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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD., PERFORMANCE SPORTS GROUP LTD., BAUER HOCKEY CORP., BAUER HOCKEY RETAIL CORP., BAUER PERFORMANCE SPORTS UNIFORMS CORP., BPS CANADA INTERMEDIATE CORP., BPS DIAMOND SPORTS CORP., EASTON BASEBALL/SOFTBALL CORP., KBAU HOLDINGS CANADA, INC., PERFORMANCE LACROSSE GROUP CORP., PSG INNOVATION CORP., BAUER HOCKEY RETAIL INC., BAUER HOCKEY, INC., BAUER PERFORMANCE SPORTS UNIFORMS INC., BPS DIAMOND SPORTS INC., BPS US HOLDINGS INC., EASTON BASEBALL/SOFTBALL INC., PERFORMANCE LACROSSE GROUP INC., PSG INNOVATION INC.

(the "Applicants")

FIRST REPORT OF THE MONITOR

November 28, 2016

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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, the "**Initial Order**"), among other things: (i) declaring that 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* ("***CCAA***")[2] applied; (ii) granting certain relief including, *inter alia*, a stay of proceedings in favour of the Applicants until November 30, 2016 (the "**Stay of Proceedings**"); and (iii) appointing Ernst & Young Inc. ("**EY**") as monitor (in such capacity, the "**Monitor**") of the Applicants.

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

3. PSG is a public corporation whose securities were traded on the New York and the Toronto Stock Exchanges under the symbol "PSG" before trading was suspended by both exchanges on October 31, 2016. The Toronto Stock Exchange announced on November 8, 2016 that it will delist the securities effective December 8, 2016, and the New York Stock Exchange has announced that it will apply to delist the securities.

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

5. Information regarding the Chapter 11 Proceedings, including copies of the "first day" orders entered by the U.S. Court are located on a website managed by the Applicants' claims agent, Prime

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[1] The Applicants in the present proceedings are comprised of Performance Sports Group Ltd., Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Baseball/Softball Corp., KBAU Holdings Canada, Inc., Performance Lacrosse Group Corp., PSG Innovation Corp., Bauer Hockey Retail Inc., Bauer Hockey, Inc., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS Us Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., PSG Innovation Inc.

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

[3] 11 U.S.C §§ 101 *et seq*.

[4] Mr. Vendetti is PSG's chief financial officer and an executive vice president.

Clerk LLC ("**Prime Clerk**"), at the following URL: https://cases.primeclerk.com/psg/ (the "**Prime Clerk Website**"). Information regarding the Applicants' proceedings under the CCAA (the "**CCAA Proceedings**", and together with the Chapter 11 Proceedings, the "**Restructuring Proceedings**"), including court orders and other materials related to the proceedings, are on the Monitor's website at the following URL: www.ey.com/ca/psg (the "**Monitor's Website**").

6. The Applicants have filed two motions[5] seeking approval of:

   (a) an asset purchase agreement, which would act as a stalking horse agreement ("**SH Agreement**"), for a going concern sale to 9938982 Canada Inc. ("**SH Purchaser**"), a company co-owned by Sagard Holdings Inc. and Fairfax Financial Holdings Limited;

   (b) bidding procedures with respect to the sale of substantially all of the Applicants' assets ("**Bidding Procedures**");

   (c) an extension of the Stay of Proceedings until February 28, 2017;

   (d) the Cross Border Protocol (defined below);

   (e) the Refinancing (defined below)

   (f) the engagement letter dated August 19, 2016 ("**CV Engagement Letter**") between the Applicants and Centerview Partners LLC ("**Centerview**") and extending the benefit of the Administration Charge to the fees and compensation owing under the CV Engagement Letter, including the success fee contemplated therein;[6]

   (g) the payment of severance obligations in the ordinary course during the CCAA Proceedings;[7]

   (h) granting super-priority to the Administration Charge, Directors' Charge, the ABL DIP Charge, the Intercompany Charge (as those terms are defined in the Initial Order) and the Term Loan DIP Charge (collectively, the "**Charges**"); and

---

[5] Motions titled "**Motion re Bid Procedures**" dated October 31, 2016 and "**Comeback Motion**" dated November 11, 2016.

[6] The Monitor has been advised that this approval has been adjourned and will be addressed at a later date.

[7] The Monitor has been informed that the authorization that will be sought by the Applicants in this regard will be limited to the payment of severance to former employees, to a maximum of $12,850 for each affected former employee.

(i) allocating the Administration Charge between the Fixed Asset (Term) Priority Collateral and the ABL Priority Collateral (as those terms are defined in the Initial Order).

This first report of the Monitor (the "**First Report**") provides the Court with information relevant to the *CCAA* Proceedings to date, in particular the matters referred to above.

7. This First Report is presented under the following headings:

(a) Introduction and background;
(b) Terms of reference and disclaimer;
(c) Overview of the Restructuring Proceedings to date;
(d) Cross Border Protocol;
(e) Comparison of actual and projected cash flow results;
(f) Cash Flow Projections for the 18 weeks period from October 31, 2016 to March 3, 2017;
(g) Extension of the stay of proceedings;
(h) Payment of severance to employees;
(i) CV Engagement Letter;
(j) Term Loan DIP Charge;
(k) Refinancing;
(l) Charges;
(m) Allocating the Administration Charge between collateral classes;
(n) Stalking Horse Agreement;
(o) Comments of the Monitor on the Stalking Horse Agreement;
(p) Bidding Procedures; and
(q) Overall comments and conclusions.

TERMS OF REFERENCE AND DISCLAIMER

8. EY prepared a report dated October 31, 2016 as the proposed monitor in the CCAA Proceedings ("**Pre-Filing Report**"), accessible on the Monitor's Website. The First Report should be read in conjunction with the Pre-Filing Report. A copy of the Pre-Filing Report (without appendices) is attached as **Appendix "A"**.

9. In preparing this First 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 management and employees of the Applicants, and information from other third party sources, including the Applicants' Chief Restructuring Officer, Brian J. Fox of Alvarez & Marsal North America LLC and other personnel from Alvarez & Marsal North America LLC and its affiliates ("**CRO**") (collectively, the "**Information**").

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

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

12. Except as described in this First 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 and accordingly the Monitor expresses no opinion or other form of assurance in respect of the Information.

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

14. Some of the information referred to in this First Report consists of forecasts and projections that were prepared based on management'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 the forecasted or projected results. Indeed, the reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.

15. The Monitor has prepared this First 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. The reader is cautioned that this First Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.

16. Unless otherwise stated, all monetary amounts contained herein are expressed in U.S. dollars and all terms not otherwise defined herein shall have the meaning ascribed to them in the Initial Order.

