Court File No.: CV-16-11582-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF OLD PSG WIND-DOWN LTD., OLD BHR WIND-DOWN CORP., OLD BPSU WIND-DOWN CORP., OLD BPSDS WIND-DOWN CORP., OLD EBS WIND-DOWN CORP., OLD PLG WIND-DOWN CORP., OLD PSGI WIND-DOWN CORP., OLD BHR INC., OLD BH INC., OLD BPSU INC., OLD BPSCI INC., OLD BPSUSH INC., OLD EBS INC., OLD PLG INC., AND OLD PSGI INC.

(Applicants)

TWELFTH REPORT OF THE MONITOR

December 14, 2017

THORNTON GROUT FINNIGAN LLP
Toronto Dominion Centre
100 Wellington Street West, Suite 3200
Toronto, Ontario M5K 1K7

Robert I. Thornton (LSUC# 24266B)
Email: rthornton@tgf.ca / Tel: (416) 304-0560

Rachel Bengino (LSUC # 68348V)
Email: rbengino@tgf.ca / Tel: (416) 304-1153

Lawyers for Ernst & Young Inc.,
the Court-appointed Monitor

TABLE OF CONTENTS

Court File No.: CV-16-11582-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF OLD PSG WIND-DOWN LTD., OLD BHR WIND-DOWN CORP., OLD BPSU WIND-DOWN CORP., OLD BPSDS WIND-DOWN CORP., OLD EBS WIND-DOWN CORP., OLD PLG WIND-DOWN CORP., OLD PSGI WIND-DOWN CORP., OLD BHR INC., OLD BH INC., OLD BPSU INC., OLD BPSCI INC., OLD BPSUSH INC., OLD EBS INC., OLD PLG INC., AND OLD PSGI INC.

(Applicants)

TWELFTH REPORT OF THE MONITOR

December 14, 2017

INTRODUCTION AND BACKGROUND

1. On October 31, 2016 (the "**Petition Date**"), the Ontario Superior Court of Justice (Commercial List) (the "**Court**") granted an order (as amended and restated, the "**Initial Order**"), which, *inter alia*: (i) declared that Old PSG Wind-down Ltd. (formerly known as Performance Sports Group Ltd.) ("**PSG**") and certain of its subsidiaries and affiliates (collectively, the "**Applicants**")[1] were companies to which the *Companies' Creditors Arrangement Act* (the "**CCAA**")[2] applied; (ii) granted a stay of proceedings in favour of the Applicants until November 30, 2016 (the "**Stay of Proceedings**"); and (iii) appointed Ernst & Young Inc. as monitor of the Applicants (in such capacity, the "**Monitor**").

---

[1] The Applicants in the present proceedings are comprised of Old PSG Wind-down Ltd., Old BHR Wind-down Corp., Old BPSU Wind-down Corp., Old BPSDS Wind-down Corp., Old EBS Wind-down Corp., Old PLG Wind-down Corp., Old PSGI Wind-down Corp. (collectively, the "**Canadian Applicants**"), and Old BHR Inc., Old BH Inc., Old BPSU Inc., Old BPSCI Inc., Old BPSUSH Inc., Old EBS Inc., Old PLG Inc. and Old PSGI Inc. (collectively, the "**U.S. Applicants**").

It should be noted that since the inception of the proceedings herein, certain of the Applicants have been amalgamated and each of the Applicants has changed its name. An explanation of the changes and a reference to the former names of the Applicants can be found in the Monitor's Seventh Report, dated April 7, 2017, accessible at www.ey.com/ca/psg.

[2] *Companies' Creditors Arrangement Act,* RSC 1985, c. C-36, as amended.

2. On the same date, the Applicants commenced proceedings (the "**Chapter 11 Proceedings**") in the United States ("**U.S.**") under Chapter 11 of Title 11 of the *U.S. Code* (the "**U.S. Bankruptcy Code**")[3] in the Bankruptcy Court for the District of Delaware (the "**U.S. Court**").

3. By subsequent orders of the Court, the Stay of Proceedings has been extended to January 15, 2018.

4. PSG is a registrant and reporting issuer in accordance with applicable securities laws and its common shares (the "**Common Shares**") were listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "PSG" before trading was suspended by both exchanges on October 31, 2016. The New York Stock Exchange delisted the Common Shares effective November 28, 2016 and the Toronto Stock Exchange delisted the Common Shares effective December 8, 2016.

5. Background on the Applicants, including their business operations, causes of insolvency and various other matters were described in more detail in the affidavit of Mark Vendetti[4] sworn on October 31, 2016 in support of the Initial Order.

6. The Applicants conducted a comprehensive sale process for the sale of substantially all of their assets on a going concern basis that included a stalking horse asset purchase agreement dated as of October 31, 2016, as amended, for the sale of substantially all of the Applicants' assets to Peak Achievement Athletics Inc. (f/k/a 9938982 Canada Inc.), an acquisition vehicle co-owned by affiliates of Sagard Holdings Inc. and Fairfax Financial Holdings Limited. The closing of the sale was announced on February 28, 2017 (the "**Sale**").

7. On August 9, 2017, the Applicants filed an initial version of the Joint Chapter 11 Plan of Liquidation of Old BPSUSH Inc. and its affiliated debtors, an amended version of which was filed on August 25, 2017 (the "**Joint Plan**"), and an accompanying disclosure statement (the "**Disclosure Statement**"), with the U.S. Court. Further, on September 12, 2017, the Applicants filed a motion (the "**Solicitation Motion**") to approve the Disclosure Statement and solicitation procedures for soliciting votes on the Joint Plan (the "**Solicitation Procedures**"), which were approved by the U.S. Court on November 1, 2017.

---

[3] 11 U.S.C §§ 101 *et seq*.

[4] Mr. Vendetti was the chief financial officer and an executive vice president of PSG.

8. On September 27, 2017, this Court granted the Initial CCAA Approval Order (the "**Initial CCAA Approval Order**"), which authorized the Applicants to proceed in the CCAA Proceedings with their proposed path forward without filing a plan of compromise or arrangement under the CCAA.

