

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.**

MOTION RECORD
(Returnable July 28, 2015)

July 27, 2015

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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.**

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 - (a) Draft Order
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 - (a) Exhibit "A" – June 30 Order
 - (b) Exhibit "B" – Chapter 15 Orders

Tab 1

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY**

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.**

NOTICE OF MOTION

Sherson Group Inc. ("**Sherson**") will make a motion to a judge presiding over the Commercial List on Tuesday, July 28, 2015 at 10 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.

1. **THE MOTION IS FOR** an Order, substantially in the form attached hereto as **Schedule "A"**, extending the time for filing of a Proposal by Sherson up to and including July 31, 2015 and such further and other relief as counsel may advise and this Court may permit.

1. **THE GROUNDS FOR THE MOTION ARE:**

- (a) Sherson is an Ontario corporation wholly-owned by Stephen Applebaum Inc., a holding corporation owned by Sherson's sole director and Chief Executive Officer, Stephen Applebaum ("**Applebaum**") and his family;
 - (b) Sherson is the Canadian wholesale and retail licensee of the "Nine West" brand, operates 43 retail stores and 2 factory outlet stores across Canada, operates the

ninewest.ca e-commerce site and acts as wholesaler to all other Canadian retailers carrying Nine West products;

- (c) Sherson has approximately 549 employees;
- (d) Sherson's secured lenders are Bank of Montreal ("**BMO**") and BDC Capital Inc. ("**BDC**");
- (e) BMO is owed approximately \$3,409,000 under an asset-based revolving operating line and a term facility, and BDC is owed \$3,040,000 under a term facility;
- (f) Applebaum and Stephen Applebaum Inc. are Sherson's third-ranking secured creditors, owed approximately \$3,800,000 between them;
- (g) Sherson sells Nine West products under a licence (the "**Licence**") from the Nine West Group. Nine West products are the large majority of what Sherson sells;
- (h) Sherson was and remains in default of certain payment obligations under the Licence which default permitted the Nine West Group to terminate the License at any time;
- (i) Sherson does not presently have the cash or credit necessary to cure its payment defaults under the Licence, which total approximately \$19 million;
- (j) on June 29, 2015 (the "**Filing Date**"), Sherson filed a Notice of Intention to Make a Proposal (the "**NOI**") pursuant to the *Bankruptcy and Insolvency Act* (the "**BIA**");
- (k) on June 30, 2015, Sherson obtained an *ex parte* order authorizing Richter Advisory Group Inc., in its capacity as proposal trustee (the "**Proposal Trustee**") in Sherson's BIA proposal proceedings (the "**Proposal Proceedings**") to act as the Foreign Representative of Sherson for the purpose of commencing

proceedings under Chapter 15 of the *United States Bankruptcy Code* to recognize and enforce the Proposal Proceedings in the U.S.;

- (l) on July 8, 2015, Judge Lane of the United States Bankruptcy Court, Southern District of New York, made a provisional order restraining all action classes of actions that are stayed in the Proposal Proceedings and a second order that scheduled a recognition hearing for July 27, 2015, which recognition hearing is expected to unopposed by Nine West Group or otherwise;
- (m) the 30th day following the Filing Date is July 29, 2015, by which date Sherson must file a proposal or obtained court extension of the time for filing of a proposal;
- (n) Sherson, with the oversight and assistance of the Proposal Trustee, has been working diligently to reach agreement with Nine West Group, acceptable to the Proposal Trustee, BMO, BDC and Applebaum, to preserve the business;
- (o) granting an extension of time to file a proposal will give it time to conclude such an agreement with the Nine West Group, which would in turn permit Sherson present a viable proposal to its creditors;
- (p) Sherson has been acting and continues to act in good faith and with due diligence in the Proposal Proceedings;
- (q) no creditor will be materially prejudiced by the extension sought;
- (r) the other grounds set out in the Affidavit of Stephen Applebaum sworn July 27, 2015;
- (s) sections 50.4, 64.2 and 183 of the BIA;
- (t) 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; and

(u) such further and other grounds as counsel may advise and this Court may permit.

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

- (a) the Affidavit of Stephen Applebaum sworn July 27, 2015;
- (b) first report to the court dated July 27, 2015 of the Proposal Trustee; and
- (c) such further and other material as counsel may submit and this Court may permit.

Date: July 27, 2015

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IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SHERSON GROUP INC.

