

Court File No. □□□□□ : _____

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

THE HONOURABLE _____
JUSTICE _____ R.S.J. MORAWETZ

) WEEKDAY FRIDAY, THE # 7TH
) DAY OF MONTH APRIL, 20YR 2017
)
)
)

**IN THE MATTER OF THE *COMPANIES'* CREDITORS ARRANGEMENT ACT,
R.S.C. 1985, c. C 36, AS AMENDED**

**AND IN THE MATTER OF ~~THE [LIST DEBTOR NAMES]~~(the "~~Debtors~~") PAYLESS
HOLDINGS LLC, PAYLESS SHOESHOURCE CANADA INC, PAYLESS
SHOESOURCE GP INC AND THE OTHER ENTITIES LISTED ON SCHEDULE "A"
HERETO**

**APPLICATION OF ~~[NAME OF FOREIGN REPRESENTATIVE]~~
PAYLESS HOLDINGS LLC UNDER SECTION 46 OF THE *COMPANIES'*
CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED**

**SUPPLEMENTAL ORDER¹
(FOREIGN MAIN² PROCEEDING)**

THIS APPLICATION, made by ~~[NAME OF FOREIGN REPRESENTATIVE]~~ Payless
Holdings LLC in its capacity as the foreign representative (the "~~Foreign Representative~~") of
the ~~Debtors~~ "Foreign Representative") of Payless ShoeSource Canada Inc., Payless

¹As noted in several footnotes in this model order, practice under Part IV of the CCAA is still developing, and as certain issues are determined by Canadian courts, this model order will be amended to reflect the development of the law in this area.

²If the Canadian Court has recognized a foreign proceeding as a "main" proceeding, then section 48 of the CCAA provides that the Court must grant certain relief, subject to any terms and conditions it considers appropriate. The provisions of the model Initial Recognition Order (Foreign Main Proceeding) fulfill the mandatory requirements of section 48 with respect to a foreign main proceeding. Section 49 of the CCAA also allows the Court to make any order that it considers appropriate for the protection of the debtor company's property or the interests of a creditor or creditors. This Supplemental Order contains discretionary relief that might be granted by the Court in the appropriate circumstances. The Model Order Subcommittee has attempted to make the provisions of this model Order consistent with similar provisions in other model Orders. Supplemental relief (whether contained in this Order or in subsequent Orders) may also include provisions dealing with the sale of assets, the recognition of critical vendors, a claims process, or any number of other matters, or may recognize foreign orders or laws granting such relief.

ShoeSource GP Inc. and Payless ShoeSource Canada LP together with the other entities listed in Schedule “A” hereto (collectively, the “Chapter 11 Debtors” and each, a “Chapter 11 Debtor”), pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “CCAA”) for an Order substantially in the form enclosed in the Application Record, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Notice of Application, the affidavit of ~~[NAME]~~ sworn ~~[DATE]~~, ~~[the preliminary report of [NAME], in its capacity as proposed information officer dated [DATE]], and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice, and on hearing~~ Michael Schwindle sworn April 6, 2017 (the “Schwindle Affidavit”), filed, the Report of the proposed Information Officer and upon being provided with copies of the documents required by section 46 of the CCAA,

AND UPON HEARING the submissions of counsel for the Foreign Representative, ~~[counsel for the proposed i[nformation o[fficer],] and counsel for [OTHER PARTIES]~~ the DIP ABL Lenders, and those other parties present, no one else appearing ~~for [NAME]~~³ although duly served as appears from the affidavit of service of ~~[NAME]~~ sworn [DATE], ~~and on reading the consent of [NAME OF PROPOSED INFORMATION OFFICER] to act as the information officer~~ April 6, 2017:

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application Record is hereby abridged and validated⁴ so that this Application is properly returnable today and hereby dispenses with further service thereof.