9. On December 5, 2017, the Applicants filed a Plan Supplement (the "**Plan Supplement**"), which contained, among other things, the form of a Liquidation Trust Agreement, the form of a Cost Sharing Agreement, a schedule of deferred share units and restricted share units to be recognized as Parent Equity Interests under the Joint Plan, and the proposed amendments to PSG's articles to become effective upon the effective date of the Joint Plan (the "**Effective Date**").

10. Information regarding the Chapter 11 Proceedings, including copies of all orders entered by the U.S. Court in the Chapter 11 Proceedings, is located on a website managed by the Applicants' claims agent, Prime Clerk LLC ("**Prime Clerk**"), at the following URL: https://cases.primeclerk.com/psg/. Information and materials related to the Applicants' proceedings under the CCAA (the "**CCAA Proceedings**" and, together with the Chapter 11 Proceedings, the "**Restructuring Proceedings**"), including orders of the Court, are located on the Monitor's website at the following URL: www.ey.com/ca/psg (the "**Monitor's Website**").

11. As described in this twelfth report of the Monitor (the "**Twelfth Report**"), the Applicants are seeking an Order, *inter alia*, approving the Joint Plan and the distributions, transactions, releases, exculpations and injunctions contemplated therein and in the Plan Supplement (the "**CCAA Approval Order**"). Additionally, the Applicants are seeking an Order extending the Stay of Proceedings to December 31, 2018.

12. Any capitalized terms not otherwise defined herein have the respective meanings attributed to them in the Joint Plan. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars.

13. This Twelfth Report contains the following sections:

    a) Introduction and Background;
    b) Terms of Reference and Disclaimer;
    c) Update on the Restructuring Proceedings;
    d) Joint Plan;
    e) Disclosure Statement;

f) Solicitation Procedures;

g) Objections to the Joint Plan;

h) CCAA Approval Order;

i) Extension of Stay of Proceedings; and

j) Overall Comments and Conclusions.

TERMS OF REFERENCE AND DISCLAIMER

14. The Monitor has prepared several reports since the commencement of the Restructuring Proceedings, each of which is accessible on the Monitor's Website. This Twelfth Report should be read in conjunction with the previous reports.

15. In preparing this Twelfth Report and making the comments herein, the Monitor has been provided with, and has relied upon, certain unaudited, draft and/or internal financial information, company records, management prepared financial information and projections, discussions with the Applicants' advisors, including the Applicants' Chief Restructuring Officer (the "**CRO**"), Brian J. Fox of Alvarez & Marsal North America LLC ("**A&M**"), and other personnel from A&M and its affiliates (collectively, the "**Information**").

16. The Monitor has assumed the integrity and truthfulness of the Information and explanations provided to the Monitor, within the context in which they were presented. To date, nothing has come to the attention of the Monitor that would cause it to question the reasonableness of this assumption.

17. Finally, the Monitor has requested that the CRO bring to its attention any significant matters that were not otherwise addressed in the course of its specific inquiries. Accordingly, this Twelfth Report is based solely on the Information (financial or otherwise) provided to the Monitor.

18. Except as described in this Twelfth Report, the Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with generally accepted assurance standards or generally accepted standards for review engagements and, accordingly, the Monitor expresses no opinion or other form of assurance in respect of the Information.

19. In view of the purpose of this Twelfth Report, some of the financial information herein may not comply with generally accepted accounting principles.

20. Some of the information referred to in this Twelfth Report consists of forecasts and projections that were prepared based on A&M's current estimates and assumptions. Such estimates and assumptions are, by their nature, not ascertainable and as a consequence, no assurance can be provided regarding any such forecasted or projected results. Actual results will likely vary from the forecasts or projections, even if the estimates and assumptions materialize**,** and the variations could be significant.

21. The Monitor has prepared this Twelfth Report in its capacity as the Court-appointed Monitor in the CCAA Proceedings in order to provide additional information to the Court in connection with the CCAA Proceedings to date. This Twelfth Report is not appropriate for any other purpose and, consequently, it should not be used for any other purpose.

UPDATE ON THE RESTRUCTURING PROCEEDINGS

22. A summary of the principal substantive orders, motions, and other filings made in the Chapter 11 Proceedings since the date of the Monitor's Eleventh Report to the Court, dated September 26, 2017 (the "**Eleventh Report**") until December 11, 2017 is presented in **Appendix "A".**

23. Since the Eleventh Report, the Monitor has conducted the following activities:

- continued consulting with the Applicants and A&M regarding the reconciliation of the Canadian Claims;

- engaged in discussions with the Applicants and the Official Committee of Equity Security Holders (the "**Equity Committee**") with respect to, among other things, (i) the documents comprising the Plan Supplement; and (ii) the Class Plaintiff Stipulation (as defined and further discussed below);

- engaged in discussions with the Canada Revenue Agency and Quebec Revenue Agency with respect to (i) tax amounts owing by the Applicants and tax credits owing to the Applicants; and (ii) issuance of comfort letters;

- distributed funds held in escrow pursuant to directions delivered to the Monitor in accordance with the Escrow Agreement among BPS Luxembourg S.a.r.l. ("**Luxco**"), PSG and the Monitor dated February 20, 2017 and consented to the appointment of a liquidator over Luxco;
- observed discussions among the Applicants and its insurers with respect to certain Claims that have been asserted against the Applicants; and
- attended and participated in board meetings held by PSG's Board of Directors.

JOINT PLAN

Global Settlement

24. As described in the Eleventh Report, the Joint Plan provides, among other things, for the implementation of the global settlement (the "**Global Settlement**") that has been agreed to by the Applicants, the Equity Committee and the statutory committee of unsecured creditors (the "**Creditors' Committee**" and together with the Equity Committee, the "**Committees**"). The Global Settlement, among other things, (a) provides for the payment in full of all Allowed General Unsecured Claims without Post-Petition Interest, (b) resolves the treatment of Intercompany Claims and Equity Interests, (c) resolves the allocation of the Sale Proceeds among the Applicants and any disputes regarding the valuation of the Applicants, and (d) settles any dispute regarding substantive consolidation of some or all of the Applicants' estates.

