has security against RMG. RMG's indebtedness to CIBC was guaranteed on an unsecured basis by certain subsidiaries of RMG.
 3. IMMSG and two of IMMSG's subsidiaries, GWE Consulting Group (USA) Inc. ("GWE") and Target, both of which are US entities, granted Shotgun Fund security on their business and assets in respect of the advances under the secured convertible note.
 4. The Monitor's counsel provided opinions¹ that, subject to the qualifications contained therein, Shotgun Fund has validly perfected security interests against the assets of IMMSG, GWE and Target, and CIBC has a validly perfected security interest against the assets of RMG.
 5. In its Second Report to Court dated July 5, 2013 ("Second Report"), the Monitor provided background information relating to an agreement dated June 21, 2013 (the "Engage Agreement") among the Company, CIBC and Shotgun Fund with respect to Engage Interactive Inc. ("Engage"), a subsidiary of RMG. The Second Report states that:

"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.

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.

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.

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.

¹ Copies of these opinions will be made available to the Ontario Court and the US Court upon their request.

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."

6. On July 12, 2013, the Ontario Court made an order ("July 12th Order") approving, among other things, the Engage Agreement and granted a charge in favour of CIBC over the accounts receivable of Engage ranking subordinate to the Administration Charge and the DIP Lender's Charge. A copy of the July 12th Order is provided in Appendix "C".
7. The July 12th Order provides CIBC a security interest with respect to the accounts receivable of Engage.
8. The Monitor is not aware of any other parties who have a registered security interest against the Company, other than in respect of equipment leases and purchase money security interests. Accordingly, seven of IMSG's subsidiaries that held assets at the Closing Date are not subject to claims by secured creditors, with the exception of the charges created by the Initial Order.

3.3.1 Claims of Canada Revenue Agency

1. The claims made by Canada Revenue Agency ("CRA") against the Company and certain of its subsidiaries are summarized below:

Entity	(\$000s)	
	Pre-CCAA Sales Taxes	Source Deductions
Engage	428	-
IMSG	204	-
RMG	180	-
Front Line Support ("Front Line")	103	-
iMark Events Inc.	72	-
Direct Contact Strategies Inc. ("Direct")	5	-
Smith Falls	-	108
Total	992	108

2. CRA's claims for sales taxes are unsecured in a CCAA proceeding.

3.4 Transaction

1. The marketing process leading to the Transaction and a description of the Transaction are set out in the affidavit of Mr. Langhorne sworn October 18, 2013 and in the Monitor's Sixth Report to Court dated October 22, 2013, both of which are posted on the Monitor's website.

2. The Purchaser acquired substantially all of the Company's operating assets, including the IP. The purchase price can be broken down as follows:

	Amount (\$000s)
Current assets ("Current Asset Proceeds")	3,846
Capital assets and IP	2,251
Total	6,097
Deferred consideration (Debenture)	(250)
Cash consideration received to date	5,847

3. The APA does not provide a purchase price allocation; however, based on the working capital adjustment formula in the APA, the purchase price for the current assets ("Current Assets") was calculated as follows:
- Accounts receivable at 100% of book value, net of an allowance for doubtful accounts;
 - Work-in-progress at 50% of book value;
 - Unbilled revenue at 50% of book value; and
 - Prepaid deposits at 100% of book value.
4. At closing, the Current Assets were estimated and were subject to adjustment. Post-closing, the Purchaser paid \$190,000 (the "Adjustment"), which is reflected in the \$3,846,000 in Current Asset Proceeds.
5. On the Closing Date, all consideration was paid in cash, with the exception of the amount of the Adjustment and \$500,000, the latter of which was in the form of an unsecured convertible debenture ("Debenture") issued by the Purchaser to IMSG. The Debenture matures in December 2016.
6. Pursuant to an agreement between the Company and the Purchaser dated May 16, 2014, the Purchaser paid, among other things, \$250,000 of the Debenture ("Prepayment"), increasing the cash consideration from \$5,597,000 to \$5,847,000.