OVERVIEW OF THE RESTRUCTURING PROCEEDINGS TO DATE

17. Since the Initial Order, the Monitor has conducted the following activities:

    (a) established the Monitor's Website and populated it with: (i) the motion materials filed by the Applicants to date, (ii) the Initial Order, (iii) the Pre-Filing Report, (iv) the current service list, (v) a preliminary list of creditors with claims in excess of CDN$1,000, and (vi) the SH Agreement. There is also a link to the Prime Clerk Website and the Applicant's restructuring webpage;

    (b) arranged for publication of the CCAA Proceedings on November 14 and November 21, 2016 in the *Globe and Mail* (National Edition) and *Le Devoir*, and on November 18 and November 25, 2016 in the global edition of the *Wall Street Journal*, respectively. Copies of these notices are attached as **Appendix** "**B**".

    (c) arranged, through Prime Clerk, the mailing to the Applicants' creditors of a notice of the CCAA Proceedings, Initial Order and the Monitor's Website. A copy of this notice is attached as **Appendix** "**C**".

    (d) responded to queries from various stakeholders, dealt with supplier issues and monitored the Chapter 11 Proceedings and sale process;

    (e) worked and continues to work with the Applicants and their advisors to review the Applicants' actual cash flows as compared to the Applicants' projected cash flow filed in support of the application for the Initial Order;

    (f) reviewed the Applicants' disbursements as contemplated in the Initial Order;

(g) pursuant to paragraph 6(c) of the Initial Order, the Applicants are authorized to pay certain amounts to prevent potential lien claimants from asserting possessory liens with the Monitor's prior consent. The Monitor, with the assistance of its legal counsel, has implemented a protocol by which the Monitor will investigate such requests and, where appropriate, provide such consent;

(h) the Monitor and the Monitor's counsel attended a telephonic hearing in the Chapter 11 Proceedings in respect of procedural matters affecting joint hearings in the Restructuring Proceedings;

(i) assisted in considering the most efficient form of a claims process for the dual proceedings, and a cross-border claims protocol; and

(j) assisted with the facilitation of a request from this Court and the U.S. Court to have all joint hearings connected through video conferencing.

18. Since the Initial Order, the Applicants have undertaken the following restructuring activities:

(a) initiated a sale process with the assistance of their financial advisor, Centerview. The Monitor is participating in this process. Centerview reports it has already communicated with several prospective purchasers and as at November 21, 2016, had contacted 105 potentially interested parties, of which 25 have signed a non-disclosure agreement ("**NDA**") with the Applicants and another 5 parties are in the process of negotiating a NDA with the Applicants. The Monitor reviewed Centerview's list of prospective purchasers and suggested additional parties, which were taken into account;

(b) a special committee of members of PSG's Board of Directors (the "**Special Committee**") oversees the Applicants' restructuring activities. The Monitor requested to be involved on all calls or meetings held by the Special Committee in respect of the sales process. The Applicants agreed to such participation commencing November 17, 2016; and

(c) the Applicants continue to engage in discussions with the SH Purchaser to identify contracts and other non-contractual liabilities the SH Purchaser intends to assume and other details in the event the SH Purchaser is the successful purchaser in the sales process.

19. As additional background with respect to the Applicants' commencement of the Restructuring Proceedings, the Monitor has been advised of the following:

(a) as discussed in the Initial Affidavit, PSG failed to file its audited financial statements for the fiscal year ended May 31, 2016 by the filing deadline of August 15, 2016. This led to a default under the Applicants' various loan agreements and facilities with their secured lenders. On or about August 14, 2016, PSG's board of directors formed the Special Committee composed of three independent board members to identify all possible courses of action to deal with the Applicants' financial difficulties. Subsequently, on August 19, 2016, the Special Committee hired Centerview to assist in assessing different strategic alternatives available to the Applicants after having previously researched and interviewed potential candidates to act as their independent financial advisor;

(b) on September 2, 2016, PSG and Sagard Capital Partners, L.P. ("**Sagard**"), PSG's largest shareholder, terminated Sagard's shareholder nomination agreement. The Sagard representative on PSG's board of directors resigned July 25, 2016, which was prior to the formation of the Special Committee and hiring Centerview to assess PSG's strategic alternatives; and

(c) as of the current date, an extensive data room has been compiled by the Applicants with the assistance of Centerview and made available to all prospective bidders who sign a NDA. The data room is comprised of various public and non-public information, including data that the Sagard representative, as a prior board member, may have had earlier access to. Certain strategic bidders may be precluded from accessing sensitive competitive information, as is typical in such processes.

20. The Applicants have requested the Monitor's consent to pay certain claims giving rise to non-possessory liens that were registered post-filing. To date, no lien payments have been authorized or paid and the Monitor will review and consider each request on a case by case basis.

21. As noted above, the Applicants commenced the Chapter 11 Proceedings on the Petition Date. U.S. Bankruptcy Court Judge Kevin J. Carey presides over the Chapter 11 Proceedings. The motions made in the context of these proceedings to date are outlined in **Appendix "D"**.

CROSS BORDER PROTOCOL

22. The Applicants request approval of a Cross Border protocol ("**Cross Border Protocol"** or **"Protocol"**), a copy of which is attached as Exhibit "A" to the affidavit of Brian J. Fox sworn November 13, 2016 in support of the Comeback Motion ("**Fox Comeback Affidavit**").[8] The Fox Comeback Affidavit summarizes the goals and objectives of the Cross Border Protocol.

23. There have been several amendments to the original draft of the cross border restructuring protocol, which now reflect a consensus following discussions among the parties.

24. The Monitor is of the view that the terms of the Cross Border Protocol are consistent with and will assist in achieving the Protocol's goals and objectives. The Monitor supports the approval and implementation of the Cross Border Protocol.

COMPARISON OF ACTUAL AND PROJECTED CASH FLOW RESULTS

25. Pursuant to its duties as set out in the Initial Order, the Monitor has monitored the Applicants' receipts and disbursements since the commencement of the CCAA Proceedings. Attached as **Appendix "E"** to this First Report, and summarized below, is a statement of receipts and disbursements for the period from October 31 to November 18, 2016 (3 weeks) with a comparison to the weekly cash flow projections that was appended to the Pre-Filing Report ("**Cash Flow Forecast**").

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[8] Note that Brian J. Fox swore two affidavits in support of the Motions of the Applicants, both dated November 13, 2016, namely an affidavit in support of the Comeback Motion ("**Fox Comeback Affidavit**") and an affidavit in support of the Motion re Bid Procedures ("**Fox BP Affidavit**").