25. Without the Global Settlement, certain of the Applicants would have liabilities that could exceed the likely allocation of value to that Applicant from the Sale Proceeds. Such an outcome could result in creditors of those Applicants not being paid in full (while creditors of other Applicants would be paid in full), even though Holders of Parent Equity Interests might receive distributions. Additionally, the cost of litigating the potential outstanding issues would significantly deplete the cash on hand from the Sale Proceeds. The Global Settlement avoids these complex and potentially costly issues.

26. To demonstrate the significance of the Global Settlement, the chart below provides the Applicants' current estimates of the recoveries that Holders of General Unsecured Claims are expected to receive assuming the Global Settlement is approved compared to estimated

recoveries that these creditors would be expected to receive in a liquidation under chapter 7 of the U.S. Bankruptcy Code:[5]

	Chapter 7 Liquidation		**Global Settlement under Plan**	
DEBTOR ESTATE (Using Pre-Petition Names)	**Low**	**High**	**Low**	**High**
Performance Sports Group Ltd.	100%	100%	100%	100%
Bauer Hockey Corp.	3%	3%	100%	100%
Bauer Hockey, Inc.	100%	100%	100%	100%
BPS Diamond Sports Corp.	2%	3%	100%	100%
BPS Diamond Sports Inc.	3%	3%	100%	100%
BPS Uniforms Corp.	4%	4%	100%	100%
BPS Uniforms Inc.	0%	0%	100%	100%
Bauer Performance Lacrosse Inc.	21%	23%	100%	100%
Bauer Performance Lacrosse Corp.	7%	7%	100%	100%
Bauer Hockey Retail Inc.	4%	4%	100%	100%
Bauer Hockey Retail Corp.	No claims filed	No claims filed	No claims filed	No claims filed
PSG Innovation Inc.	0%	0%	100%	100%
PSG Innovation Corp.	6%	6%	100%	100%
Easton Baseball / Softball Inc.	5%	5%	100%	100%
Easton Baseball / Softball Corp.	4%	4%	100%	100%
BPS US Holdings Inc.	100%	100%	100%	100%
KBAU Holdings Canada, Inc.	No claims filed	No claims filed	No claims filed	No claims filed
BPS Canada Intermediate Corp.	No claims filed	No claims filed	No claims filed	No claims filed

5 This chart can be found in the Disclosure Statement along with assumptions and other statements relevant to these estimates.

27. In exchange for the benefits of the Global Settlement, the Equity Committee agreed to a re-allocation from PSG to the other Applicants in the range of approximately $2 million to $4 million in value to elevate unsecured creditors' recoveries to 100% of Allowed Claims for all of the Applicants.

Class Claim Settlement

28. As discussed in the Eleventh Report, the Applicants and the Equity Committee filed objections to the Putative Securities Class Action Claim[6] in the Restructuring Proceedings. A hearing in connection with the objections was heard jointly by this Court and the U.S. Court on October 16, 2017. Following the hearing and prior to the release of a decision from the respective courts, the Applicants, Equity Committee and Lead Plaintiff engaged in extensive negotiations and ultimately agreed to the *Stipulation Resolving Securities Claims, Objections Thereto, Lead Plaintiff's Potential Plan Confirmation Objections, and Cross Motion to Apply Bankruptcy Rule 7023 to Putative Class Claim* (the "**Class Plaintiff Stipulation**") to resolve the objections to the Putative Securities Class Action Claim.

29. Pursuant to the Class Plaintiff Stipulation, the Applicants agreed to further amend the Joint Plan to, among other things, segregate the Lead Plaintiff and the Putative Class in a separate class of interests (Class P6, Securities Claims) and provide the Lead Plaintiff (on behalf of itself and the Putative Class) with a payment of (i) $1.15 million from the Sale Proceeds, and (ii) 40% of the Cause of Action Net Proceeds (recoveries from the Retained Causes of Action net of costs and expenses) up to a maximum aggregate amount of $2.5 million. On November 1, 2017, the U.S. Court entered an order approving the Class Plaintiff Stipulation.

Classes of Creditors

30. The Joint Plan classifies creditors and stakeholders of PSG in the following categories:

Class	**Claim or Equity Interest**	**Status**	**Voting Rights on the Joint Plan**
P1	Secured Claims	Unimpaired	Not Entitled to Vote
P2	Priority Non-Tax Claims	Unimpaired	Not Entitled to Vote
P3	SEC Claim	Claim Consensually Withdrawn	Not Applicable

[6] The Putative Securities Class Action Claim, as defined in the Joint Plan, relates to the proof of claim filed against PSG by the Plumbers & Pipefitters National Pension Fund (the "**Lead Plaintiff**"), purportedly on behalf of itself and a putative class of other claimants for alleged breaches of U.S. securities laws.

Class	Claim or Equity Interest	Status	Voting Rights on the Joint Plan
P4	General Unsecured Claims	Impaired	Entitled to Vote
P5	Intercompany Claims	Unimpaired	Not Entitled to Vote
P6	Securities Claims	Impaired	Entitled to Vote
P7	Parent Equity Interests	Impaired	Entitled to Vote

31. Further, the Joint Plan classifies creditors and stakeholders of the Subsidiary Debtors in the following categories:

Class	Claim or Equity Interest	Status	Voting Rights on the Joint Plan
1	Secured Claims	Unimpaired	Not Entitled to Vote
2	Priority Non-Tax Claims	Unimpaired	Not Entitled to Vote
3	General Unsecured Claims	Impaired	Entitled to Vote
4	Intercompany Claims	Unimpaired	Not Entitled to Vote
5	Intercompany Equity Interests	Unimpaired	Not Entitled to Vote

32. The only classes impaired by the Joint Plan (and thus entitled to vote on the Joint Plan pursuant to the U.S. Bankruptcy Code) are the Holders of (i) General Unsecured Claims, (ii) Securities Claims, and (iii) Parent Equity Interests. In accordance with the U.S. Bankruptcy Code, the unimpaired classes of creditors are deemed to accept the Joint Plan and are not entitled to vote.