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
(IN BANKRUPTCY AND INSOLVENCY)

Proceedings commenced at Toronto

NOTICE OF MOTION

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Tab 1(a)

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608


**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY**

THE HONOURABLE)	TUESDAY, THE 28 th DAY
)	
JUSTICE)	OF JULY, 2015

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.**

ORDER

THIS MOTION, made by Sherson Group Inc. ("**Sherson**"), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of Sherson, including the Affidavit of Stephen Applebaum sworn July 27, 2015 and the exhibits thereto, on reading the First Report to the Court of Richter Advisory Group Inc., in its capacity as proposal trustee (the "**Proposal Trustee**") in Sherson's *Bankruptcy and Insolvency Act* (the "**BIA**") proposal proceedings (the "**Proposal Proceedings**") dated July 27, 2015, and on hearing the submissions of counsel for Sherson, counsel for the Proposal Trustee, counsel for Bank of Montreal, counsel for BDC Capital Inc. and counsel for Jones Investment Co. Inc., Nine West Development Corporation and JAG Footwear, Accessories and Retail Corporation, no one else appearing although properly served as appears from the affidavit of , sworn July 27, 2014, filed,

SERVICE

1. **THIS COURT ORDERS** that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.

EXTENSION OF TIME

2. **THIS COURT ORDERS** that the time for the filing of a proposal by Sherson is hereby extended in accordance with section 50.4(9) of the BIA up to and including July 31, 2015.

SERVICE AND NOTICE

3. **THIS COURT ORDERS** 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/eservice-commercial/>) 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 ‘<http://www.richter.ca/en/folder/insolvency-cases/s/sherson-group-inc>’.

4. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, Sherson and the Proposal Trustee 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 Sherson’s creditors or other interested parties at their respective addresses as last shown on the records of Sherson 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

5. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist Sherson, the Proposal Trustee 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 provide such assistance to Sherson and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist Sherson and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

6. **THIS COURT ORDERS** that each of Sherson and the Proposal Trustee be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, including, without limitation, the United States Bankruptcy Court, Southern District of New York, in the proceedings initiated by the Proposal Trustee (in its capacity as Foreign Representative of Sherson in the Proposal Proceedings) under Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330 (Case No. 15-11765-SHL), for the recognition of this Order and for assistance in carrying out the terms of this Order, including the enforcement of the Administration Charge.

7. **THIS COURT ORDERS** that any interested party (including Sherson and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice 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.

IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SHERSON GROUP INC.

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
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ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

Proceedings commenced at Toronto

ORDER

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Tab 2

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL
OF SHERSON GROUP INC.**

AFFIDAVIT OF STEPHEN APPLEBAUM
(sworn July 27, 2015)

I, STEPHEN APPLEBAUM, of the City of Toronto, in the Province of Ontario, MAKE
OATH AND SAY AS FOLLOWS:

1. I am the Chairman, Chief Executive Officer and sole director of Sherson Group Inc. (“**Sherson**”) and, as such, I have knowledge of the matters to which I hereinafter depose. Where information contained in this affidavit is based on information I have received from other sources, I have stated the source of that information, and in all such cases I believe that information to be true.

2. This affidavit is made in a support of a motion by Sherson for an order, among other things, extending the time for filing of a proposal by Sherson up to and including July 31, 2015.

BACKGROUND ON SHERSON

3. Sherson is an Ontario corporation with head office at 1446 Don Mills Road, North York, Ontario. Sherson was formed by amalgamation on January 29, 2005.

4. Sherson is wholly-owned by Stephen Applebaum Inc. (“**SAI**”), a holding corporation owned by myself and my family.

5. Sherson and its corporate predecessors have been the Canadian wholesale and retail licensee of the “Nine West” brand for almost 30 years, operating under a license (the “**License**”) from its U.S. licensors, Jones Investment Co. Inc., Nine West Development Corporation and JAG Footwear, Accessories and Retail Corporation (collectively, the “**Nine West Group**”). Almost all of Sherson’s products are supplied by the Nine West Group.

6. Sherson operates 43 “Nine West” and “Nine West Studio” retail women’s shoe stores located in British Columbia, Alberta, Manitoba, Ontario, Quebec and Nova Scotia, as well as two factory outlet stores in Ontario. In addition, Sherson operates the ninewest.ca e-commerce site and is the wholesaler to all other Canadian retailers carrying Nine West products, as well as a number of other shoe and handbag brands licensed from the Nine West Group including, without limitation, Anne Klein, Easy Spirit and Bandolino.