Performance Sports Group Ltd. and its Applicant subsidiaries Comparison of actual and projected receipts and disbursements For the period from October 31 to November 18, 2016 (3 weeks) In US $000's			
	Actual	**Budget**	**Variance**
Cash receipts	30,997	23,099	7,898
Cash disbursements	(8,736)	(27,960)	19,224
Excess of receipts over disbursements	22,261	(4,862)	27,123
Opening cash	3,202	-	3,202
Cumulative cash balance	**25,462**	**(4,862)**	**30,324**
Cash application			
ABL Facility draw / (paydown)	(28,971)	(23,099)	(5,873)
ABL DIP Facility draw / (paydown)	10,190	35,460	(25,270)
Ending cash balance	**6,681**	**7,500**	**(819)**
ABL balance			
ABL Facility	129,865	138,444	8,580
ABL DIP Facility	10,190	35,460	25,270
Ending total	140,055	173,905	33,850
Borrowing Base	175,960	192,250	(16,290)
ABL Availability	**35,906**	**18,345**	**17,561**

The actual results to date indicate a favourable variance in receipts and disbursements of $27.1 million and a variance arising from the additional cash on hand of $3.2 million at October 31, 2016. These variances do not result in additional liquidity of $30.3 million, as the favourable variances in receipts cause a decrease in the borrowing base and thus on the available credit. The additional liquidity generated from the favourable variances is reported to be $16.7 million.

26. The cash flow variance for the period is principally attributable to:

(a) *opening balances* (favourable variances of $3.2 million in cash and of $2.7 million in the ABL Facility balance) - The Applicants' collections were higher than anticipated in the week ended October 28, 2016 resulting in a favourable variance as at October 31, 2016;

(b) *receipts* (favourable variance of $7.9 million) - The Applicants attribute the variance to timing differences; and

(c) *disbursements* (favourable variance of $19.2 million): The Applicants attribute the variance to timing differences. The variances relate primarily to payments for current purchases, which are continuing to be paid on normal credit terms, and amounts due to foreign and domestic essential suppliers, for which delays are being encountered in implementing the payments that were contemplated in the Cash Flow Forecast.

27. Although the aggregate favourable variance in receipts and disbursements is reported to be $27.1 million, the cash on hand at November 18, 2016 is $819K lower than the projected amount, in view of the fact that the Applicants repaid $29.0 million (or $5.9 million more than projected) of the ABL Facility and borrowed $10.2 million (or $25.3 million less than projected) from the ABL DIP Facility.

28. Overall, the Applicants' liquidity position appears, to date, to be more favourable than originally projected, by $16.7 million. The Applicants are of the view that the improvement in liquidity is largely due to timing differences that will reverse in the near term.

29. The Applicants are preparing an updated projected statement of cash flow to assess the impact that the favourable results to date will have on PSG's liquidity needs; however this updated cash flow projection is not yet available.

CASH FLOW PROJECTIONS FOR THE 18 WEEKS PERIOD FROM OCTOBER 31, 2016 TO MARCH 3, 2017

30. The Cash Flow Forecast was prepared by the Applicants, in consultation with the CRO, and covered the period from October 1, 2016 to January 27, 2017. The Cash Flow Forecast actually extended beyond that date although only the portion considered relevant for the purposes of the Initial Order was extracted in the schedule appended to the Pre-Filing Report. A copy of the Cash Flow Forecast, indicating the statement of projected cash flow until March 3, 2017, is attached to this First Report as **Appendix "F"** (the "**Extended Cash Flow Forecast**").

31. The Monitor has been informed that the representations of the Applicants as prescribed (appended to the Pre-Filing Report) apply equally to the Extended Cash Flow Forecast, and that the assumptions remain unchanged. As well, the comments of the Monitor contained in paragraphs 44 to 47 of the Pre-Filing Report apply equally to the Extended Cash Flow Forecast.

32. As indicated in the previous section, the Applicants are preparing an updated projected statement of cash flows. The Monitor was informed that the Applicants intend to update the statement of projected cash flow every four weeks in order to comply with requirements of the DIP Facilities

and that as a result an updated projection will be prepared imminently. The Monitor will review and report on the updated projections at a later date.

EXTENSION OF THE STAY OF PROCEEDINGS

33. The Applicants have requested an extension of the Stay of Proceedings to February 28, 2017. The Applicants need this period of time to complete the marketing process and conclude a sale transaction, and the Monitor is satisfied that the Applicants are progressing diligently to do so.

34. Further, the Cash Flow Forecast indicates that the Applicants should have sufficient liquidity to operate during the requested extension period.

35. The Monitor is of the view that the Applicants are acting in good faith and with due diligence in continuing the *CCAA* Proceedings. As such, the Monitor supports the extension of the Stay of Proceedings.

PAYMENT OF SEVERANCE TO EMPLOYEES

36. The Applicants seek authority to pay in the normal course severance and termination amounts due to employees whose employment had been terminated, including before the Initial Order. It is the Applicants' view that permitting the payment of severance to terminated employees in the normal course is necessary to keep existing employees focused on the current operations and to promote harmony in the workplace.

37. Further, outstanding severance obligations total approximately $4.0 million, including $900,000 owing to former Canadian employees and $3.1 million owing to former US employees, of which approximately $2.5 million is owing to former US employees deemed insiders under the *Code* and which cannot be paid for the time being.

38. Other than such insider amounts owing, the Applicants propose to pay the severance payments as they become due. Severance amounts due to be paid and included in the Cash Flow Forecast total $900,000, from October 31, 2016 to March 3, 2017. However, the Monitor has been advised that the Applicants will limit their request at this time to the payment of amounts not to exceed $12,850 for each affected former employee.

39. Based on the foregoing, the Monitor supports this request.

CV ENGAGEMENT LETTER

40. Although the Applicants' motions presented in connection with the Comeback Motion referred to a request for the approval of the CV Engagement Letter *nunc pro tunc*, the Monitor has been advised that this request has been adjourned and will be addressed at a later date.

TERM LOAN DIP CHARGE

41. The Applicants seek approval of the Term Loan DIP Charge in order to permit borrowing under the Term Loan DIP Credit Agreement. As discussed in the Pre-Filing Report, the DIP Financing and related fees would be as follows:

	ABL DIP Loan	**DIP Term Loan**[9]
Total facility	$200 million	$361.3 million
Estimated new liquidity provided	$25 million	$30 million
Type of facility	asset based revolving credit	Delayed draw term loan
Interest rate	approx. 6%	8%
Letters of credit	.125%	n/a
Unused line fee	.5%	1%
Commitment fee	$600K	1% (refinance of the Term Loan Facility); 3% (new liquidity)
Agent fee	$120K	$100K

42. Both the ABL DIP Facility and the Term Loan DIP Facility mature on February 28, 2017 ("**Maturity Date**").

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9 The fees are payable in addition to those that may become payable under the SH Agreement.

43. Based on the fee structure set out in the above table and the expected timing of the draws as provided in the Cash Flow Forecast, the Monitor can estimate that the fees payable to the DIP lenders in order to put in place and maintain each facility, total approximately $1.2 million for the ABL DIP Facility and $4.3 million for the Term Loan DIP Facility, before taking into consideration regular interest charges.