General Unsecured Claims

33. Pursuant to the U.S. Bankruptcy Code, the Holders of General Unsecured Claims against solvent Applicants would otherwise be entitled to Post-Petition Interest but for the Global Settlement. Accordingly, Holders of General Unsecured Claims are impaired under the Joint Plan and are entitled to vote.

34. On the Effective Date, and subject to the Distribution Agent having received either a clearance certificate or comfort letter[7] from all applicable taxing authorities (or such other arrangements as

[7] A "comfort letter" is a letter from a governmental authority confirming that the person proceeding with a proposed distribution is not a "legal representative" as that term is contemplated under tax legislation for

are satisfactory to the Monitor), all Allowed General Unsecured Claims shall be paid in full. The Monitor has received a comfort letter from Canada Revenue Agency and anticipates receiving a similar letter from the Quebec Revenue Agency.

35. Pursuant to the Joint Plan, all General Unsecured Claims retain priority over all Equity Claims, until such General Unsecured Claims are paid in full (with the exception of Post-Petition Interest).

36. Once the Monitor had satisfied itself that appropriate provisions were in place to ensure the payment in full of all Allowed General Unsecured Claims, the Monitor has not played, and, in accordance with the terms of the Joint Plan, does not in future intend to play, an active role in relation to issues concerning the treatment of Parent Equity Interests, including, among other things, the governance and activities of the Liquidation Trust and PSG after the Effective Date. The Monitor regards all such issues to be within the purview of the mandate of the Equity Committee up to the Effective Date, and thereafter the Liquidation Trust Advisory Board or Board of Directors of the Reorganized Parent Debtor, as applicable.

Parent Equity Interests and the Liquidation Trust

37. Due to differing tax consequences in Canada and the U.S., Holders of Parent Equity Interests have been provided with the option under the Joint Plan of electing to receive distributions either from the Liquidation Trust or from the Reorganized Parent Debtor. The Liquidation Trust is intended to mitigate potential adverse U.S. income tax consequences that could arise for U.S. taxpayers who continue to own Parent Equity Interests.

38. Specifically, those Holders of Parent Equity Interests who are U.S. taxpayers were urged to elect to have their Parent Equity Interests mandatorily purchased and cancelled in exchange for Beneficial Interests in the Liquidation Trust (and a right to receive their *pro rata* share of any other Shareholder Distributable Assets) and receive distributions from the Liquidation Trust on account of such interests ("**Option 1**"). Those Holders of Parent Equity Interests who are Canadian residents for tax purposes were encouraged to retain their Parent Equity Interests in PSG and receive their *pro rata* share of Shareholder Distributable Assets on account of their Parent Equity Interests ("**Option 2**").

---

purposes of the obligation to obtain a clearance certificate prior to proceeding to a distribution, and/or that obtaining a clearance certificate is not required in the circumstances.

39. The Joint Plan additionally provides that, if any Holder of a Parent Equity Interest elects Option 1 and is subsequently determined to be a Canadian Holder of Parent Equity Interests and it is determined that the Liquidation Trust may be subject to adverse Canadian tax consequences as a result, then any transfer of Beneficial Trust Interests to such Canadian Holder and the cancellation of such Holder's Parent Equity Interests shall be void. Accordingly, this mechanism allows the Liquidation Trustee and Reorganized Parent Debtor to nullify an Option 1 election where such election might cause tax consequences to the Liquidation Trust.

40. A Liquidation Trustee will be appointed by the Equity Committee to act as trustee of the Liquidation Trust pursuant to the Liquidation Trust Agreement. Theseus Strategy Group LLC has been selected to act as the Liquidation Trustee. Theseus Strategy Group LLC is owned and controlled by Mark E. Palmer. The Monitor has reviewed Mr. Palmer's *curriculum vitae* and has engaged in discussions with him regarding his proposed appointment as Liquidation Trustee. The Liquidation Trustee will be responsible for administering the Liquidation Trust, including distributions therefrom.

41. Theseus Strategy Group LLC is also proposed to be appointed as Litigation Representative on behalf of the Liquidation Trust and Reorganized Parent Debtor. The Litigation Representative will have full power and authority to investigate, prosecute, settle or otherwise resolve the Retained Causes of Action, both on behalf of the Liquidation Trust and the Reorganized Debtors.[8] The Equity Committee believes that prosecuting the Retained Causes of Action may enhance recoveries for Holders of Parent Equity Interests. Further, the Equity Committee will appoint five individuals to sit on a Liquidation Trust Advisory Board, as set out in the Plan Supplement, with the consent of the Applicants and the Monitor and in consultation with the Creditors' Committee. The Equity Committee has advised the Monitor of those persons it intends to appoint to the Liquidation Trust Advisory Board.

42. As soon as practicable after the Effective Date, the Shareholder Distributable Assets (other than cash), shall vest in either the Liquidation Trust or the Reorganized Debtors in proportion to the percentages of Allowed Parent Equity Interests of those Holders that have selected either Option 1 or Option 2, respectively. The Liquidation Trustee and the Reorganized Parent Debtor shall take any reasonably necessary or appropriate actions to ensure that the Beneficial Holders of

---

[8] As defined in the Joint Plan, the Retained Causes of Action are causes of actions of the Applicants (other than those that were assigned to the Purchaser or have been settled or released under the Joint Plan).

Parent Equity Interests receive the same *pro rata* distributions of cash from either the Reorganized Parent Debtor or Liquidation Trust pursuant to the Joint Plan regardless of whether such Holders have elected Option 1 or Option 2 (other than potential differences attributable to the differing tax treatment of the Liquidation Trust and Reorganized Parent Debtor under U.S. and Canadian tax laws or the individual tax circumstances of Holders of Parent Equity Interest or Beneficial Trust Interests); provided, however, such actions shall not consider or otherwise compensate for the time-value of money, interim fluctuations in currency value, or certain tax liabilities of the Applicants.