~~*INITIAL RECOGNITION ORDER*~~

2. THIS COURT ORDERS that ~~any~~ capitalized terms used herein and not otherwise defined ~~herein shall~~ have the ~~meanings given to such terms in the~~ *Initial Recognition Order

³ ~~Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1) and 11.52(1).~~

⁴ ~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in the appropriate circumstances.~~

~~(Foreign Main Proceeding) dated * [DATE] (the "Recognition Order") meaning given to them in the Schwindle Affidavit.~~

INITIAL RECOGNITION ORDER

3. THIS COURT ORDERS that the provisions of this Supplemental Order shall be interpreted in a manner complementary and supplementary to the provisions of the *Initial Recognition Order (Foreign Main Proceeding) dated *as of the date hereof (the "Recognition Order"), provided that in the event of a conflict between the provisions of this Supplemental Order and the provisions of the Recognition Order, the provisions of the Recognition Order shall govern.

RECOGNITION OF FOREIGN ORDERS⁵

4. THIS COURT ORDERS that the following orders (collectively, the "Foreign Orders") of [NAME OF FOREIGN COURT]" of the United States Bankruptcy Court for the Eastern District of Missouri made in the Foreign Proceeding (as defined in the Recognition Order) are hereby recognized and given full force and effect⁶ in all provinces and territories of Canada pursuant to Ssection 49 of the CCAA:

- (a) ~~[list Foreign Orders, or portions of Foreign Orders, copies of which should be attached as schedules to this Order], attached as Schedule A to this Order, Order Authorizing Payless Holdings LLC to Act as Foreign Representative on Behalf of the Debtors' Estates (the "Foreign Representative Order"):~~

⁵~~This model Order adopts an approach that might be applicable to some foreign proceedings, but not others. For example, U.S. proceedings will typically generate court orders that will be brought to the Canadian Courts for recognition. Other jurisdictions may have statutory or regulatory rights (rather than court orders) that need to be recognized in Canada.~~

⁶~~Section 50 of the CCAA provides that an order made under Part IV of the CCAA may be made on any terms and conditions that the Court considers appropriate in the circumstances. Such terms and conditions would presumably need to be consistent with the orders or laws applicable to the foreign proceeding, subject to (i) the limitations imposed by section 48(2) (an order made under section 48(1) must be consistent with any order made under the CCAA), and (ii) the limitations imposed in section 61 (which provides that the Court may apply legal or equitable rules that are not inconsistent with the CCAA, and further that the Court may refuse to do something that would be contrary to public policy). All of the Foreign Orders should be reviewed by counsel with these issues in mind, and the Court may require confirmation from counsel that there is nothing in the Foreign Orders that is inconsistent with the CCAA or that would raise the public policy exception referenced in section 61 of the CCAA.~~

- (b) Interim Order (I) Authorizing Postpetition Financing, (II) Authorizing Use of Cash Collateral, (III) Granting Liens and Providing Superpriority Administrative Expense Status, (IV) Granting Adequate Protection, (V) Modifying Automatic Stay, (VI) Scheduling a Final Hearing, and (VII) Granting Related Relief (the “**Interim DIP Order**”):
- (c) Interim Order (I) Authorizing the Debtors to (A) Honor Certain Prepetition Obligations to Customers and Partners and (B) Continue Certain Customer and Partner Programs in the Ordinary Course of Business and (II) Granting Related Relief (the “**Interim Customer and Partner Order**”):
- (d) Interim Order (I) Authorizing the Debtors to (A) Continue Insurance Coverage Entered Into Prepetition and Satisfy Prepetition Obligations Related Thereto and (B) Renew, Supplement or Purchase Insurance Policies, and (II) Related Relief (the “**Interim Insurance Order**”):
- (e) Interim Order Authorizing the Debtors to Pay Certain Prepetition Claims of (I) Critical Vendors and (II) Carrier, Warehousemen, and Section 503(B)(9) Claimants and (B) Granting Related Relief (the “**Interim Critical Vendors Order**”):
- (f) Interim Order (I) Authorizing the Debtors to (A) Continue Using the Cash Management System and (B) Maintain Existing Bank Accounts and Business Forms and Books and Records; (II) Authorizing Continued Intercompany Transactions; (III) Granting Administrative Expense Status to Post-Petition Intercompany Payments; and (IV) Granting Related Relief (the “**Interim Cash Management Order**”):
- (g) Order (I) Directing Joint Administration of Chapter 11 Cases and (II) Granting Related Relief (the “**Joint Administration Order**”):
- (h) Interim Order (I) Authorizing the Debtors to (A) Pay Prepetition Wages, Salaries, Other Compensation, and Reimbursable Expenses and (B) Continue

