

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

**IN THE MATTER OF THE NOTICE OF INTENTION TO
MAKE A PROPOSAL OF SHOP.CA NETWORK INC.,** a
corporation incorporated pursuant to the laws of the Canada,
with a head office in the City of Toronto, in the Province of
Ontario

**AMENDED NOTICE OF MOTION
(Motion for Approval of the Sale Transaction)
(Returnable July 15, 2016)**

SHOP.CA Network Inc. (“SHOP.CA”) will make a motion to a judge presiding over the Commercial List, on Friday, July 15, 2016, at 10:00 a.m. or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order (the “**Approval and Vesting Order**”), substantially in the form of the draft order located at Tab 3 of SHOP.CA’s Motion Record, *inter alia*:

- (a) Authorizing SHOP.CA to execute the Asset Purchase Agreement (the “**APA**”) between SHOP.CA and Transformational Capital Corporation (the “**Purchaser**” or “**TCC**”);
- (b) Approving the APA for the sale of the Purchased Assets (as defined in the APA) and the transactions contemplated thereby (the “**Sale Transaction**”);
- (c) Vesting all of the Purchased Assets in the Purchaser free and clear of any claims and encumbrances;

(d) Approving the Proposal Trustee's activities described in the First Report of the Richter Advisory Group Inc. (the "Proposal Trustee") dated June 8, 2016 and Second Report of the Proposal Trustee dated July 13, 2016 (the "Second Report"); and

(e) ~~(d)~~ Extending the time for SHOP.CA to file a proposal and the corresponding stay of proceedings (the "Stay Period") under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") until July 20, 2016.

2. Such other relief as the Court may deem just and appropriate.

THE GROUNDS FOR THE MOTION ARE:

BACKGROUND

1. SHOP.CA is an e-commerce marketplace providing Canadian retailers with a platform to sell their products online directly to consumers.

2. On June 7, 2016, SHOP.CA filed a Notice of Intention to Make a Proposal (the "NOI") under the BIA and commenced these proposal proceedings.

3. On June 9, 2016, SHOP.CA sought and obtained approval of the Ontario Superior Court of Justice (Commercial List) (the "Court") of a sale process (the "Bid Process") for SHOP.CA to be executed by the Proposal Trustee with the assistance of the Company.

BID PROCESS

4. SHOP.CA has been exploring strategic alternatives, including the possibility of a sale of substantially all its assets or share capital since August 2015.

5. The Bid Process was designed as a final attempt to preserve SHOP.CA's business as a going-concern by exploring sale opportunities within the context of these proposal proceedings.
6. On July 8, 2016 the Proposal Trustee sent marketing materials to 240 strategic potential purchasers and 153 financial potential purchasers. A total of 20 parties executed non-disclosure agreements and six of those potential purchasers expanded their due diligence by engaging in discussions with the Proposal Trustee and SHOP.CA's management.
7. At the bid deadline under the Bid Process, the Proposal Trustee received two offers to purchase substantially all of SHOP.CA's assets. TCC submitted one of the two bids received by the Proposal Trustee.
8. SHOP.CA and the Proposal Trustee subsequently continued to negotiate with TCC and the other bidder in effort to clarify terms of the bids in order to maximize the realization on the Company's assets for the benefit of all stakeholders.
9. After continuing these negotiations one of the bidders informed the Proposal Trustee that it intended to withdraw from the Bid Process.
10. On July 8, 2016, after extensive negotiations, TCC and SHOP.CA agreed upon the APA.
11. The Board of SHOP.CA has approved the Sale Transaction and APA, subject to final Court approval.

ASSET PURCHASE AGREEMENT

12. The APA contemplates the sale of substantially all of the assets of SHOP.CA for a purchase price greater than the liquidation value of SHOP.CA's assets which would be realized in a bankruptcy.

13. The Purchaser has agreed to offer employment to five of SHOP.CA's active employees. No contracts of SHOP.CA are being assumed by the Purchaser under the APA.

14. The APA contains minimal conditions to closing and it is expected that closing may occur on the day or one business day after the Approval and Vesting Order is issued and entered.

15. The market for SHOP.CA has been thoroughly canvassed through the Bid Process and the informal sales process carried on prior to the Proposal Proceeding. The APA represents the highest price available for the assets of SHOP.CA and the only going concern solution that will offer continued employment for some of SHOP.CA's employees.

16. The Proposal Trustee is supportive of the approval of the Sale Transaction.

EXTENSION OF THE STAY PERIOD

17. Leading up to Closing and shortly after Closing, SHOP.CA and the Proposal Trustee will continue to address issues with employees, suppliers, customers and other stakeholder, and otherwise advance the proposal proceedings.

18. Extending the Stay Period to July 20, 2016 will allow Closing to occur while there is a stay of proceedings against SHOP.CA. After the expiry of the Stay Period SHOP.CA will

make an assignment into bankruptcy and complete the assessment of claims and distribution of proceeds and available funds through the bankruptcy.

19. SHOP.CA has been acting and continues to act in good faith and with due diligence during these proposal proceedings.

20. No creditor of SHOP.CA will be materially prejudiced by extending the Stay Period as SHOP.CA has sufficient liquidity to continue operating during the proposed extension of the Stay Period.

21. It is just and convenient and in the interest of SHOP.CA and its stakeholders that the Stay Period be extended to July 20, 2016.

SEALING ORDER

22. Certain information contained in the APA is commercially sensitive, including the cash purchase price being paid by the Purchaser. If the Sale Transaction is not completed a competitive process for realizing on the assets of SHOP.CA must be maintained.

23. The unredacted APA and the aggregate purchase price will be made available to the Court by way of a confidential supplement to Proposal Trustee's report.

24. The sealing order will not prejudice SHOP.CA's stakeholders.

GENERAL

25. Sections 50.4(9), 65.13, 183 of the BIA and the other provisions of the BIA;

26. Rules 1.04, 1.05, 2.03, 3.02 and 37 of the *Rules of Civil Procedure*, R.R.O. 1990 Reg. 194, as amended;

27. Section 137(2) of the *Courts of Justice Act*, R.S.O. 1990, c C. 43; and
28. Such further grounds as counsel may advise and this Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

1. The Affidavit of Anthony Chvala sworn July 12, 2016 and the exhibits thereto;
2. The Second Report of the Proposal Trustee; and
3. Such further and other material as counsel may advise and this Court may permit.

July 11, 2016

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Lawyers for the Applicant

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SHOP.CA NETWORK INC., a corporation incorporated pursuant to the laws of the Canada, with a head office in the City of Toronto, in the Province of Ontario

Estate/Court File No. 31-2131992

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

Proceeding commenced at Toronto

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