43. Upon receipt of a Clearance Certificate, and subject to distributions contemplated by the Class Plaintiff Stipulation, the Distribution Agent may distribute to Holders of Allowed Parent Equity Interests the Shareholder Distributable Assets, which comprise proceeds from (a) any recoveries in the Retained Causes of Action, (b) any residual amounts remaining in the Liquidation Trust Expense Reserve (as described below), (c) any residual Sale Proceeds remaining after the Reserves are funded, the Allowed Claims are paid in full and all wind-down expenses have been paid, and (d) any other assets.

44. The Cost Sharing Agreement, a draft of which forms part of the Plan Supplement, is an agreement to be entered into between the Reorganized Parent Debtor and the Liquidation Trustee to provide a mechanism to allocate Wind-Down Expenses incurred after the Effective Date between the Reorganized Parent Debtor and the Liquidation Trust.

45. The Liquidation Trust is to be dissolved no later than five years from the Effective Date, unless otherwise extended by the U.S. Court.

Reserves

46. On the Effective Date, the Distribution Agent is required to fund the Reserves, which consist of the following: (a) the Liquidation Trust Expense Reserve, which is anticipated to be $6,000,000 (as set out in the Plan Supplement), subject to being adjusted up or down prior to the Confirmation Hearing, which will be used to pay the wind-down expenses of the Applicants and the Liquidation Trust; (b) the Holdback Amount Reserve for the payment of unpaid amounts asserted by the professionals payable in the Chapter 11 Proceedings (which shall be held by the Reorganized Parent Debtor); and (c) a reserve held on account of a Disputed or estimated Claim or Fee Claim. The Reserves are to be held by the Reorganized Parent Debtor until (1) the issuance of a Clearance Certificate (except in the case of the Holdback Amount Reserve); or (2)

the decision of the Board of Directors of the Reorganized Parent Debtor to disburse such Reserves that are held by the Reorganized Parent Debtor. The CCAA Approval Order will also seek confirmation of a reserve in the amount of $50,000 to the extent the Claim of William J. Milner (as represented by Proof of Claim number 442) is Allowed for any amounts payable up to the self-insured retention that is required under the insurance policy applicable to the Claim.

Corporate Governance

47. The Joint Plan provides that the existing officers and directors of each Applicant shall be deemed to resign on the Effective Date. Thereafter, the Equity Committee will select the board of directors of the Reorganized Parent Debtor, which shall consist of five directors. The Equity Committee has informed the Monitor that it intends to appoint the same members to the board of the Reorganized Parent Debtor as those intended to be appointed to the Liquidation Trust Advisory Board. Three of the proposed nominees are currently identified in the Plan Supplement. The board of directors of the Reorganized Parent Debtor will appoint directors to serve on the board of directors of each Subsidiary Debtor pending the Subsidiary Debtors' anticipated dissolution.

48. The Equity Committee is of the view that, considering that PSG is currently in default of applicable securities laws due to, among other things, its failure to timely file its Annual Report on Form 10-K for the fiscal years ended May 31, 2016 and May 31, 2017, respectively, and taken together with the fact that the Reorganized Parent Debtor will exist solely to liquidate its assets and distribute proceeds to its stakeholders and prosecute the Retained Causes of Action through the Liquidation Trustee, it is reasonable that the Applicants be authorized to avoid compliance with certain costly and time consuming reporting and disclosure requirements. Further, the proposed amended articles of PSG, as set out in the Plan Supplement, include restrictions on the transfer of the Applicants' common shares to be effective following the Effective Date. The proposed CCAA Approval Order provides that the Reorganized Parent Debtor and the Liquidation Trust shall not be required to comply with certain reporting and disclosure requirements under applicable corporate and securities laws during the CCAA Proceedings.[9]

---

[9] The Monitor understands that the Applicants have periodically updated the Ontario Securities Commission (the "**OSC**") throughout the Restructuring Proceedings and have recently discussed the Joint Plan, contemplated Solicitation Procedures and intended path forward in the CCAA Proceedings with the OSC. Further, the OSC and

49. A Chief Wind-Down Officer will also be selected by the Equity Committee to be appointed by the Reorganized Parent Debtor's board of directors. The Chief Wind-Down Officer will be responsible for winding-up, dissolving, amalgamating and/or merging the Applicants, other than the Reorganized Parent Debtor, as applicable. The Equity Committee has advised the Monitor that it intends to appoint Mark Palmer as the Chief Wind-Down Officer, who will also act as the Liquidation Trustee.

Condition Precedents to Joint Plan

50. In order for the Joint Plan to become effective, it is a condition that, among other things, the Court shall grant the CCAA Approval Order. It is anticipated that the Effective Date of the Joint Plan will be December 21, 2017, the business day immediately after the joint hearing to confirm the Joint Plan and approve the CCAA Approval Order.

Releases and Exculpation

51. On the Effective Date, the Monitor and other professionals and rank and file employees of the Applicants (other than directors and officers) will be released and discharged by the Applicants and Liquidation Trust from any Claims arising or that may arise against these parties by the Liquidation Trust or Applicants for actions that took place prior to the Petition Date.

52. Further, on the Effective Date, the Applicants, Monitor, Consumer Privacy Ombudsman, the Lead Plaintiff and the Committees will be released from any Claims arising or that may arise against these parties for actions that took place prior to the Effective Date by any Holder of a Claim that fails to opt out of the releases, except in the case of fraud or willful misconduct or gross negligence. The Solicitation Procedures, as further discussed below, include an option to opt-out of these releases, which the Monitor has been advised by the Applicants' U.S. counsel is typical in restructuring proceedings pursuant to the U.S. Bankruptcy Code.