Employee Benefits Programs, and (II) Granting Related Relief (the “Prepetition Wages and Benefits Order”):

(i) Interim Order (I) Authorizing the Debtors to Continue and Renew the Surety Bond Program on an Uninterrupted basis; and (ii) Granting Related Relief (the “Surety Bond Order”):

(j) Interim Order (I) Authorizing the Payment of Certain Prepetition Taxes and Fees and (II) Granting Related Relief (the “Prepetition Taxes and Fees Order”):

(copies of each such Foreign Orders are attached as Schedules “B” through “K” hereto)

provided, however, that in the event of any conflict between the terms of the Foreign Orders and the Orders of this Court made in the within proceedings, the Orders of this Court shall govern with respect to Property (as defined below) in Canada.

APPOINTMENT OF INFORMATION OFFICER⁷

5. THIS COURT ORDERS that ~~[NAME OF INFORMATION OFFICER]~~ Alvarez & Marsal Canada Inc. (the “Information Officer”) is hereby appointed as an officer of this Court, with the powers and duties set out herein.

⁷~~The appointment of an Information Officer is not required by the CCAA, and is in the discretion of the Court. Information Officers are normally trustees licensed under the Bankruptcy and Insolvency Act.~~

NO PROCEEDINGS AGAINST THE CHAPTER 11 DEBTORS OR THE PROPERTY⁸

6. THIS COURT ORDERS that until such date as this Court may order (the "Stay Period") no proceeding or enforcement process in any court or tribunal in Canada (each, a "Proceeding") shall be commenced or continued against or in respect of the Chapter 11 Debtors or affecting their business (the "Business") or their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "Property"), except with leave of this Court,⁹ and any and all Proceedings currently under way against or in respect of any of the Chapter 11 Debtors or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

7. THIS COURT ORDERS that, without limiting the stays of proceedings provided for in the Recognition Order, during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "Persons" and each being a "Person") against or in respect of the Chapter 11 Debtors ~~[or the Foreign Representative]~~, or affecting the Business or the Property, are hereby stayed and suspended except with leave of this Court, provided that nothing in this Order shall (i) prevent the assertion of or the exercise of rights and remedies outside of Canada, (ii) empower any of the Chapter 11 Debtors to carry on any business in Canada which that Chapter 11 Debtor is not lawfully entitled to carry on, (iii) ~~]~~ affect such investigations or Proceedings by a regulatory body as are permitted by section 11.1 of the

⁸ ~~The Model Order Subcommittee notes that a "Non-Derogation of Rights" section (found, for example, in the Model Initial CCAA Order) has not been included in this model Order. In a 'full' CCAA proceeding, which would typically include a stay of proceedings made under section 11.02 of the CCAA, a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, and 11.1(2). However, in a Part IV proceeding, section 48 of the CCAA (rather than section 11.02 of the CCAA) is being relied upon when a stay of proceedings is being sought, and despite the wording of section 48(2) and section 61, it is not clear if the restrictions applicable to a section 11.02 stay of proceedings are also applicable to a section 48 stay of proceedings, or would restrict the recognition of foreign proceedings or foreign orders that include a stay of proceedings broader than permitted in a section 11.02 stay of proceedings. These issues remain open for determination by Canadian courts.~~

⁹ ~~Where the Court considers it to be appropriate, it may authorize other Persons, including a Court appointed Information Officer, to provide consent to any Proceeding. This same comment applies in paragraphs 6 through 11 of this Order.~~

CCAA,¹ (iv) prevent the filing of any registration to preserve or perfect a security interest, or (v) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

8. THIS COURT ORDERS that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by any of the [Chapter 11](#) Debtors and affecting the Business in Canada, except with leave of this Court.