44. The proposed Term Loan DIP Facility also contemplates prepayment fees, but the Monitor has assumed there would not be any prepayments other than in circumstances where the prepayment fee would be Nil. It should be noted however that prepayment fees apply in the event of any repayment before the Maturity Date or the occurrence of an event of default. Prepayment fees could thus become payable if the SH Transaction is abandoned or if the milestones set in the Term Loan DIP Facility are not met. The potential prepayment fees could be $4.1 million.[10]

45. The security sought by each of the DIP Lenders includes the same security as presently exists to secure the pre-filing ABL Facility and pre-filing Term Loan Facility and adds the assets of two subsidiaries of PSG that are not currently encumbered by the ABL Facility and Term Loan Facility, PSG Innovation Corp. and PSG Innovation Inc. These entities will grant security under each the ABL DIP Facility and Term Loan DIP Facility as a requirement of the terms thereunder. The Monitor understands that the assets of these entities consist of intellectual property, the value of which is currently unascertainable.

46. The Monitor notes that the comparison of actual to projected cash flow results to date indicates that the Applicants are generating more liquidity than originally expected. Considering that an updated cash flow projection is not yet available, the Monitor cannot comment on whether or when the Applicants may need the additional liquidity to be provided by the Term Loan DIP Facility, which has a high cost of funds. However, considering that (i) the Applicants assert that the favourable variance to date is attributable to a timing difference that may reverse in the short term, and (ii) it is preferable for the Applicants to have liquidity reserves to support the operations during the Restructuring Proceedings, the Monitor would still support the request for authorization to borrow funds on a basis consistent with that described in the proposed Term Loan DIP Facility, despite the cost of funds as outlined above. The liquidity reserves will allow the Applicants to continue with the sale process, which will enhance the possibility of maintaining a viable business, preserve employment and preserve a source of supply.

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[10] The prepayment fees are 2.5% of the Delayed Draw Term Loan and 1% of the refinanced Term Loan Facility.

REFINANCING OF THE TERM LOAN[11]

47. The Applicants seek approval of the refinancing ("**Refinancing**") pursuant to which the Applicants will repay in full:

    (a) the Applicants' Prepetition Term Loan Obligations from funds borrowed under the Term Loan DIP Facility, to a maximum amount of $331.3 million; and

    (b) all reasonable fees and expenses of the Prepetition Term Loan Agent and the professional advisors of the Ad Hoc Committee of Prepetition Term Lenders or the Prepetition Term Loan Agent.

48. The Amended and Restated Initial Order provides that the payment of the obligations described above will be made free and clear of all Encumbrances, including the Charges and will be binding on any trustee in bankruptcy or receiver that may be appointed in respect of any of the Applicants, and will not be void or voidable nor be deemed a transfer at undervalue, preference, fraudulent conveyance or other reviewable transaction under the *Bankruptcy and Insolvency Act* ("***BIA***")[12] or other legislation.

49. The Monitor has received a legal opinion from counsel in each of Ontario, British Columbia, Quebec, Vermont, New York and New Hampshire (collectively, the "**Jurisdictions**") confirming in respect of each such Jurisdiction that, subject to the assumptions and qualifications contained therein:

    (a) the Applicant signatories to the loan and security documents in respect of the Term Loan Facility and ABL Facility (collectively, the "**Documents**"): (i) had the corporate power to execute, deliver and perform the Documents to which it is a party, (ii) had taken all corporate actions necessary to authorize the execution, delivery and performance of the Documents to which it is a party, and (iii) had duly executed the Documents to which it is a party;

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[11] Capitalized terms used in this section but not otherwise defined in this First Report are defined in the Amended and Restated Initial Order located at Tab 3 of the Applicants' Motion Record in respect of the Comeback Hearing ("**Amended and Restated Initial Order**").

[12] *Bankruptcy and Insolvency Act*, RSC 1985, c. B-3, as amended.

(b) each of the Documents constitutes a valid and binding obligation of each of the Applicants that is a party thereto, enforceable against such Applicant;

(c) in each of the Jurisdictions, the security and pledge agreements in respect of the ABL Facility and the Term Loan Facility created, in favour of the secured creditors purported to be secured therein, a security interest against the collateral in which a security interest may be created under article 9 of the *Uniform Commercial Code*, the *Personal Property Security Act* (BC and Ontario) and the Quebec *Civil Code* (collectively, the "**Personal Property Security Legislation**"), as applicable; and

(d) in each of the Jurisdictions, such security interests were validly perfected against the collateral in which a security interest may be perfected by the registration of a financing statement pursuant to the applicable Personal Property Security Legislation.

50. The Monitor is advised by the Applicants that although creditors will be affected by the additional security on a priority basis that is granted through the DIP Charges, the Applicants believe the prejudice, if any, to the creditors would be temporary and limited considering that the Term Loan DIP Charge replaces existing security and it is anticipated that the sale proceeds from the SH Transaction or other superior offer are likely to be sufficient to pay out the secured loans in full.

51. The approval of the Refinancing allows the Applicants access to additional liquidity of approximately $30 million, which, as described above, may become necessary. The $30 million additional liquidity relates to the Term Loan DIP Facility and is in addition to the approximately $25 million additional liquidity provided by the ABL DIP Facility.

52. In light of the foregoing, the Monitor supports the approval of the Refinancing.

CHARGES

53. The Applicants seek approval of the Charges. The order of priority of the Charges depends on the class of collateral, being the Fixed Asset (Term) Priority Collateral, the ABL Priority Collateral, the PSG Innovation Collateral and all other property that is not Fixed Asset (Term) Priority Collateral or ABL Priority Collateral or PSG Innovation Collateral.

54. The priority waterfall for the Charges is described in further detail in Schedule "1" to the Fox Comeback Affidavit.

55. The Charges are necessary in order to retain the services and financing needed to achieve the Applicants' restructuring, which is beneficial to all stakeholders. The Applicants seek the Charges on notice to affected parties.

56. In light of the foregoing, the Monitor supports the granting of the Charges.

ALLOCATING ADMINISTRATION CHARGE BETWEEN COLLATERAL CLASSES

57. The Applicants seek approval to split the Administration Charge (currently $7.5 million) between the Fixed Asset (Term) Priority Collateral and the ABL Priority Collateral such that the Administration Charge will constitute a single $3.75 million charge against each of these collateral classes.

58. With respect to the PSG Innovation Collateral and all other property that is not Fixed Asset (Term) Priority Collateral or ABL Priority Collateral or PSG Innovation Collateral, the Administration Charge will continue to remain as a single charge in the amount of $7.5 million.

59. The Administration Charge will rank ahead of all other encumbrances, including the other Charges, against all collateral classes.