7. Sherson has a distribution centre located at 150 Duncan Mills Road, Toronto.

STAKEHOLDERS

8. Sherson’s secured lenders are Bank of Montreal (“**BMO**”) and BDC Capital Inc. (“**BDC**”). BMO is owed approximately \$3,409,000 under an asset-based revolving operating line and a small term facility.

9. BDC, the second-ranking secured lender (on most collateral), is owed approximately \$3,040,000 under a term facility, pursuant to a credit letter agreement dated January 11, 2013.

10. I and SAI are also secured creditors of Sherson in the combined total amount of approximately \$3,800,000.

11. Sherson presently has 549 employees, 66% of whom are part time and 34% of whom are full time. These numbers can be further broken down as follows:

- (a) 46 employees at head office, all of whom are full time;
- (b) 427 retail employees, 74% of whom are part time;
- (c) 21 e-commerce employees, 15 of whom are part time; and

(d) 55 distribution centre employees, 33 of whom are part time.

12. Sherson uses ADP as its payroll provider. No Sherson employees are unionized and there is no pension plan.

13. Sherson has approximately 16 landlords. Sherson's two largest landlords, Cadillac Fairview and Ivanhoe Cambridge, account for just over half of all its leases.

FINANCIAL DIFFICULTY AND FILING

14. Sherson is in default of payment of certain accounts for product from Nine West Group and certain royalties under the License, totaling approximately \$19 million, which payables and royalties accrued, in part, as a result of a failed pricing and volume purchasing strategy implemented by Nine West Group. Sherson also suffered due to the sudden and sustained drop in value of the Canadian dollar in the Fall of 2014.

15. During the week of June 22, 2015, Sherson advised BMO and BDC that it intended to file a Notice of Intention to Make a Proposal under the BIA. In response, BMO delivered a demand and a notice of intention to enforce pursuant to the section 244 of the BIA. BMO delivered its demand and statutory notice on the morning of the date of filing (the "**Filing Date**") of Sherson's Notice of Intention to Make a Proposal pursuant to the BIA (the "**NOI**"), and Sherson signed back its consent to immediate enforcement the same day, but prior to filing of the NOI. I am advised by counsel that, as a result, BMO is not stayed in Sherson's *Bankruptcy and Insolvency Act* proposal proceedings (the "**Proposal Proceedings**").

16. The NOI was then filed in order to stabilize operations and conserve liquidity to give Sherson the opportunity to rationalize and restructure its business, and to, eventually, negotiate a proposal with Nine West Group and other creditors.

17. On June 30, 2015, Sherson obtained an *ex parte* order authorizing Richter Advisory Group Inc. ("**Richter**") in its capacity as proposal trustee (the "**Proposal Trustee**") in the Proposal Proceedings to act as the Foreign Representative of Sherson for the purpose of commencing proceedings under Chapter 15 of the *United States Bankruptcy Code* to recognize and enforce the Proposal Proceedings in the U.S. Copies of the Order and the endorsement of

Justice Newbould made June 30, 2015 are attached, collectively, as **Exhibit "A"** to this Affidavit.

18. On July 8, 2015, Judge Lane of the United States Bankruptcy Court, Southern District of New York, made a provisional order restraining all action classes of actions that are stayed in the Proposal Proceedings and a second order that scheduled a recognition hearing for July 27, 2015. Copies of these two United States Bankruptcy Court orders are attached, collectively, as **Exhibit "B"** to this Affidavit.

19. Sherson's US counsel has indicated that the July 27 recognition order has been granted.

DEVELOPMENTS SINCE FILING DATE

20. Immediately upon filing of the NOI, Sherson began to take steps to rationalize its business including:

- (a) disclaiming the lease to one non-profitable retail location;
- (b) terminating an unneeded shift of employees at its distribution center and reducing headcount at its head office;
- (c) continuing with several pre-planned store closures resulting from lease expiries;
and
- (d) commencing discussions with two potential retail lease consultants with the aim to restructure Sherson's lease portfolio,

all of which actions were taken in consultation with the Proposal Trustee.