ADDITIONAL PROTECTIONS

9. THIS COURT ORDERS that during the Stay Period, all Persons having oral or written agreements with the [Chapter 11](#) Debtors or statutory or regulatory mandates for the supply of goods and/or services in Canada, including without limitation all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services provided in respect of the Property or Business of the [Chapter 11](#) Debtors, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the [Chapter 11](#) Debtors, and that the [Chapter 11](#) Debtors shall be entitled to the continued use in Canada of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names.¹⁰

10. [THIS COURT ORDERS that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the [Chapter 11](#) Debtors with respect to any claim against the directors or officers that arose before the date hereof and that relates to any obligations of the [Chapter 11](#) Debtors whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.]¹¹

¹⁰ ~~Section 11.01 of the CCAA provides that no order made under section 11 or 11.02 has the effect of (a) prohibiting a person from requiring immediate payment for good, services, etc. provided after the order is made, or (b) requiring the further advance of money or credit. It is unclear whether these provisions also apply to an order made pursuant to section 48 of the CCAA. Please see the discussion in footnote 8 above.~~

¹¹ ~~Counsel should specifically address with the Court whether this provision is appropriate in the context of this Order.~~

11. THIS COURT ORDERS that no Proceeding shall be commenced or continued against or in respect of the Information Officer, except with leave of this Court. In addition to the rights and protections afforded the Information Officer herein, or as an officer of this Court, the Information Officer shall have the benefit of all of the rights and protections afforded to a Monitor under the CCAA, and shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part.

12. THIS COURT ORDERS that the Chapter 11 Debtors, including the Payless Canada Group shall be entitled to continue to utilize the central cash management system currently in place as described in the Schwindle Affidavit or replace it with another substantially similar central cash management system (the “Cash Management System”) and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Chapter 11 Debtors of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person other than the Chapter 11 Debtors, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

OTHER PROVISIONS RELATING TO INFORMATION OFFICER

13. ~~12.~~ THIS COURT ORDERS that the Information Officer:

- (a) is hereby authorized to provide such assistance to the Foreign Representative in the performance of its duties as the Foreign Representative may reasonably request;
- (b) shall report to this Court periodically at least once every ~~[three]~~3 months with respect to the status of these proceedings and the status of the Foreign Proceedings, which reports may include information relating to the Property,

the Business, or such other matters as may be relevant to the proceedings herein;

- (c) in addition to the periodic reports referred to in paragraph 12(b) above, the Information Officer may report to this Court at such other times and intervals as the Information Officer may deem appropriate with respect to any of the matters referred to in paragraph 12(b) above;
- (d) shall have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the [Chapter 11](#) Debtors, to the extent that is necessary to perform its duties arising under this Order; and
- (e) shall be at liberty to engage independent legal counsel or such other persons as the Information Officer deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order.

14. ~~13.~~ THIS COURT ORDERS that the [Chapter 11](#) Debtors and the Foreign Representative shall (i) advise the Information Officer of all material steps taken by the [Chapter 11](#) Debtors or the Foreign Representative in these proceedings or in the Foreign Proceedings, (ii) co-operate fully with the Information Officer in the exercise of its powers and discharge of its obligations, and (iii) provide the Information Officer with the assistance that is necessary to enable the Information Officer to adequately carry out its functions.

15. ~~14.~~ THIS COURT ORDERS that the Information Officer shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

16. ~~15.~~ THIS COURT ORDERS that the Information Officer (i) shall post on its website all Orders of this Court made in these proceedings, all reports of the Information Officer filed herein, and such other materials as this Court may order from time to time, and (ii) may post on its website any other materials that the Information Officer deems appropriate.

17. ~~16.~~ THIS COURT ORDERS that the Information Officer may provide any creditor of a Chapter 11 Debtor with information provided by the Chapter 11 Debtors in response to reasonable requests for information made in writing by such creditor addressed to the Information Officer. The Information Officer shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Information Officer has been advised by the Chapter 11 Debtors is privileged or confidential, the Information Officer shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Information Officer, the Foreign Representative and the relevant Chapter 11 Debtors may agree.

