

**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 PAYLESS
SHOESOURCE CANADA INC. AND PAYLESS SHOESOURCE CANADA GP INC. (the
"Applicants")**

PLAN OF COMPROMISE AND ARRANGEMENT

NOTICE OF CREDITORS' MEETINGS AND SANCTION MOTION
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TO: The General Unsecured Creditors and Landlords of Payless ShoeSource Canada Inc., Payless ShoeSource Canada GP Inc. and Payless ShoeSource Canada LP (the "**Payless Canada Entities**").

NOTICE IS HEREBY GIVEN that a meeting of the General Unsecured Creditors and a meeting of the Landlords will be held on October 23, 2019 at 10:00 a.m. (Toronto time) and 10:15 a.m. (Toronto time), respectively, at the offices of Cassels Brock & Blackwell LLP (the "**Creditors' Meetings**") for the following purposes:

1. to consider and, if deemed advisable, to pass, with or without variation, a resolution (the "**Plan Resolution**") approving the Plan of Compromise and Arrangement of the Payless Canada Entities pursuant to the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") dated September 17, 2019 (as amended, restated, modified and/or supplemented from time to time in accordance with the terms thereof, the "**CCAA Plan**"); and
2. to transact such other business as may properly come before either of the Creditors' Meetings or any adjournment or postponement thereof.

The Creditors' Meetings are being held pursuant to an order (the "**Meetings Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") made on September 19, 2019.

Capitalized terms used and not otherwise defined in this notice have the respective meanings given to them in the CCAA Plan or the Meetings Order.

Copies of the relevant information, including: (i) this Notice of Creditors' Meetings and Sanction Motion, (ii) the Fifth Report, (iii) the Supplemental Report, (iv) the issued Meetings Order, (v) the CCAA Plan, (vi) the U.S. Disclosure Statement, (vii) the Information Memorandum and (viii) the Proxy, (the "**Information Package**") are posted on the Monitor's Website at <http://cfcanada.fticonsulting.com/paylesscanada/>.

The CCAA Plan contemplates the compromise of Claims of Affected Creditors. Quorum for each of the Creditors' Meetings has been set by the Meetings Order as the presence, in person or by proxy, (i) at the meeting of the General Unsecured Creditors, of one General Unsecured Creditor with a Voting Claim and (ii) at the meeting of the Landlords, of one Landlord with a Voting Claim.

In order for the CCAA Plan to be approved and binding in accordance with the CCAA, the Plan Resolution must be approved by that number of the General Unsecured Creditors and Landlords representing at least a majority in number of Voting Claims, whose General Unsecured Claims

and Landlord Claims represent at least two-thirds in value of the Voting Claims of General Unsecured Creditors and Landlords who validly vote (in person or by proxy) on the Plan Resolution at the applicable Creditors' Meetings or were deemed to vote on the Plan Resolution as provided for in the Meetings Order (each a "**Required Majority**"). Each Eligible Voting Creditor will be entitled to one vote at the applicable Creditors' Meetings, which vote will have the value of such person's Voting Claim and Disputed Voting Claim as determined in accordance with the Claims Procedure Order and the Meetings Order. If approved by each of the Required Majorities, the CCAA Plan must also be sanctioned by the Court under the CCAA. Subject to the satisfaction of the other conditions precedent to implementation of the CCAA Plan, all General Unsecured Creditors and Landlords will then receive the treatment set forth in the CCAA Plan.

Forms and Proxies

A General Unsecured Creditor or Landlord may attend at the applicable Creditors' Meeting in person or may appoint another person as its proxyholder by inserting its name or the name of such person in the space provided in the form of proxy provided to General Unsecured Creditors and Landlords by the Monitor, or by completing another valid form of proxy.

In order to be effective, Proxies must be received by the Monitor at FTI Consulting Canada Inc., 79 Wellington Street West, Toronto Dominion Centre, Suite 2010, P.O. Box 2104, Toronto, ON M5K 1G8 (Attention: Ellen Dong), email: paylesscanada@fticonsulting.com by 10:00 am (Toronto time) on October 21, 2019, or 48 hours (excluding Saturdays, Sundays and statutory holidays) prior to any adjourned, postponed or rescheduled Creditors' Meeting. Persons appointed as proxyholders need not be General Unsecured Creditors or Landlords.

If a General Unsecured Creditor or Landlord at the applicable Creditors' Meeting specifies a choice with respect to voting on the Plan Resolution on a proxy, the proxy will be voted in accordance with the specification so made. **In absence of such specification, a proxy will be voted FOR the Plan Resolution provided that the proxyholder does not otherwise exercise its right to vote at the applicable Creditors' Meetings.**

NOTICE IS ALSO HEREBY GIVEN that if the CCAA Plan is approved by each of the Required Majorities at the Creditors' Meetings, the Payless Canada Entities intend to bring a motion before the Court on October 29, 2019 at 10:00 a.m. (Toronto time) or such later date as may be posted on the Monitor's Website, at the Court located at 330 University Avenue, Toronto, Ontario M5G 1R8. The motion will be seeking the granting of the Sanction Order sanctioning the CCAA Plan under the CCAA and for ancillary relief consequent upon such sanction. Any Affected Creditor that wishes to appear or be represented, and to present evidence or arguments, at such Court hearing must file with the Court a Notice of Appearance and serve such Notice of Appearance on the Service List at least seven (7) Business Days before such Court hearing. Any Affected Creditor that wishes to oppose the relief sought at such Court hearing shall serve on the Service List a notice setting out the basis for such opposition and a copy of the materials to be used at such hearing at least seven (7) Business Days before the date set for such hearing, or such shorter time as the Court, by Order, may allow. A copy of the Service List may be obtained from the Monitor's Website together with copies of other materials related to this process.

This Notice is given by the Payless Canada Entities pursuant to the Meetings Order.

DATED this 20th day of September, 2019