21. Since the Filing Date, Sherson has also been in negotiations with Nine West Group regarding potential inventory purchase financing, resolution of the outstanding arrears, amendments to the License and, generally, how Nine West Group is willing and able to support the Sherson business as a going concern going forward. These discussions have either actively involved the Proposal Trustee or have been promptly reported to the Proposal Trustee.

22. BMO and BDC have also been kept informed by Sherson and by the Proposal Trustee of the progress of the discussions with Nine West. I am advised that they support the short extension of time to file a proposal that Sherson is seeking in order to allow Sherson to reach an agreement with Nine West Group acceptable to the Proposal Trustee, BMO, BDC and myself.


23. Sherson has been acting and continues to act in good faith and with due diligence in the Proposal Proceedings.

24. I believe that no creditor will be materially prejudiced by the extension requested, and that the stakeholders generally will be far better off if the business is preserved as a going concern through a proposal and/or a sale than they would be in a bankruptcy liquidation.

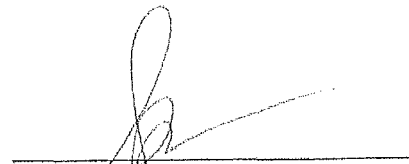
25. The Proposal Trustee has advised Sherson that it supports the motion for the relief set out in paragraph 2 of this Affidavit.

26. I swear this affidavit in support of Sherson's motion for the relief set out in paragraph 2 of this Affidavit and for no other or improper purpose.

SWORN BEFORE ME in the City of)
Toronto, Province of Ontario,)
this 27th day of July, 2015.)



A Commissioner, etc.

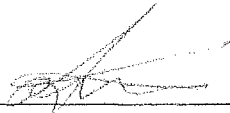


Stephen Applebaum

ANDREEA ANDREI, a
Commissioner, etc., Province of Ontario,
while a Student-at-Law.
Expires May 1, 2017

Tab 2(a)

Attached is Exhibit "A" Referred to in the
AFFIDAVIT OF STEPHEN APPLEBAUM
Sworn before me this 27th day of July, 2015



A Commissioner, etc.

ANDREEA ANDREI, a
Commissioner, etc., Province of Ontario.
while a Student-at-Law.
Expires May 1, 2017

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

THE HONOURABLE

JUSTICE

NEWMAN

TUESDAY, THE 30TH DAY

OF JUNE, 2015



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.

ORDER

THIS MOTION, made by Sherson Group Inc. ("Sherson") for an Order, *inter alia*:

~~(a) abridging the time for service of Sherson's Notice of Motion so that the motion is properly returnable on June 30, 2015;~~

(b) authorizing and empowering Richter Advisory Group Inc., in its capacity as proposal trustee (the "Proposal Trustee") in Sherson's *Bankruptcy and Insolvency Act* proposal proceedings (the "Proposal Proceedings") to act as a foreign representative of Sherson and the Proposal Proceedings (the "Foreign Representative") for the purpose of having the Proposal Proceedings recognized in a jurisdiction outside of Canada; and

(c) authorizing and empowering the Proposal Trustee, as Foreign Representative, to apply to the United States Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, 11 U.S.C. §§ 101-1330, as amended (the "*United States Bankruptcy Code*") and any other provision of the *United States Bankruptcy Code*,

was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Motion Record of Sherson, including the Affidavit of Stephen Applebaum sworn June 29, 2015 and the exhibits thereto, and on hearing the submissions of counsel for Sherson,

SERVICE

1. ~~THIS COURT ORDERS that the time for service and filing of the notice of motion and the motion record is hereby abridged and validated so that this motion is properly returnable today and hereby dispenses with further service thereof.~~ 2015

FOREIGN REPRESENTATIVE

2. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States, to give effect to this Order and to assist Sherson, the Proposal Trustee 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 provide such assistance to Sherson and to the Proposal Trustee, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Proposal Trustee in any foreign proceeding, or to assist Sherson and the Proposal Trustee and their respective agents in carrying out the terms of this Order.

3. **THIS COURT ORDERS** that the Proposal Trustee 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 the Proposal Proceedings for assistance in carrying out the terms of this Order, and the Proposal Trustee is authorized and empowered to act as a representative in respect of the Proposal Proceedings for the purpose of having the Proposal Proceedings recognized in a jurisdiction outside of Canada.