18. ~~17.~~ THIS COURT ORDERS that the Information Officer and counsel to the Information Officer shall be paid by the Chapter 11 Debtors their reasonable fees and disbursements incurred in respect of these proceedings, both before and after the making of this Order, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts. The Chapter 11 Debtors are hereby authorized and directed to pay the accounts of the Information Officer and counsel for the Information Officer on a ~~[TIME INTERVAL]~~ monthly basis and, in addition, the Chapter 11 Debtors are hereby authorized to pay to the Information Officer and counsel to the Information Officer, retainers in the ~~amount[s] of \$[AMOUNT OR AMOUNTS]~~ [amounts of CAD\$100,000 and CAD\$100,000, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time.

19. ~~18.~~ THIS COURT ORDERS that the Information Officer and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Information Officer and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice, and the accounts of the Information Officer and its counsel shall not be subject to approval in the Foreign Proceeding.

20. ~~19.~~ THIS COURT ORDERS that the Information Officer and counsel to the Information Officer, ~~if any,~~ shall be entitled to the benefit of and are hereby granted a charge (the "Administration Charge") on the Property in Canada, which charge shall not exceed an aggregate amount of ~~\$[AMOUNT]~~, USD\$500,000 as security for their professional fees and disbursements incurred in respect of these proceedings, both before and after the making

of this Order. The Administration Charge shall have the priority set out in paragraphs ~~[21]~~ and ~~[23]~~ 23 through 28 hereof.

INTERIM FINANCING¹²

21. ~~20.~~ THIS COURT ORDERS that the DIP ~~Lender~~ ABL Lenders, shall be entitled to the benefit of and is hereby granted a charge (the ~~"DIP Lender's~~ "DIP Lenders' Charge") on the Property in Canada, which DIP ~~Lender's~~ ABL Lenders' Charge shall be consistent with the liens and charges created by the ~~[DESCRIBE DIP LOAN ORDER MADE IN THE FOREIGN PROCEEDING]~~, provided however that the DIP Lender's Charge (i) shall not secure an obligation that exists before this Order is made,¹³ and (ii) Interim Financing Order with respect to the Property in Canada, shall have the priority set out in paragraphs ~~[21]~~ and ~~[23]~~ 23 through 28 hereof, and further provided that the DIP ~~Lender's~~ ABL Lenders' Charge shall not be enforced except with leave of this Court on notice to the Information Officer.

CANADIAN UNSECURED CREDITORS' CHARGE

22. THIS COURT ORDERS that notwithstanding anything in the Interim DIP Order, the DIP ABL Agreement or the related agreements contemplated thereby arms'-length unsecured trade creditors of the Payless Canada Group are granted a charge (the "Canadian Unsecured Creditors' Charge") on the Property of the Payless Canada Group to secure the repayment of claims of such creditors as of the date hereof in the aggregate maximum amount of USD\$1,400,000.

¹² ~~Optional— if there is a DIP Lender which takes security over assets in Canada or in respect of Canadian Debtors. If more comprehensive interim financing provisions are required, please refer to the model CCAA Initial Order for sample provisions.~~

¹³ ~~This restriction appears in the interim financing provisions found in section 11.2(1) of the CCAA. It is unclear if this prohibits the recognition of a foreign order that creates a DIP Lender's Charge securing pre-filing obligations.~~

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

23. ~~21.~~ THIS COURT ORDERS that the priorities of the Administration Charge, the Canadian Unsecured Creditors' Charge and the DIP ~~Lender's~~ABL Lenders' Charge, as among them, shall be as follows:¹⁴

- (a) First – Administration Charge (to the maximum amount of ~~[\$[AMOUNT]]~~USDS\$500,000); ~~and~~
- (b) Second – ~~DIP Lender's Charge~~Canadian Unsecured Creditors' Charge (to the aggregate maximum amount of USDS\$1,400,000), which shall rank *pari passu* with any claim in respect of the Carve Out (as defined in the Interim DIP Order), provided however that such claim shall only be protected as set out in the Interim DIP Order, including as to the maximum amount thereof;
- (c) Third – DIP ABL Lenders' Charge.