53. Additionally, on the Effective Date, the Applicants, Monitor, Consumer Privacy Ombudsman and the Committees and their respective directors and officers will be exculpated from any liability to any Holder of a Claim or Equity Interest or any other party for any acts or omission arising after the date of the Initial Order until the Effective Date, except in the case of fraud,

---

Deputy Attorney General of British Columbia were also served with the Applicants' motion seeking the CCAA Approval Order.

wilful misconduct or gross negligence. The exceptions listed under s. 5.1(2) of the CCAA are excluded from such exculpation.[10]

DISCLOSURE STATEMENT

54. In connection with the Joint Plan, the U.S. Court approved the Applicants' Disclosure Statement. The Disclosure Statement is intended to serve a similar purpose to an information circular that would be filed in connection with a plan of compromise or arrangement under the CCAA. The Disclosure Statement is intended to provide stakeholders with adequate disclosure of the Applicants' financial circumstances and the impact of the Joint Plan to allow stakeholders to make informed decisions regarding voting to accept or reject the Joint Plan (if their claim is impaired). Among other things, the Disclosure Statement discusses the history of the Applicants' business operations, the events leading to the commencement of the Restructuring Proceedings, a description of various orders sought since the commencement of the Restructuring Proceedings, a summary of the sale process, a detailed summary of the Joint Plan, an analysis of the impact of the Joint Plan as compared to a liquidation under Chapter 7 of the U.S. Bankruptcy Code, a description of the tax impacts of the Joint Plan on the claims and interests and a discussion of certain risk factors associated with the Joint Plan.

55. In particular, the Disclosure Statement makes reference to potential tax consequences arising from the structure of the Joint Plan, specifically with respect to tax consequences relevant to Holders of Parent Equity Interests in selecting either Option 1 or Option 2 under the Joint Plan.

SOLICITATION PROCEDURES

56. Pursuant to the U.S. Bankruptcy Code the U.S. Court approved the Applicants' proposed Solicitation Procedures with respect to the Joint Plan.

57. The Applicants have conducted the Solicitation Procedures by mailing ballots and certain other notices to persons eligible to vote to accept or reject the Joint Plan. The deadline to submit a ballot to accept or reject the Joint Plan was December 12, 2017. The Applicants also published

[10] Section 5.1(2) of the CCAA provides that the compromise of claims against directors may not include claims that (a) relate to contractual rights of one or more creditors; or (b) are based on allegations of misrepresentations made by directors to creditors or of wrongful or oppressive conduct by directors.

notice of the Joint Plan and the Confirmation Hearing and CCAA Approval Order Hearing in *La Presse*, *The Globe and Mail*, *USA Today* and *The Wall Street Journal.*

OBJECTIONS TO THE JOINT PLAN

58. Prior to the objection deadline established by the U.S. Court, on December 12, 2017, the U.S. Internal Revenue Service ("**IRS**") filed an objection to the Joint Plan (the "**Objection**"). The Objection states that the IRS objects to the Joint Plan to the extent (i) it fails to preserve the setoff and recoupment rights of the IRS; (ii) it fails to pay interest on the IRS's administrative expense claims and tax claims; (iv) the Applicants retain the option to pay the IRS claim over five (5) years; and (v) it purports to set an administrative claim bar date for tax claims. The Objection further objects to the treatment of any IRS claims in the Joint Plan as a Bankruptcy Rule 9019 settlement pursuant to the U.S. Bankruptcy Code and opts out of the third party releases described in paragraph 51, above.

59. The Monitor understands that the Applicants intend to include provisions in the Confirmation Order to resolve the Objection.

60. The Initial CCAA Approval Order established a Canadian objection deadline of seven (7) business days prior to the hearing for the CCAA Approval Order, which was December 11, 2017. As of the date of this Twelfth Report, no party has indicated that it intends to object to the CCAA Approval Order.

CCAA APPROVAL ORDER

61. The Applicants are seeking the form of CCAA Approval Order, which approves the Joint Plan, the documents contained in the Plan Supplement, the Global Settlement, the Class Claim Settlement and other transactions, distributions and payments contemplated by the Joint Plan. It also approves the releases, exculpations and injunctions contained in the Joint Plan.

62. The CCAA Approval Order also seeks an extension of the Stay of Proceedings up to and including December 31, 2018 (the "**Stay Extension Period**"), as further described below.

63. The CCAA Approval Order also discharges the CCAA Charges (except the Administration Charge and Directors' Charge) on the Effective Date. The Administration Charge will be reduced from $7.5 million to $5 million. The Monitor also understands that the Applicants intend to modify the service version of the CCAA Approval Order to make the Litigation Representative and Chief Wind-Down Officer beneficiaries under the Administration Charge.

EXTENSION OF THE STAY OF PROCEEDINGS

64. The Applicants are seeking approval of the proposed Stay Extension Period. The Applicants require the extension of the Stay of Proceedings through the Stay Extension Period in order to, among other things, resolve Claims filed against the Applicants, distribute funds to Holders of Allowed Claims and implement other aspects of the Joint Plan.

65. As further described in the Monitor's previous reports, the Applicants and the Monitor have significant cash on hand from the Sale Proceeds. The administrative costs associated with winding up the Restructuring Proceedings during the Stay Extension Period will continue to be paid from these funds.

66. The Monitor is of the view that the Applicants are acting in good faith and with due diligence in continuing the CCAA Proceedings. The Monitor is also of the view that with the limited activities being carried on by the Applicants, a one year extension of the Stay of Proceedings is appropriate in the circumstances. As such, the Monitor supports the extension of the Stay of Proceedings to December 31, 2018.

OVERALL COMMENTS AND CONCLUSIONS

67. The Applicants are seeking an order approving the CCAA Approval Order, which will allow the Applicants to implement the Joint Plan and resolve these Restructuring Proceedings. The Monitor believes the CCAA Approval Order, Global Settlement, Class Claim Settlement and Joint Plan are reasonable and appropriate in the circumstances and will facilitate the Holders of Allowed General Unsecured Claims being paid in full (with the exception of Post-Petition Interest). The Monitor supports the relief sought by the Applicants and recommends that the Court grant the relief in the form sought by the Applicants.

All of which is respectfully submitted this 14th day of December, 2017.