4. **THIS COURT ORDERS** that the Proposal Trustee is authorized and empowered, as a foreign representative of Sherson and the Proposal Proceedings, to apply to the United States

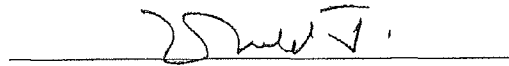
Bankruptcy Court for relief pursuant to Chapter 15 of the *United States Bankruptcy Code*, and any other provisions of the *United States Bankruptcy Code*.

GENERAL

5. **THIS COURT ORDERS** that any interested party (including Sherson and the Proposal Trustee) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice 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.

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

JUN 3 3 2015



IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF SHERSON GROUP INC.

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
IN BANKRUPTCY AND INSOLVENCY

Proceedings commenced at Toronto

ORDER

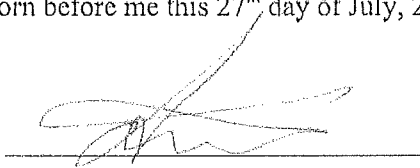
AIRD & BERLIS LLP
Barristers and Solicitors
Brookfield Place
Suite 1800, Box 754
181 Bay Street
Toronto, ON M5J 2T9

Sam Babe (LSUC # 49498B)
Tel: (416) 865-7718
Fax: (416) 863-1515
E-mail: sbabe@airdberlis.com

Lawyers for Sherson Marketing Corporation

Tab 2(b)

Attached is Exhibit "B" Referred to in the
AFFIDAVIT OF STEPHEN APPLEBAUM
Sworn before me this 27th day of July, 2015

A handwritten signature in dark ink, appearing to read 'Andreea Andrei', is written over a horizontal line.

A Commissioner, etc.

ANDREEA ANDREI, a
Commissioner, etc., Province of Ontario,
while a Student-at-Law.
Expires May 1, 2017

23352008.4

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

----- X	
In re:	: Chapter 15
	: :
SHERSON GROUP, INC.	: Case No. 15-11765 (SHL)
	: :
	: Hearing (if necessary):
Debtor in a Foreign Proceeding.	: July 16, 2015 at 11:00 a.m.
	: :
	: Objections Due:
	: July 14, 2015 by 5:00 p.m.
----- X	

ORDER TO SHOW CAUSE WITH FIRST PROVISIONAL ORDER GRANTING STAY

Upon the motion (the "Motion")¹ of Richter Advisory Group Inc., in its capacity as the proposal trustee ("Trustee") and foreign representative of Sherson Group, Inc. (the "Debtor") in the Matter of Intention to Make a Proposal (the "Canadian Matter") under Canada's *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended, ("BIA") filed in the Office of the Superintendent of Bankruptcy ("Superintendent") and in this case pursuant to chapter 15 of title 11 of the United States Code (the "Bankruptcy Code"), and pursuant to Rule 65 of the Federal Rules of Civil Procedure (the "Federal Rules"), made applicable to these proceedings through Rule 7065 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and sections 105(a), 1507, 1519, and 1521 of the Bankruptcy Code, for a provisional order to show cause with temporary restraining order and a preliminary injunction; and upon the *Verified Petition Under Chapter 15 for Recognition of a Foreign Main Proceeding* (and all exhibits appended thereto) (the "Verified Petition"); the Court finds and concludes solely for the purposes of this Order pending a

¹ Any capitalized term not otherwise defined in this order will have the meaning ascribed to such term in the Motion.

hearing on the preliminary injunction if an objection is filed to this Motion by the deadline set forth herein, as follows:

1. The Trustee commenced a case ancillary to a foreign proceeding on behalf of the Debtor with this Court pursuant to chapter 15 of the Bankruptcy Code;

2. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157 and venue is proper pursuant to 28 U.S.C. § 1410;

3. This Court, pursuant to sections 105(a), 1507, 1519 and 1521 of the Bankruptcy Code, Rule 7065 of the Bankruptcy Rules, and Rule 65 of the Federal Rules, may issue any order as may be necessary or appropriate to carry out the provisions of the Bankruptcy Code, including but not limited to issuing a temporary restraining order; and

4. From specific facts in the Verified Petition and by the Motion, it appears that

- a. immediate and irreparable injury, loss or damage would result to the Debtor before the adverse parties or those parties' attorneys can be heard in opposition;
- b. without the relief sought the Debtor will suffer litigation prejudice, distraction of key personnel, and diminution of property from the loss of key licensing and product sourcing rights; and
- c. the relief requested is in the best interests of the Debtor, its creditors and other parties in interest.