60. The Monitor is of the view that the Applicants' request to split the Administration Charge is reasonable and supports the approval of this relief.

STALKING HORSE AGREEMENT

61. The Applicants seek approval of the SH Agreement, which contemplates the sale of substantially all of the assets of the Applicants (the "**SH Transaction**"), unless a higher or better offer is received at an auction to be carried out as part of a marketing process, as determined by the Applicants in consultation with the Monitor and the Unsecured Creditors' Committee appointed in the Chapter 11 Proceedings (the "**UCC**"). The SH Agreement contemplates certain incentives and protections in favour of the SH Purchaser, in consideration of its acting as the stalking horse purchaser. The main components of the SH Agreement are as follows:

(a) the purchase price consists of a base purchase price in the amount of $575 million, subject to certain adjustments, and the assumption of certain liabilities, including, trade obligations, accrued expenses, post-closing liabilities under assumed contracts, and cure costs to a maximum amount of $1 million;

(b) the businesses of the Applicants are to continue as going concerns under new ownership, the Applicants' secured debt, including the DIP Financing, will be fully repaid and a payment will be made to trade creditors and/or their claims will be assumed by the SH Purchaser. The SH Agreement further contemplates the preservation of a significant number of jobs in Canada and the U.S.;

(c) the SH Agreement discloses that a work fee in the amount of $2.5 million (the "**Work Fee**") has been paid to the SH Purchaser in connection with, among other things, the negotiation, documentation and consummation of the transactions contemplated by the SH Agreement. In the event that the SH Transaction is consummated, the amount of the Work Fee is to be repaid by the SH Purchaser in addition to the base purchase price;

(d) a break-up fee is set at an amount of $20.1 million, which would be payable to the SH Purchaser in the following circumstances:[13]

  i. if the SH Transaction does not occur because a higher or better offer is accepted;

  ii. if the Applicants are unable to obtain court approval of the SH Transaction by a specified deadline (further discussed below);

  iii. in the event that closing does not take place by a specified deadline (further discussed below); or

  iv. in a number of other situations where there is a departure from the restructuring process as contemplated by the SH Agreement, such as if (a) the Applicants abandon the stalking horse process; (b) a trustee in bankruptcy or receiver is appointed over any of the Applicants that are Canadian entities; (c) the Applicants implement a restructuring process that is not compatible with the transactions contemplated in the SH Agreement; (d) the Applicants obtain interim financing that does not contemplate

[13] The break-up fee is reduced by the Work Fee in the event that the break-up fee becomes payable.

a transaction consistent with the SH Agreement within the specified timeframe; or (e) there is a breach of the representations and warranties given by the Applicants in the context of the SH Agreement.[14]

(e) the SH Purchaser may be entitled to an expense reimbursement of up to $3.5 million in some circumstances, such as if the SH Purchaser is not the purchaser because a higher or better offer has been accepted at the auction, or the SH Transaction is terminated because the Applicants did not obtain the required approval of the sale within the specified deadlines; and

(f) as part of the purchase price, the SH Purchaser is entitled to credit bid a portion or all of its outstanding indebtedness under the Term Loan DIP Facility.

62. The timeline with respect to the bidding process, as contemplated in the SH Agreement, is as follows:

Target Date	Milestone
Monday, November 21, 2016[15]	Approval of Bidding Procedures and SH Agreement
Wednesday, January 4, 2017 at 5:00 p.m. EDT	Deadline to submit a Qualified Bid and Deposit (each as defined in the Bidding Procedures)
Monday, January 9, 2017 at 10:00 a.m. EDT	Auction, if required, will be held at Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019
Wednesday, January 11, 2017 at 10:00 a.m. EDT	Sale Hearing (as defined in the Bidding Procedures), which will be conducted in the U.S. and Canada, jointly, concurrently or as otherwise determined by the Courts.
Thursday, February 16, 2017	Deadline for the closing of SH Transaction

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[14] It should be noted that in some of these circumstances, the break-up fee becomes payable only upon the occurrence of an Alternative Transaction (as defined in the SH Agreement) within a specific time period after termination of the SH Agreement, which could include implementing a plan of compromise or arrangement.

[15] This date was amended to November 30, 2016.

63. The above is merely an outline of certain salient aspects of the SH Transaction, and readers are invited to refer to the SH Agreement, a copy of which has been posted on the Monitor's Website.

MONITOR'S COMMENTS ON THE STALKING HORSE AGREEMENT[16]

64. Based on its review of the SH Agreement and discussions to date with the Applicants' counsel, the Monitor has the following comments regarding the SH Agreement:

Timing issues

65. As mentioned in the Pre-Filing Report, the Monitor believes that the timeline to implement a marketing process, seek out qualifying bids to trigger an auction, hold an auction, obtain approval of a sale agreement and a vesting order and proceed to a closing is very tight. However, the Monitor understands that the SH Purchaser and the Applicants have business concerns that dictate a need for a rapid process, including those outlined in the Pre-Filing Report and the Fox BP Affidavit. The Monitor considers these business concerns are reasonable in the circumstances. The Monitor believes that the process could gain from a longer timeframe and that the contemplated milestones are tight relative to other sale processes of this nature, but should be achievable.

66. The Monitor is concerned with the time stakeholders and the Court will have to review a comprehensive report that the Monitor will be required to prepare, serve and file with respect to the results of the auction (if any) to be held on January 9, 2017 prior to the deadline for the Sale Hearing on January 11, 2017.

Assets to be purchased

67. The SH Agreement describes the acquired assets in expansive terms, to include substantially all of the Applicants' properties, rights, interests and other assets, whether tangible or intangible, real, personal or mixed, wherever located, as they may exist at the closing date, except for those assets that are specifically listed as Excluded Assets in the SH Agreement.

68. In particular, the SH Agreement purports to include as an asset to be sold certain rights described as Avoidance Actions, which are defined to include (*inter alia*) rights to void preferences and

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[16] Capitalized terms not otherwise defined in this section have the meaning attributed to them in the SH Agreement.

transfers at undervalue that are described in the *BIA* and incorporated in the *CCAA* by reference, or oppression remedies or any analogous action under Canadian federal or provincial law, to the extent that such assignment is permitted by Canadian law.

69. The Monitor is uncertain whether such rights could be considered as assets of the Applicants that are capable of being transferred to the SH Purchaser pursuant to the SH Agreement, but in the event that they are, the Monitor notes that any such rights (and their potential value) are presently unknown as the Monitor has not had an opportunity to review the Applicants' records to assess whether any transaction could be described as a preference or transfer at undervalue. As a general comment, the Monitor believes the definition of the assets to be acquired should not include assets that are incapable of being assigned or transferred, or assets that are non-descript and of unknown value.