ERNST & YOUNG INC.
Licensed Insolvency Trustee
In its capacity as the Monitor
in the matter of a proposed plan of compromise or
arrangement of Performance Sports Group Ltd. *et al.*

Per:

Brian M. Denega, CPA, CA, CIRP, LIT
Jean-Daniel Breton, CPA, CA, FCIRP, LIT
Martin Daigneault, CPA, CA, CIRP, LIT
Senior Vice-Presidents

Appendix “A”

Appendix "A"

OVERVIEW OF THE CHAPTER 11 PROCEEDINGS FROM THE FILING OF THE ELEVENTH REPORT ON SEPTEMBER 26, 2017 THROUGH AND INCLUDING DECEMBER 11, 2017

Introduction

1. A summary of certain of the principal substantive orders, motions, and other filings made in the Chapter 11 Proceedings during the period from and including September 26, 2017 through and including December 11, 2017 is provided below relating to fee applications and a variety of other matters.

2. A summary and discussion of the filings concerning the Joint Plan and the Putative Securities Class Action Claim are described on in the main body of this Twelfth Report.

Filings Relating to Fee Applications

Filing of Monthly Fee Applications

3. Pursuant to the order of the U.S. Court dated November 29, 2016 establishing procedures for interim compensation and reimbursement of expenses of professionals (the "**Compensation Order**"), the below-listed firms each filed monthly applications for compensation and reimbursement of expenses (each a "**Monthly Fee Application**") covering the time-periods, and requesting authorization to be paid the amounts, described in the chart below. Where indicated in the chart, a certificate of no objection (each a "**CNO**") was filed with respect to the Monthly Fee Application.[11]

Firm	Time Period	Total Amount Requested for Approval	CNO Filed?
Montgomery, McCracken, Walker & Rhoads, LLP ("**MMWR**")	August, 2017	USD 42,756.60	Yes
MMWR	September, 2017	USD 47,444.60	Yes
MMWR	October, 2017	USD 50,538.60	No
Province, Inc.	August, 2017	USD 49,602.50	Yes

[11] Pursuant to the Compensation Order, the Applicants are authorized, upon the filing of a CNO, to make an interim payment of 80% of fees and 100% of expenses requested in the relevant Monthly Fee Application.

Firm	**Time Period**	**Total Amount Requested for Approval**	**CNO Filed?**
Province, Inc.	September, 2017	USD 24,663.00	Yes
Province, Inc.	October	USD 29,675.42	No
A&M[12]	August, 2017	USD 350,093.22	Yes
A&M	September, 2017	USD 125,565.86	Yes
A&M	October, 2017	USD 74,442.06	Yes
Brown Rudnick LLP (“**Brown Rudnick**”)	August, 2017	USD 311,030.93	Yes
Brown Rudnick	September, 2017	USD 250,739.19	Yes
Brown Rudnick	October, 2017	USD 447,868.80	No
Cassels Brock & Blackwell LLP (“**Cassels**”)	August, 2017	CAD 38,058.97	Yes
Cassels	September, 2017	CAD 33,558.70	Yes
Cassels	October	CAD 21,658.85	No
McMillan LLP (“**McMillan**”)	August, 2017	CAD 195,262.63	Yes
McMillan	September, 2017	CAD 129,733.00	Yes
McMillan	October	CAD 80,491.50	No
Blank Rome LLP (“**Blank Rome**”)	August, 2017	USD 68,368.44	Yes
Blank Rome	September, 2017	USD 28,662.50	Yes
Blank Rome	October, 2017	USD 40,999.56	No
Young Conaway Stargatt & Taylor, LLP (“Young Conaway”)	August, 2017	USD 196,421.41	Yes
Young Conaway	September, 2017	USD 149,229.90	Yes
Young Conaway	October, 2017	USD 186, 715.55	No
Paul, Weiss, Rifkind, Wharton & Garrison LLP (“**Paul Weiss**”)	September, 2017	USD 245,827.16	Yes

[12] A&M’s requests for compensation and reimbursement are styled as “Monthly Compensation and Staffing Reports” and all fees and expenses requested therein relate solely to services provided in relation to the Chapter 11 Proceedings. A&M is being compensated separately for its services provided in relation to the CCAA Proceedings.

Firm	**Time Period**	**Total Amount Requested for Approval**	**CNO Filed?**
Paul Weiss	October	USD 473,863.81	No
Prime Clerk	September, 2017	USD 4,437.55	Yes
Prime Clerk	October, 2017	USD 4,585.05	No

4. CNOs were also filed with respect to the following Monthly Fee Applications which are further described in the Monitor's Eleventh Report:

   (a) Houlihan Lokey Capital, Inc.'s ("**Houlihan**") Monthly Fee Application for July, 2017;

   (b) Houlihan's Monthly Fee Application for August, 2017;

   (c) McMillan's Monthly Fee Application for July, 2017;

   (d) Cassel's Monthly Fee Application for July, 2017;

   (e) Blank Rome's Monthly Fee Application for July, 2017;

   (f) Paul Weiss's Monthly Fee Application for July, 2017;

   (g) Paul Weiss's Monthly Fee Application for August, 2017;

   (h) Brown Rudnick's Monthly Fee Application for July, 2017; and

   (i) Prime Clerk's Monthly Fee Application for May, June, July, and August.

Filing of Fee Examiner Reports

5. Pursuant to the order of the U.S. Court appointing M.J. Renick & Associates LLC as fee examiner for the Chapter 11 Proceedings (the "**Fee Examiner**"), the Fee Examiner issued reports summarizing its review of the below-listed firms' applications for interim compensation and reimbursement of expenses (each, an "**Interim Fee Application**") filed during the time period specified in each Interim Fee Application and recommended that the U.S. Court approve such Interim Fee Applications in the amounts listed below.