NOW THEREFORE, IT IS HEREBY ORDERED that a temporary restraining order is issued herefrom, on this 7th day of July, 2015 at 11:40 a.m., without notice, enjoining all Persons (as defined below), and all those acting for or on their behalf, from taking the following actions in the United States and its territories:

- (i) Taking any action or proceeding, directly or indirectly, to: (x) enforce rights to payment, claims, offsets, liens, charges, encumbrances, or interests against the Debtor, the Trustee, the Debtor's directors, or Debtor property or its estate or business, (y) obtain possession of property of the Debtor or property from the Debtor or (z) exercise control over the Debtor, its property or its business, pending further order of the Court;

- (ii) Discontinuing, failing to honor, altering, interfering with, repudiating, terminating or ceasing to perform any right, renewal right, contract, agreement, license or permit in favor of or held by the Debtor, including, without limitation, the License Agreement, pending further order of the Court;
- (iii) Discontinuing, altering, interfering with or terminating any oral or written agreement with the Debtor or statutory or regulatory mandate for the supply of goods and/or services, including without limitation all licensing, distribution, product supply, computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor's business or the Debtor, and the Debtor shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names; provided, in each case, that the contractual prices or charges for all such goods or services received after the Canadian Commencement Date are paid by the Debtor in accordance with ordinary payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider, the Debtor and the Trustee, or as may be ordered by the Canadian Court or as provided for expressly under the BIA; and
- (iv) Taking any action that would be in violation of any order of the Canadian Court or this Court,

until either (x) in the event an objection is filed in respect of the preliminary injunction and the Second Provisional Order, the conclusion of the Preliminary Injunction Hearing (defined below) or any adjournment thereof, or (y) if no objection is filed in respect of the preliminary injunction and the Second Provisional Order and the Preliminary Injunction Hearing is cancelled, the conclusion of the hearing on recognition scheduled for July 27, 2015 at 11:00 a.m. or any adjournment thereof; and it is further

ORDERED, that pursuant to Rule 7065 of the Bankruptcy Rules, the security provisions of Rule 65(c) of the Federal Rules be, and the same hereby are, waived; and it is further

ORDERED, that service of the Motion, Verified Petition, and this Order on July 7, 2015 by (a) hand delivery on the Office of the United States Trustee, Attn: Brian S. Masumoto; and (b) by overnight delivery service or email if pdf (if such addresses are known), on (i) all parties against whom injunctive relief is being sought pursuant to the relief herein, (ii) BOM and BDC, and (iii) all parties to litigation pending in the United States in which a Debtor is a party at the time of filing

of the chapter 15 petitions, shall constitute good and sufficient service and adequate notice of this Order; and it is further

ORDERED that, if an objection has been filed as contemplated by this order, pursuant to Rule 65 of the Federal Rules and Bankruptcy Rule 7065, a hearing on the Trustee's request for a preliminary injunction will be held before the Honorable Sean H. Lane, United States Bankruptcy Judge, in Room 701 of the United States Bankruptcy Court, Alexander Hamilton Custom House, One Bowling Green, New York, New York, 10004-1408, on July 16, 2015 (the "Preliminary Injunction Hearing") at 11:00 a.m., or as soon thereafter as counsel may be heard; and it is further

ORDERED, that objections, if any, to the Trustee's request for a preliminary injunction must be made in writing, shall conform to the Federal Rules of Bankruptcy Procedure and the Local Bankruptcy Rules for the Southern District of New York, shall set forth the basis for the objection and the specific grounds therefor, and shall be filed with the Court with a copy to Chambers, together with proof of service thereof, and shall be served in a manner so as to be received by 5:00 p.m. on July 14, 2015 by Blank Rome LLP, attorneys for the Trustee, The Chrysler Building, 405 Lexington Avenue, New York, New York 10174, and One Logan Square, 130 N. 18th Street, Philadelphia, PA 19103, Attention: Michael B. Schaedle.