24. ~~22.~~ THIS COURT ORDERS that the filing, registration or perfection of the Administration Charge, the Canadian Unsecured Creditors' Charge or the DIP ~~Lender's~~ABL Lenders' Charge (collectively, the "Charges") shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect the Charges.

25. ~~23.~~ THIS COURT ORDERS that each of the Administration Charge, the Canadian Unsecured Creditors' Charge and the DIP ~~Lender's~~ABL Lenders' Charge (all as constituted and defined herein) shall constitute a charge on the Property in Canada and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "Encumbrances") in favour of any Person, except for the perfected security interests of secured creditors existing as of the date hereof that are listed in Schedule "M" hereto.

26. ~~24.~~ THIS COURT ORDERS that except as otherwise expressly provided for herein, or as may be approved by this Court, the Chapter 11 Debtors shall not grant any

¹⁴ ~~The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.~~

Encumbrances over any Property in Canada that rank in priority to, or *pari passu* with, the Administration Charge, [the Canadian Unsecured Creditors' Charge](#) or the DIP ~~Lender's~~[ABL Lenders'](#) Charge, unless the [Chapter 11](#) Debtors also obtain the prior written consent of the Information Officer and the DIP ~~Lender~~[ABL Lenders](#).

~~25.~~ 27. THIS COURT ORDERS that the Administration Charge, [the Canadian Unsecured Creditors' Charge](#) and the DIP ~~Lender's~~[ABL Lenders'](#) Charge shall not be rendered invalid or unenforceable and the rights and remedies of the chargees entitled to the benefit of the Charges (collectively, the "~~Chargess~~") shall not otherwise be limited or impaired in any way by (i) the pendency of these proceedings and the declarations of insolvency made herein; (ii) any application(s) for bankruptcy order(s) issued pursuant to ~~BIA~~[the Bankruptcy and Insolvency Act, RSC 1985, c B-3 \(the "BIA"\)](#), or any bankruptcy order made pursuant to such applications; (iii) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (iv) the provisions of any federal or provincial statutes; or (v) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "~~Agreement~~") which binds any [Chapter 11](#) Debtor, and notwithstanding any provision to the contrary in any Agreement:

- (d) ~~(a)~~ the creation of the Charges shall not create or be deemed to constitute a breach by a [Chapter 11](#) Debtor of any Agreement to which it is a party;
- (e) ~~(b)~~ none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (f) ~~(c)~~ the payments made by the [Chapter 11](#) Debtors to the Chargees pursuant to this Order, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

28. ~~26.~~ THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the applicable ~~Debtor's~~ Chapter 11 Debtors' interest in such real property leases.

SERVICE AND NOTICE

29. ~~27.~~ THIS COURT ORDERS that that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL '~~@~~' www.alvarezandmarsal.com/paylesscanada .

30. ~~28.~~ THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Chapter 11 Debtors, the Foreign Representative and the Information Officer are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Chapter 11 Debtors' creditors or other interested parties at their respective addresses as last shown on the records of the applicable Chapter 11 Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

GENERAL

31. ~~29.~~ THIS COURT ORDERS that the Information Officer may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

32. ~~30.~~ THIS COURT ORDERS that nothing in this Order shall prevent the Information Officer from acting as an interim receiver, a receiver, a receiver and manager, a monitor, a proposal trustee, or a trustee in bankruptcy of any Chapter 11 Debtor, the Business or the Property.

33. ~~31.~~ THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the ~~[JURISDICTION OF THE FOREIGN PROCEEDING]~~ United States, to give effect to this Order and to assist the Chapter 11 Debtors, the Foreign Representative, the Information Officer, and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Chapter 11 Debtors, the Foreign Representative, and the Information Officer, the latter as an officer of this Court, as may be necessary or desirable to give effect to this Order, or to assist the Chapter 11 Debtors, the Foreign Representative, ~~and~~ the Information Officer, and their respective agents in carrying out the terms of this Order.