Purchase Price

70. The SH Agreement defines the Base Purchase Price as $575 million, *plus or minus*, as applicable, Property Tax Adjustment, *less* amounts described as the Specified Assumed Liability Deduction Amount and the PCR AE Holdback Amount.

71. Regarding the Base Purchase Price of $575 million, the value is intended to be tested through the marketing and sales process that is presently underway and that will culminate in an auction on January 9, 2017 if one or more qualifying bids are received.

72. The Assumed Liabilities under the SH Agreement include, among others, (a) all trade obligations of the Applicants arising in the ordinary course and outstanding immediately prior to Closing; (b) all accrued expenses of certain specified types arising in the ordinary course; (c) all liabilities under Assigned Contracts arising after Closing and (d) Cure Costs thereunder to a maximum of $1 million.

73. The Specified Assumed Liability Deduction Amount is the aggregate amount of all Specified Assumed Liabilities at and as of the Closing, which include (a) Liabilities of under Capitalized Leases, (b) Tooling Requirements Liabilities and (c) SERP Liabilities. The Monitor will work with the CRO and Applicants to determine the quantum of this amount and the net cash purchase price of the SH Transaction. The Monitor will provide an update to the Court in a subsequent report.

Payment of the purchase price

74. The SH Agreement provides that the SH Purchaser may pay the cash portion of the purchase price by offsetting same with the amount due to the SH Purchaser (or an affiliate of the purchaser) under the Term Loan DIP Facility, through a credit bid.

75. The Monitor is of the view that the SH Purchaser must provide funds in cash in addition to the credit bid in order to satisfy any prior ranking obligations to the Term Loan DIP Facility. Given that the Base Purchase Price exceeds the maximum commitment under the Term Loan DIP Facility by approximately $213.7 million, it is likely that the cash portion of the purchase price will be sufficient to satisfy any priority claims.

Allocation of value

76. The SH Agreement provides a preliminary allocation of net sales proceeds amongst the Applicants. The value appears to be allocated based on net book value for the current assets and on a percentage basis for the remainder of the assets, such percentage to be between 55% and 67% for the entities that are incorporated in the U.S. and 33% to 45% for the entities that are incorporated in Canada or other countries. The definitive allocation is intended to be made by mutual agreement between the Applicants and the SH Purchaser shortly before the closing, based on the above-mentioned broad principle. The Monitor will work with the Applicants and the CRO to gather more information on the allocation and will provide a further update to the Court in a subsequent report.

Break-up fee and expense reimbursement for the SH Purchaser

77. As indicated earlier in this First Report, the SH Agreement provides for a break-up fee of $20.1 million, representing 3.5% of the Base Purchase Price, and reimbursement of expenses to a maximum amount of $3.5 million, in certain circumstances. The break-up fee and reimbursement of expenses would, however, be reduced by the amount of the Work Fee.

78. Based on the Monitor's review of Canadian and U.S.-based stalking horse transactions, although break-up fees can sometimes be higher,[17] break-up fees are typically 3% of the purchase price or

[17] See: *Pope and Talbot*, Monitor's Third report dated November 28, 2007, in which the Monitor recommends a transaction that has an estimated purchase price of $81 million, for which the break-up fee and expenses totalled $3.9 million, or 4.8%.

less.[18] In discussions with representatives of Centerview, the Monitor was informed that, based on its general market knowledge, Centerview considers that a break-up fee of approximately 3.5% is within the higher end of the acceptable range for a transaction of similar size.

79. The Monitor is of the view that a break-up fee of 3.5% is at the high end of the range of break-up fees (which have ranged from 1.8% - 5%), and a break-up fee in the 2% to 2.5% range might be more consistent with the majority of comparable transactions. However, the Monitor notes the difference between a break-up fee of 2.5% and the break-up fee provided for in the SH Agreement (3.5%) represents a difference of only $5.8 million. Given the size of the contemplated transaction ($575 million), the Monitor is of the view that the difference between a 2.5% and 3.5% break-up fee would not have a chilling effect on a prospective purchaser and would not deter a prospective purchaser from participating in the auction contemplated in the SH Agreement.

80. The SH Agreement contemplates that the break-up fee and the expense reimbursement shall form part of the Administration Charge that was granted by this Court in the Initial Order. This amount has not been included in the calculation of the amount of the Administration Charge, nor in the Monitor's assessment of the Administration Charge.

Assigned Contracts

81. The SH Agreement contemplates that the SH Purchaser may designate certain contracts that it wishes to assume. To the extent that the counterparties to such assumed contracts do not consent (a "**Non-Consenting Counterparty**") to the assignment of such contracts, the Applicants may seek to compel the assignment of contracts in accordance with the provisions of section 11.3 of the *CCAA*. In view of the short timeframe between the auction (January 9, 2017) and the date on which a sale hearing must be held (January 11, 2017), it would be impossible to provide sufficient notice to Non-Consenting Counterparties of the intended relief to be sought under section 11.3 of the *CCAA*.

82. In order to address this problem, the Applicants have employed a process by which the Applicants' counsel: (i) will notify counterparties to contracts that the SH Purchaser will assume the contracts as provided in the SH Agreement if it is the successful bidder; and (ii) provide the Applicants'

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[18] See: *Re Danier Leather Inc.*, 2016 CarswellOnt 2414 at paras. 42- 43; *Re White Birch Paper Holding Co.*, 2010 CarswellQue 9720 at par. 3 (dealing with a proposed transaction of $90 million); *Re Brainhunter Inc.*, 2009 CarswellOnt 8207 at par 20; *Re Mecachrome Canada Inc.*, 2009 CarswellQue 9963 at par. 62; *Re: Abitibibowater Inc.*, Montreal C.S. no. 500-11-036133-094, Forty Fourth Report of the Monitor dated June 6, 2010, at Appendix N.

calculation of cure costs, if any, if the relevant contract is to be assumed by the SH Purchaser. The Monitor understands that these notices will be delivered on or before December 12, 2016. The Applicants' counsel is of the view that such a process will provide counterparties to assumed contracts for which a request may be made under section 11.3 of the *CCAA* if no consent is given by the counterparty, with sufficient time to appear in Court, despite receiving very short formal notice of the Sale Hearing, which is anticipated to be held on or about January 11, 2017.

83. In the event that a higher and better offer is obtained at the auction and that the alternate purchaser elects to retain other contracts, the Monitor understands that the counterparties will be given two additional days to appear and make representations regarding a request to compel the assignment of their agreement, question whether the proposed assignee is able to perform the obligations or inquire as to whether there is any other reason why the contract should not be assigned. The Monitor notes that in this eventuality, the deadline in question potentially falls after the date of the sale hearing. The deadline for counterparties to object to adequate assurance of future performance by a qualified bidder other than the SH Purchaser with respect to a contract that is to be assumed and assigned is January 13, 2017 and the deadline to object to the calculation of the cure costs is January 4, 2017, which would make the contestation of the proposed assignment difficult if not impossible.