Dated: July 8, 2015
New York, New York

/s/ Sean H. Lane
HON. SEAN H. LANE
UNITED STATES BANKRUPTCY JUDGE

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----	X
In re:	: Chapter 15
	:
SHERSON GROUP INC.,	: Case No. 15-11765 (SHL)
	:
Debtor in a Foreign Proceeding.	: Hearing: July 27, 2015 at 11:00 a.m.
	: Objections Due: July 20, 2015 at 5:00 p.m.
-----	X

**ORDER SCHEDULING HEARING ON VERIFIED CHAPTER 15 PETITION AND
SPECIFYING FORM AND MANNER OF SERVICE OF NOTICE OF HEARING**

Upon the application (the "Application")¹ of Richter Advisory Group Inc., the proposal trustee and foreign representative (the "Trustee") of Sherson Group Inc. (the "Company") in the Company's (the "Canadian Matter") under the Canadian Bankruptcy and Insolvency Act, R.S.C., 1985, c. B-3 (as amended, the "BIA") filed with the Office of the Superintendent of Bankruptcy ("Superintendent"), for entry of an order scheduling a hearing on the Trustee's chapter 15 petition and specifying the form and manner of service of notice of the hearing; it is hereby:

ORDERED, that the form of the Notice attached as **Exhibit "B"** to the Application is hereby approved; and it is further

ORDERED, that copies of the Notice, the Petition and the documents filed in support thereof (collectively, the "Service Documents") shall be served by United States mail, first-class postage pre-paid on or before **July 7, 2015**, upon the Chapter 15 Notice Parties in accordance with Rules 1010 and 7004(a) and (b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") at their last known addresses; and it is further

¹ Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Application.

ORDERED, that if any party files a notice of appearance in this case, the Trustee shall serve the Service Documents upon such party within ten (10) business days of the filing of such notice of appearance if such documents have not already been served on such party (or its counsel); and it is further

ORDERED, that service of the Service Documents in accordance with this Order, is hereby approved as adequate and sufficient notice, and service of the Service Documents on all interested parties; and it is further

ORDERED, that a hearing (the "Hearing") on the relief sought in the Petition as well as responses or objections, if any, to the Service Documents shall be held on **July 27, 2015 at 11:00 a.m. (EDT)**, or as soon thereafter as counsel shall be heard, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, New York, New York 10004, U.S.A.; and it is further

ORDERED, that responses or objections, if any, to the Service Documents must be in writing describing the basis therefore and shall be (i) filed with the Court electronically in accordance with General Order M-242 by registered users of the Court's electronic case filing system, and by all other parties in interest, on a 3.5 inch disc, preferably in Portable Document Format (PDF), Word Perfect or any other Windows-based word processing format, with hard copy to the Chambers of the Honorable Sean H. Lane, United States Bankruptcy Judge; and (ii) served upon Blank Rome LLP, 405 Lexington Avenue, New York, New York 10174 (Attention: Michael B. Schaedle, Esq.), United States counsel to the Trustee, Attn: Brian S. Masumoto, so as to be received **on or before 5:00 p.m. (EDT) on July 20, 2015**; and it is further

ORDERED, that replies in support of the relief sought in the Petition shall be filed with the Court **on or before 12:00 p.m. (EDT) on July 24, 2015**; and it is further

ORDERED, that the Hearing may be adjourned from time to time without notice other than an announcement in open court at the Hearing or the adjourned date of the hearing; and it is further

ORDERED, that all notice requirements specified in Bankruptcy Code section 1514(c) are hereby found to be inapplicable or are otherwise waived; and it is further

ORDERED, that service pursuant to this Order shall be good and sufficient service and adequate notice of the hearing to consider the Petition and the Trustee's request for an order granting recognition of the foreign proceeding as a "foreign main proceeding" and for relief, including the automatic stay.

Dated: New York, New York
July 8, 2015

/s/ Sean H. Lane

HON. SEAN H. LANE

UNITED STATES BANKRUPTCY JUDGE

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.**

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
Estate File No. 31-2010608

**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

AFFIDAVIT OF STEPHEN APPLEBAUM

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Sam Babe (LSUC # 49498B)
Tel: 416.865.7718
Fax: 416.863.1515
Email: sabe@airdberlis.com

Lawyers for Sherson Group Inc.

**IN THE MATTER OF THE NOTICE OF INTENTION TO MAKE A PROPOSAL OF
SHERSON GROUP INC.**

District of Ontario
Division No. 9 - Toronto
Court File No: 31-2010608
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**ONTARIO
SUPERIOR COURT OF JUSTICE
IN BANKRUPTCY AND INSOLVENCY**

MOTION RECORD

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