34. ~~32.~~ THIS COURT ORDERS that each of the Chapter 11 Debtors, the Foreign Representative and the Information Officer be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

35. ~~33.~~ THIS COURT ORDERS that the Guidelines for Court-to-Court Communications in Cross-Border Cases developed by the American Law Institute and attached as Schedule ~~[*]~~ “L” hereto is adopted by this Court for the purposes of these recognition proceedings.

36. ~~34.~~ THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order or seek other relief on not less than seven (7) days' notice to the Chapter 11 Debtors, the Foreign Representative, the Information Officer, the DIP ABL Lenders and their respective counsel, and to any other party or parties likely to be affected by the order sought, or upon such other notice, if any, as this Court may order.

37. ~~35.~~ THIS COURT ORDERS that this Order shall be effective as of ~~[TIME]~~12:01 a.m.
Eastern Standard Time on the date of this Order.¹⁵

¹⁵ ~~The time referenced in this Order should be the same time as the time referenced in the Recognition Order, if the two Orders are made on the same date. In the absence of such a provision, Rule 59.01 of the Ontario Rules of Civil Procedure appears to indicate that an Order is effective as of 12:01 a.m. on the date of the Order (Rule 59.01 provides that "An order is effective from the date on which it is made, unless it provides otherwise").~~

SCHEDULE A – ADDITIONAL CHAPTER 11 DEBTORS

Payless Intermediate Holdings LLC
WBG PSS Holdings LLC
Payless Inc.
Payless Finance, Inc.
Collective Brands Services, Inc.
PSS Delaware Company 4, Inc.
Shoe Sourcing, Inc.
Payless ShoeSource, Inc.
Eastborough, Inc.
Payless Purchasing Services, Inc.
Payless ShoeSource Merchandising, Inc.
Payless Gold Value CO, Inc.
Payless ShoeSource Distribution, Inc.
Payless ShoeSource Worldwide, Inc.
Payless NYC, Inc.
Payless ShoeSource of Puerto Rico, Inc.
Payless Collective GP, LLC
Collective Licensing, LP
Collective Licensing International LLC
Clinch, LLC
Collective Brands Franchising Services, LLC
Payless International Franchising, LLC
Collective Brands Logistics, Limited
Dynamic Assets Limited
PSS Canada, Inc.

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SCHEDULE B – FOREIGN REPRESENTATIVE ORDER

SCHEDULE C – INTERIM DIP ORDER

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SCHEDULE D – INTERIM CUSTOMER AND PARTNER ORDER

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SCHEDULE E – INTERIM INSURANCE ORDER

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SCHEDULE F – INTERIM CRITICAL VENDORS ORDER

|

SCHEDULE G – INTERIM CASH MANAGEMENT ORDER

|

SCHEDULE H – JOINT ADMINISTRATION ORDER

|

SCHEDULE I – PREPETITION WAGES AND BENEFITS ORDER

SCHEDULE J – SURETY BOND ORDER

|

SCHEDULE K - PREPETITION TAXES AND FEES ORDER

| **SCHEDULE L – COURT TO COURT COMMUNICATION PROTOCOL**

SCHEDULE M – PPSA AND EQUIVALENT REGISTRATIONS

{ATTACH APPROPRIATE SCHEDULES}

	<u>Secured Party(ies)</u>	<u>Debtor(s)</u>	<u>Reference File No. & Registration Number(s)</u>	<u>Additional Information</u>
<u>ONTARIO</u>				
<u>1</u>	<u>Emkay Canada Leasing Corporation</u>	<u>Payless ShoeSource Canada LP</u>	<u>714931983</u> <u>20160321 1922 5064 9060</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>714932001</u> <u>20160321 1924 5064 9061</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>714932019</u> <u>20160321 1926 5064 9062</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>714630537</u> <u>20160309 1332 5064 8407</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>714630582</u> <u>20160309 1335 5064 8409</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>714630681</u> <u>20160309 1339 5064 8410</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>713085228</u> <u>20160105 1200 5064 2868</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>712979757</u> <u>20151230 1117 5064 2715</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2016 Nissan Rogue</u>
			<u>700193007</u> <u>20140926 1935 5064 4314</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2015 Ford Escape</u>
			<u>700193016</u> <u>20140926 1936 5064 4315</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2015 Ford Escape</u>
			<u>700193025</u> <u>20140926 1938 5064 4316</u>	<u>Equipment, Other, Motor Vehicle Included</u> <u>2015 Ford Escape</u>