3.5 Amounts to be Allocated

1. The Allocation provides a basis to allocate:
 - The proceeds realized from the sale of the Purchased Assets, inclusive of the Adjustment and the Prepayment, totaling \$5,847,000 ("Gross Proceeds"). The Allocation excludes potential other recoveries, such as the additional \$250,000 due upon maturity of the Debenture in December 2016, as well as other sundry refunds, as the timing and amount of these collections is uncertain. The proposed treatment of any further recoveries is discussed in Section 3.6;
 - Operating expenses incurred prior to the Closing Date that were unpaid at the Closing Date or have been incurred and paid since the Closing Date, net of sales tax and other refunds received subsequent to the Closing Date, totalling \$972,000 ("Operating Expenses");
 - Professional fees (including the fees of the CRO) that were unpaid at the Closing Date or have been incurred and paid since the Closing Date, a \$305,000 success fee paid to the CRO (pursuant to a Court order made May 7, 2013) and estimated professional fees to complete the administration of the CCAA and Chapter 15 proceedings, totalling \$1,095,000, before sales taxes ("Professional Costs")²; and
 - The amounts that had been owing under the DIP Facility.

3.5.1 Allocation

1. The table below summarizes the recommended allocation:

	Amount (\$000s)
Current Asset Proceeds (Section 3.5.2)	3,846
Residual Proceeds (Capital assets and IP less \$250,000 balance of Debenture (Section 3.5.3))	2,001
	<u>5,847</u>
Operating Expenses (Section 3.5.4)	(972)
Professional Fees (Section 3.5.5)	<u>(1,095)</u>
	3,780
DIP Repayment (Section 3.5.6)	<u>(1,043)</u>
Funds available for distribution (Section 3.6)	<u>2,737</u>

² Of this amount, approximately \$739,000 has been paid to date.

3.5.2 Current Asset Proceeds

1. The Current Asset Proceeds were allocated on a dollar-for-dollar basis to the entities that owned Current Assets, leaving residual proceeds of \$2,001,000 ("Residual Proceeds").

3.5.3 Residual Proceeds

1. In addition to the Current Assets, the Purchased Assets included: a) the capital assets, such as office equipment, leasehold improvements, computer software and equipment, with a net book value of \$3,134,000 ("Capital Assets"); and b) the IP.
2. The CRO and the Monitor discussed the Company's business and assets, by entity, with Mr. Langhorne. A summary provided by Mr. Langhorne of the activities performed by each of the Company's entities is provided in Appendix "D". As reflected in Mr. Langhorne's summary, IMMSG was largely responsible for all of the Company's strategic and management functions.
3. The Residual Proceeds have been allocated on the following basis, reflecting the importance of the IP to the sale of the Company's business as a going-concern:
 - 30% to the Capital Assets owned by each entity pro rata based on their relative net book values; and
 - 70% to the IP, the entirety of which is allocated to IMMSG because it was the central operating entity, as well as the developer and owner of the database³ required to carry on the business of the various entities that comprised the Company. This allocation reflects the importance of IMMSG's assets to operate the business on a going-concern basis; IMMSG was the "central nervous system" for the business.

3.5.4 Operating Expenses

1. As the Operating Expenses were largely incurred to preserve the Current Assets and generate revenue, they are most closely related to the Current Assets. Accordingly, the Operating Expenses were allocated pro rata to those entities with Current Assets.

³ IMMSG had an extensive database containing tens of millions of consumers in Canada and the US that is housed in a proprietary database. A significant portion of this data includes information (names, addresses, phone numbers, and email addresses), as well as transactional gift history of all donations made to clients through the Company's campaigns over the past twenty years. This was a key asset of the Company and was integral to its operations.

3.5.5 Professional Costs

1. The Professional Costs relate to, among other things, completing the Transaction, assisting the Company to deal with issues in the CCAA and Chapter 15 proceedings, developing the Allocation and completing these proceedings. These expenses were incurred or will be incurred largely to preserve the value of the Company's business and assets. Unlike the Operating Expenses, the Professional Costs are attributable to all of the Purchased Assets. Accordingly, these expenses were allocated pro rata based on the Gross Proceeds allocated to each entity as discussed in Sections 3.5.2 and 3.5.3.