Firm Subject to the Fee Examiner's Report	**Relevant Interim Fee Application**	**Total Amount Requested for Approval**	**Total Amount Recommended for Approval by Fee Examiner**
Blank Rome	May 1 – July 31, 2017	USD 90,843.47	USD 89,143.47
MMWR	February 1 – April 30, 2017	USD 91,991.57	USD 89,332.57
MMWR	May 1, 2017 – July 31, 2017	USD 95,414.17	USD 92,914.17
Province, Inc.	May 1, 2017 – July 31, 2017	USD 213,366.05	USD 206,866.05
Houlihan	May 1, 2017 – July 31, 2017	USD 675,108.11	USD 675,108.11
McMillan	February 1 – April 30, 2017	CAD 183,184.50	CAD 183,184.50
McMillan	May 1, 2017 – July 31, 2017	CAD 237,158.00	CAD 229,658.00
Young Conaway	May 1, 2017 – July 31, 2017	USD 349,794.25	USD 349,194.25
Cassels	May 1, 2017 – July 31, 2017	CAD 69,758.03	CAD 67,758.03
Paul Weiss	May 1, 2017 – July 31, 2017	USD 1,294,883.47	USD 1,264,019.96
Brown Rudnick	May 1, 2017 – July 31, 2017	USD 1,007,955.43	USD 981,561.43

Orders Approving Interim Fee Applications

6. Additionally, the U.S. Court entered orders approving the following Interim Fee Applications:

(a) Brown Rudnick's Interim Fee Application covering the period of February 1, 2017 to April 30, 2017 in the total amount of USD 884,749.94;

(b) Houlihan's Interim Fee Application covering the period of February 1, 2017 to April 30, 2017 in the total amount of USD 678,146.09;

(c) McMillan's Interim Fee Application covering the period of November 28, 2016 to January 31, 2017 in the total amount of CAD 189,204.60;

(d) MMWR's Interim Fee Application covering the period of November 29, 2017 to January 31, 2017 in the total amount of USD 105,181.57;

(e) Blank Rome's Interim Fee Application covering the period of February 1, 2017 to April 30, 2017 in the total amount of USD 296,731.37;

(f) Cassels Brock & Blackwell LLP's Interim Fee Application covering the period of February 1, 2017 to April 30, 2017 in the total amount of CAD 892,883.60;

(g) Province, Inc.'s Interim Fee Application covering the period of February 1, 2017 to April 30, 2017 in the total amount of USD 357,598.50;

(h) Centerview Partner LLC's Interim Fee Application covering the period of February 1, 2017 to February 28, 2017 in the total amount of USD 151,390.54;

(i) KPMG LLP's Interim Fee Application covering the period of February 1, 2017 to March 31, 2017 in the total amount of USD 36,988.70;

(j) The Fee Examiner's Interim Fee Application covering the period of December 28, 2017 to April 30, 2017 in the total amount of USD 52,535.90;

(k) Paul Weiss's Interim Fee Application covering the period of February1, 2017 through April 30, 2017 in the total amount of USD 3,805,856.56;

(l) Prime Clerk's Interim Fee Application covering the period of January 1, 2017 through April 30, 2017 in the total amount of USD 775,80; and

(m) Young Conaway's Interim Fee Application covering the period of February 1, 2017 through April 30, 2017 in the total amount of USD 533,275.52.

Other Matters

7. The below filings have also been made since the filing of the Monitor's Eleventh Report.

(a) *Order Further Extending Removal Period* – an order extending the time within which the Applicants may file notices of removal of certain claims and causes of action to the U.S. Court through and including January 25, 2018.

(b) *Filing of the Applicants' August, September, and October Monthly Operating Reports* – the Applicants filed monthly operating reports for August, September, and October.

(c) *Order Approving Stipulation Between the Applicants and Kibo Software, Inc.* – an order approving a stipulation between the Applicants and Kibo Software, Inc. ("**Kibo**") pursuant to which the parties agreed, among other things, to the early termination of a certain web services agreement in exchange for the Applicants paying Kibo, as an administrative expense claim, damages in the amount of USD 275,000.

(d) *Second Order Authorizing the Rejection of Contracts* – an order authorizing the rejection of a certain Master Agreement, dated August 31, 2014, by and between Bauer Hockey, Inc. and Epicor Retail Solutions Corporation (now known as Aptos Canada, Inc.).

(e) *Notice of Intent to Sell, Trade or Otherwise Transfer an Equity Interest* – a notice filed by New Generation Advisors, LLC that it proposes to sell, trade, or otherwise transfer 1,619,302 shares of PSG stock.

(f) *Order Approving Stipulation Among Applicants, Equity Committee, and Certain of the Applicants' Former Directors* – an order approving a stipulation between the Applicants, the Equity Committee, and certain former directors of PSG pursuant to which the parties agreed, among other things, to estimate certain indemnification claims asserted by such former directors' at $0.00 for the purposes of voting and making distributions under the Joint Plan.

(g) *Notice of Fourth Statement of Payments Made to Ordinary Course Professionals From August 1, 2017 to October 31, 2017* – a statement made by the Applicants that no payments were made to ordinary course professionals pursuant to the U.S. Court's Order Authorizing the Employment and Payment of Professionals Used in the Ordinary Course of Business [Dkt. 326] during the period from August 1, 2017 to October 31, 2017.

(h) *Order Disallowing Claims as Set Forth in the Applicants' First Omnibus Objection to Certain Claims (Non-Substantive)* – an order sustaining the Applicants' objection to certain amended and duplicate claims, as listed on Exhibits A and B of the order, respectively, and disallowing and expunging such claims in full.

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 PERFORMANCE SPORTS GROUP LTD. et al

Court File No.: CV-16-11582-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced at Toronto

TWELFTH REPORT OF THE MONITOR

December 14, 2017

Thornton Grout Finnigan LLP
TD West Tower, Toronto-Dominion Centre
100 Wellington Street West, Suite 3200
Toronto, ON M5K 1K7
Fax: (416) 304-1313

Robert I. Thornton (LSUC# 24266B)
Email: rthornton@tgf.ca / Tel: (416) 304-0560

Rachel Bengino (LSUC # 68348V)
Email: rbengino@tgf.ca / Tel: (416) 304-1153

Lawyers for Ernst & Young Inc.,
the Court-appointed Monitor