Monitor's Certificate

84. The Monitor notes that there is a technical discrepancy with respect to the Monitor's Certificate in each the SH Agreement and the proposed form of approval and vesting order. The SH Agreement contemplates that the Monitor's certificate must be delivered two days before closing, once all parties confirm that the conditions to closing have been met or have been waived. The proposed vesting order, on the other hand, contemplates that the Monitor's certificate is given at the time of closing, to confirm that the sale price has been received and to give effect to the provisions of the vesting order. In accordance with the practice in most *CCAA* proceedings and the terms of the monitor's certificate attached as a schedule to the proposed form of approval and vesting order, the Monitor proposes that its certificate be delivered upon closing to effect the SH Transaction and such certificate shall certify that:

(a) the Applicants and the SH Purchaser have each delivered written notice to the Monitor that all applicable conditions under the SH Agreement have been satisfied and/or waived;

(b) the SH Purchaser has paid and the Monitor has received the purchase price for the purchased assets payable on the Closing Date (as defined in the SH Agreement) pursuant to the SH Agreement; and

(c) the SH Transaction has been completed to the satisfaction of the Monitor.

85. The Applicants have advised the Monitor that they will work to resolve this inconsistency.

Overall comments on the SH Agreement

86. The Monitor believes that the terms of the SH Agreement are typical for a transaction of this type and that the process implemented since November 1, 2016 should ensure that the sale price for the assets is appropriately tested in the market for reasonableness in the circumstances. The Monitor believes that the break-up fee and expense reimbursement are on the high end and, while the Monitor does not believe that they are sufficiently high to discourage such a prospective purchaser from becoming a qualified bidder, the overall perception of the process would benefit from a reduction.

87. The Monitor understands that discussions have been held between the Applicants and the parties who filed objections to the SH Agreement and Bidding Procedures. The Monitor was informed that an agreement in principle has been reached with the UCC, whereby some aspects of the contemplated transactions will be adjusted. The Monitor understands the changes would include a reduction in the break-up fee in the SH Agreement (to 3%), an extension of the milestones under the Bid Procedures (by two weeks), a modification to the initial overbid and subsequent overbids (to $5 million and $1 million respectively), an understanding regarding the extent of the UCC's participation as a consultation party in assessing the bids, and an understanding regarding the marshalling of the charges in connection with the Term Loan DIP Facility.

BIDDING PROCEDURES

88. Based on its review of the Bidding Procedures and discussions to date with counsel for the Applicants, the Monitor has the following comments regarding the proposed Bidding Procedures:

(a) the date restrictions contained in the Bidding Procedures, such as the date of the closing and the limited time within which to obtain a Sale Order (as defined in the Bidding Procedures), should be able to be modified by mutual agreement. That is particularly relevant if the successful purchaser is not the SH Purchaser (although the Monitor notes that deviation from the date restrictions set out in the Bidding Procedures would constitute a default under the ABL DIP Agreement and the Term Loan DIP Facility);

(b) the Monitor notes that the Bidding Procedures allocate rights to the SH Purchaser even if it is not the successful bidder, and questions the appropriateness of allocating such rights to the SH Purchaser in such a circumstance. These rights include providing the SH Purchaser standing to appear and be heard on all issues related to the auction, sale and related matters, and that the sale hearing may be adjourned by the Applicants, in consultation with the Consultation Parties (as described in the Bidding Procedures) and the SH Purchaser; and

(c) the Monitor notes that the conditions under which the bidding is carried out are rigid, and questions whether it might not be preferable for there to be some flexibility to waive or vary conditions in consultation with the Consultation Parties.

89. The Monitor supports the Minimum Bid (as defined in the Bidding Procedures), which has been calculated as follows:

Item	**Amount**
Base Purchase Price	$575 million
Break-up fee and expenses	$20.1 million (Break-Up Fee) $3.5 million (Expense Reimbursement)
Initial minimum bid increment	$7.5 million
Total	**$606.1 million**

The Work Fee amount does not form part of the calculation of the Minimum Bid since the SH Purchaser has to either repay or credit the Work Fee, in the case of either the SH Transaction being consummated or terminated, respectively.

90. The Monitor refers the reader to the comments made at paragraph 87 above, regarding discussions held between the Applicants and the parties who filed objections to the SH Agreement and Bidding Procedures. As mentioned in the said paragraph, the Monitor was informed that an agreement in principle has been reached with the UCC, whereby some aspects of the SH Agreement and Bidding Procedures, *inter alia*, will be adjusted.

91. Subject to the foregoing comments, and agreement in principle reached with the UCC, the Monitor believes that the Bidding Procedures are reasonable in the circumstances.

OVERALL COMMENTS AND CONCLUSIONS

92. Since the commencement of these proceedings the Applicants have worked diligently and effectively to stabilize the business, manage liquidity and initiate the proposed sale process.

93. The matters under consideration at the hearing scheduled for November 30, 2016 include a wide range of issues, including extending the stay contemplated in the Initial Order, authorizing a cross border protocol, authorizing the payment of severance to former employees, authorizing interim financing, authorizing the repayment of the existing Term Loan, modifying the various charges provided for in the Initial Order, approving the stalking horse agreement and authorizing bidding procedures.

94. Subject to the more detailed commentary provided earlier in this First Report, the Monitor considers that:

    (a) The execution of a Cross Border Protocol should assist in coordinating the Restructuring Proceedings. The terms of the Cross Border Protocol are consistent with and will assist in achieving the Protocol’s goals and objectives;

    (b) The proposed payment of severance obligations in the ordinary course, including obligations arising pre-filing, is an exercise of business judgment by management and the Special Committee as to what is in the best interests of the Applicants and their stakeholders in the context of the proposed sale of the business within these proceedings. There is sufficient liquidity available to fund these proposed payments and the Monitor agrees that the likely benefit outweighs the cost;

(c) Notwithstanding the temporary positive liquidity variances experienced as a result of the Applicants' successful cash management strategy in the initial weeks post filing, the variances are considered to result from timing differences and as such the liquidity provided in the proposed Term Loan DIP Facility will be required within the Extended Stay Period; and

(d) The SH Agreement if consummated provides significant recovery for stakeholders. It was negotiated by the Applicants under the supervision of the Special Committee with advice from their financial advisors and legal counsel and by all accounts was intensely negotiated at arm's length with the SH Purchaser. In this context the Monitor is of the view that the Bidding Procedures and the manner in which they are implemented will drive the outcome and whether value is maximized for all stakeholders.

95. The Monitor believes that by far, the more significant issues under consideration relate to the SH Transaction and bidding procedures and these are addressed in greater detail below.