3.5.6 DIP Facility Repayment

1. The difference between the Gross Proceeds less the Operating Expenses and Professional Costs, being \$3,780,000, represents funds available to repay the DIP Facility and make distributions to creditors.
2. As reflected in the Allocation, the DIP Facility repayment was allocated to: i) the entities with unencumbered assets (\$874,000); and ii) Engage (\$169,000). The allocation was based on the direction of the DIP Lender and is consistent with the terms of the DIP Facility credit agreement.

3.6 Distributions

1. Upon repayment of the DIP Facility on the basis presented in the Allocation, there is \$2,737,000 available for distribution to creditors. The table below provides the recommended allocation of these proceeds.

Entity	Proposed Distribution (\$000s)
IMSG	1,727
RMG	447
Engage	490
Target	73
Total	2,737

2. On the basis presented above, distributions would be made to: Shotgun Fund (\$1,800,000) and CIBC (\$937,000). To the extent that funds available for distribution exceed the amount reflected above (\$2,737,000), the Monitor would propose to allocate those funds pro rata to Shotgun Fund and CIBC on the same basis.

3.7 Recommendation

1. The Monitor respectfully recommends that the Ontario Court approve the Allocation as it:
 - is consistent with the manner in which the Company's business was conducted;
 - is consistent with the APA as it relates to the treatment of the Current Assets;
 - was prepared with a practical approach given the shortfalls associated with the Company's accounting records and the prohibitive costs that would need to be incurred to accurately (and in hindsight) record revenue, expenses and intercompany transactions by entity from commencement of the CCAA proceedings (and arguably earlier) for the purpose of considering alternative allocation approaches; and
 - is supported by Shotgun Fund and CIBC, the Company's two most significant financial stakeholders in these proceedings, and the CRO.

4.0 Transitional Services Agreement

1. As part of the Transaction, the Company and the Purchaser entered into a Transitional Services Agreement (the "TSA"). The TSA was for a term of six months from the Effective Date and was extended for a further three months to August 31, 2014. The purpose of the TSA was to allow the Company to assist the Purchaser with an orderly transition of the business to the Purchaser.
2. Pursuant to the TSA, the Purchaser paid \$100,000 to the Monitor as a deposit to secure the Purchaser's obligations under the TSA.
3. Since the Closing Date, the Company, the CRO and the Purchaser, with the oversight of the Monitor, have been, *inter alia*, assisting with the transition of the Company's business to the Purchaser.
4. The Purchaser has advised the Monitor that, prior to the expiry date of the TSA, it: a) offered employment to substantially all of the Company's employees; and b) negotiated assignments or extensions (on a short-term basis) of the lease agreements for eleven of the Company's premises.

5.0 Stay Extension and Discharge

1. The following items need to be completed prior to the termination of these proceedings:
 - Recovering, to the extent collectible, the Company's remaining prepaid deposits (\$100,000);
 - Collecting the remaining balance of the Debenture (\$250,000) which matures in December 2016;
 - Overseeing payment of any outstanding post-filing expenses; and
 - Assisting the Company, as Foreign Representative, to bring a motion before the US Court to recognize the relief being sought in this motion, should it be granted, and to terminate the Chapter 15 proceedings.

2. The Company is seeking an extension of the stay of proceedings to September 30, 2015. The Monitor supports the Company's request for the following reasons:
 - The Company is acting in good faith and with due diligence;
 - The extension will give the Company an opportunity to maximize recoveries of its remaining assets; and
 - The extension is not opposed by the Company's primary secured creditors.