			700193034 20140926 1940 5064 4317	Equipment, Other, Motor Vehicle Included 2015 Ford Escape
			700193043 20140926 1942 5064 4318	Equipment, Other, Motor Vehicle Included 2015 Ford Escape
			700193052 20140926 1943 5064 4319	Equipment, Other, Motor Vehicle Included 2015 Ford Escape
			688577868 20130712 1349 5064 9217	Equipment, Other, Motor Vehicle Included 2013 Ford Escape
2	General Electric Capital Canada Inc.	Payless ShoeSource Canada Inc.	839243907 19980325 1613 1254 6418 as amended by 20031010 1445 1530 9543	Inventory, Equipment, Accounts, Other, Motor Vehicle Included All present and after acquired motor vehicles, trailers, and goods of whatever make or description, now or hereafter leased by secured party to debtor, together with all addition: replacement parts, accessions, attachments and improvements thereto and all proceeds, including money, chattel paper, intangibles, goods, documents of title, instruments, accounts receivable, rental or loan contracts, all personal property returned, trade in or repossessed and all insurance proceeds and any other form of proceeds.
3	GE VFS Canada Limited Partnership	Payless ShoeSource Canada LP	680280471 20120727 1523 5064 8243	Account Schedule - 8740735001
QUEBEC				
4	Centre d'Achats du Boulevard (Montreal) Société en Commandite	Payless ShoeSource Canada GP Inc.	08-0136440-0008	Property found on the leased premises located at 4278 Jean Talon East Montreal Amount : \$65,000

<u>5</u>	Pyxis Real Estate Equities Inc.	Payless ShoeSource Canada GP Inc.	08-0679367-0001	Universality of th movable property four on the leased premise located at 3100 de Concorde Blvd. Eas Local 14, Laval
				Amount : \$32,193
<u>6</u>	9257-4748 Québec Inc. and Montez L'Outaouais Inc.	Payless ShoeSource Canada GP Inc.	11-0570213-0001	Universality of th movable property four on the leased premise located at 1100 Malone Blvd., Gatineau
				Amount : \$99,990
<u>7</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	14-0909032-0019	2015 Ford Escape

BRITISH COLUMBIA

<u>8</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	532228H	2014 Ford Escape
<u>9</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	532239H	2014 Ford Escape

ALBERTA

<u>10</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	13080607211	2014 Ford Escape
<u>11</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	13121624163	2014 Ford Escape

MANITOBA

<u>12</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	201418327702	2015 Ford Escape
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NOVA SCOTIA

<u>13</u>	Emkay Canada Leasing Corporation	Payless ShoeSource Canada LP	23382617	2015 Ford Escape
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IN THE MATTER OF the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36, as amended

Court File No:

AND IN THE MATTER OF PAYLESS HOLDINGS LLC, PAYLESS SHOESOURCE CANADA INC., PAYLESS SHOESOURCE CANADA GP INC. AND THOSE OTHER ENTITIES LISTED ON SCHEDULE "A" HERETO

APPLICATION OF PAYLESS HOLDINGS LLC UNDER SECTION 46 OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36 AS AMENDED

Applicant

Ontario
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST
Proceeding commenced at Toronto

SUPPLEMENTAL ORDER
(FOREIGN MAIN PROCEEDING)

OSLER, HOSKIN & HARCOURT, LLP
P.O. Box 50, 1 First Canadian Place
Toronto, ON M5X 1B8

Marc Wasserman LSUC# 44066M
Tel: 416.862.4908
mwasserman@osler.com

John MacDonald LSUC# 25884R
Tel: 416.862.5672
jmacdonald@osler.com

Shawn T. Irving LSUC# 50035U
Tel: 416.862.4733
sirving@osler.com

Fax: 416.862.6666

Lawyers for the Applicant