6.0 Overview of the Monitor's Activities

1. Since the date of the Monitor's Eighth Report to Court dated May 23, 2014, the Monitor's activities have included:
 - Corresponding extensively with the CRO regarding the TSA, the Allocation and other post-closing issues;
 - Corresponding with Shotgun Fund regarding the Allocation and completion of these proceedings;
 - Corresponding with CIBC's counsel regarding the Allocation;
 - Reviewing correspondence between the Company and CRA regarding audits conducted by CRA of the Company's sales and payroll tax accounts;

- Monitoring the Company's receipts and disbursements;
- Reviewing the Purchaser's weekly reporting under the TSA;
- Reviewing correspondence between the Company and its tax advisors related to preparation of tax returns for 2013;
- Corresponding with the Company and its legal counsel;
- Corresponding with the Monitor's US counsel regarding the 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.

7.0 Professional Fees

1. The fees and disbursements of D&P, Lax and Young Conaway from the commencement of these proceedings to July 31, 2014 and, in the case of Young Conaway, to August 21, 2014, are summarized below.

Firm	(\$)	
	Fees	Disbursements
D&P	720,582	6,247
Lax	97,797	1,583
Young Conaway ⁴	29,057	420
Total	847,436	8,250

2. Detailed invoices are provided in appendices to the affidavits filed by representatives of D&P, Lax and Young Conaway which are provided in Appendices "E", "F" and "G".
3. The average hourly rate for D&P, Lax and Young Conaway for the referenced billing period was \$475, \$659 and \$510, respectively.

⁴ Amounts reflected in USD.

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4. The Monitor is of the view that the hourly rates charged by Lax are consistent with the rates charged by law firms practicing in the area of insolvency in the Toronto market and that the fees charged are reasonable and appropriate in the circumstances. The Monitor is also of the view that the fees charged by Young Conaway are reasonable and appropriate in the circumstances

8.0 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**

EXHIBIT B

(PROPOSED FORM OF ORDER)

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

In re:

XENTEL INC., *et al.*²

Debtors in a Foreign Proceeding.

Chapter 15

Case No. 13-10888 (KG)

Jointly Administered

Related Docket No. _____

ORDER RECOGNIZING THE CANADIAN DISTRIBUTION ORDER

Upon the motion of iMarketing Solutions Group, Inc. ("IMSG"), as authorized foreign representative (the "Foreign Representative") of Xentel Inc. ("Xentel"), Wellesley Corporation Inc. ("Wellesley"); GWE Consulting Group (USA) Inc. ("GWE"); US Billing Inc. ("US Billing"); American Graphics & Design Inc. ("AG&D"); Courtesy Health Watch Inc. ("CHW"); and Target Outreach Inc. ("Target" and, together with, Xentel, Wellesley, GWE, US Billing, AG&D and CHW, the "Debtors") in proceedings (the "Canadian Proceedings") under Canada's *Companies' Creditors Arrangement Act* (R.S.C. 1985 c. 36) (the "CCAA"), pending before the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court"), for Entry of an Order Recognizing the Distribution Order filed on September 24, 2014 (the "Motion")³; and the Court having considered any objections filed to the Motion; and good cause having been demonstrated for granting the relief sought in the Motion; based on the foregoing, this Court finds and concludes as follows:

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

³ All capitalized terms not otherwise defined herein shall have the definition ascribed to them in the Motion.

This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(N) and (P). Venue is proper in this District pursuant to 28 U.S.C. § 1410 (1) and (3).

Notice of the Hearing was sufficient and no further notice of, or hearing on, the Motion is necessary or required.

The relief requested by the Motion and the entry of this Order is in the best interest of the Debtors, their estates, and the creditors and other parties in interest.

NOW, THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

1. The Motion is GRANTED.
2. All objections, if any, to the Motion or the relief requested therein that have not been withdrawn, waived, or settled, and all reservations of rights included therein, are hereby overruled on the merits, except as expressly provided herein.
3. The Canadian Distribution Order is hereby recognized and affirmed in all respects, and shall be fully enforceable pursuant to its terms.
4. This Court shall retain jurisdiction with respect to the enforcement, amendment or modification of this Order, any request for additional relief, and any request by an entity for relief from the provisions of this Order, for cause shown, that is properly commenced and within the jurisdiction of this Court.

Dated: _____, 2014
Wilmington, Delaware

HONORABLE KEVIN GROSS
UNITED STATES BANKRUPTCY JUDGE