96. Since the inception of the proceedings, the Monitor has become aware that there is significant concern from several stakeholder groups regarding the proposed SH Transaction and the DIP Financing. To date, the Monitor is aware that notices of opposition or limited opposition to the Applicants' motions for approval of the SH Agreement and/or Bid Procedures have been filed by several parties in the CCAA Proceedings or the Chapter 11 Proceedings, including objections from the U.S. Trustee, the UCC and the Ad Hoc Committee of Equity Holders.

97. With regards to the SH Agreement and Bid Procedures, the objections allege essentially that the bid protections (break-up fee, expense reimbursements and overbids) are overly onerous, that the time lines are overly stringent, that the SH Agreement has not been subjected to a proper marketing process before the selection of the stalking horse or before the filing, and that Sagard is an insider. With regards to the Term Loan DIP Financing, the objections raise issue with the cost of the financing and with the necessity of the additional liquidity.

98. The Monitor shares some of the same concerns as those expressed by the stakeholders who have filed objections. However, the Monitor notes that none of the objections question the process undertaken by the Applicants to restructure their operations, namely a sale of the assets and as such all stakeholders who have expressed a view to date on the restructuring efforts seem to acknowledge that the restructuring requires a sale of the Applicants' assets and undertakings.

99. While the process could have been carried out differently, the Monitor cannot state that the process undertaken by the Applicants is flawed or incorrect, giving due regard to the decision makers' business judgment and in the abstraction of hindsight.

100. A transaction is in process and the Monitor believes that a course of action that preserves the going concern aspect of the business is preferable to one that would generate uncertainty, notwithstanding the reservations the Monitor may have regarding whether or not a better transaction might have been uncovered if a marketing process had been undertaken in the first stage.

101. As noted above, the Monitor considers the bidding timeline to be tight especially considering that two major North American holidays fall within the contemplated two month timeframe. While the Monitor does not take the view that the time frame in and of itself is unreasonable, it does note the concerns raised by significant stakeholders and believes that a modest extension of the bid deadline to address these issues would be a constructive step, would improve the process and would address the objections raised on this point. The Monitor therefore believes that the timelines contemplated for the SH Agreement would gain from slightly elongated milestones, designed to balance the valid business concerns of the Applicants and SH Purchaser with the need of stakeholders for transparency and assurance that the process is designed to optimize value.

102. As described in paragraph 87, the Applicants reached an agreement in principle with the UCC whereby some aspects of the contemplated transactions will be adjusted. The Monitor believes these changes are a significant step towards alleviating the concerns expressed regarding the implementation of the SH Transaction.

103. In light of the comments made herein, the Monitor recommends the approval of:

(a) the SH Agreement;

(b) the Bidding Procedures;

(c) the extension of the Stay of Proceedings until February 28, 2017;

(d) the Cross Border Protocol;

(e) the Term Loan DIP Charge;

(f) the Refinancing;

(g) the payment by the Applicants of severance obligations in the ordinary course during the CCAA Proceedings;

(h) the Charges and the priority of such Charges as set out in the Amended and Restated Initial Order; and

(i) splitting the Administration Charge between the Fixed Asset (Term) Priority Collateral and the ABL Priority Collateral.

All of which is respectfully submitted this 28th day of November, 2016.

ERNST & YOUNG INC.
In its capacity as the monitor
in the matter of the proposed compromise and
arrangement of Performance Sports Group Ltd. *et al*.

Brian Denega

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Senior Vice-Presidents

APPENDIX A

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PROPOSED PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD., PERFORMANCE SPORTS GROUP LTD., BAUER HOCKEY CORP., BAUER HOCKEY RETAIL CORP., BAUER PERFORMANCE SPORTS UNIFORMS CORP., BPS CANADA INTERMEDIATE CORP., BPS DIAMOND SPORTS CORP., EASTON BASEBALL/SOFTBALL CORP., KBAU HOLDINGS CANADA, INC., PERFORMANCE LACROSSE GROUP CORP., PSG INNOVATION CORP., BAUER HOCKEY RETAIL INC., BAUER HOCKEY, INC., BAUER PERFORMANCE SPORTS UNIFORMS INC., BPS DIAMOND SPORTS INC., BPS US HOLDINGS INC., EASTON BASEBALL/SOFTBALL INC., PERFORMANCE LACROSSE GROUP INC. AND PSG INNOVATION INC.

(the "Applicants")

REPORT OF THE PROPOSED MONITOR

October 31, 2016

October 31, 2016

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Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
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IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, RSC 1985, C. C-36, AS AMENDED.

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REPORT OF THE PROPOSED MONITOR

October 31, 2016

INTRODUCTION AND BACKGROUND

1. Performance Sports Group Ltd. ("**PSG**") and various of its subsidiaries and affiliates (collectively, the "**Applicants**" or the "**PSG Group**")[1] have brought a motion before this Court ("**Court**") to commence proceedings under the *Companies' Creditors Arrangement Act*, R.S.C., 1985, c. C-36 (the "***CCAA***"), seeking, *inter alia*, a stay of proceedings against the Applicants, the appointment of Ernst & Young Inc. ("**EY**") as monitor (the "**Proposed Monitor**") and various other relief (the "**Initial Order**").

[1] The Applicants in these proceedings are comprised of Performance Sports Group Ltd., Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Baseball/Softball Corp., KBAU Holdings Canada, Inc., Performance Lacrosse Group Corp., PSG Innovation Corp., Bauer Hockey Retail Inc., Bauer Hockey, Inc., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS Us Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc. and PSG Innovation Inc.

2. PSG is a public corporation whose securities are traded on the New York and the Toronto Stock Exchanges under the symbol "PSG".

3. PSG, through its subsidiaries, is a leading developer, manufacturer, wholesaler and distributor of high performance sporting goods equipment and apparel, in particular for ice hockey, roller hockey, baseball, softball and lacrosse. The PSG Group has operations in Canada, the United States of America ("**US**") and several countries in Europe and Hong Kong. A summarized organization chart presenting the relationship of the various members of the corporate group is attached to this Report as Appendix "**A**".

4. PSG is experiencing a liquidity crisis and financial difficulties, which are attributed by PSG's management ("**Management**") primarily to the following factors:

   (a) financial difficulties due to below target performance of key business lines, the insolvency of some large retail customers and unfavorable changes in exchange rates on foreign currency, as compared to the US dollar;

   (b) reduction in sales in the Easton Baseball/Softball Corp. ("**Easton**") business, attributed to weakness in the baseball/softball market;

   (c) high leverage due to the acquisition of Easton in 2014, which was funded by debt;

   (d) investigations and inquiries by securities regulators after PSG reduced its disclosed earnings expectations and failed to deliver timely audited financial statements and class action litigation commenced in the US by some equity investors; and

   (e) failure to file the audited financial statements for 2016 by the August deadline, which caused a breach in covenants under the existing ABL Credit Agreement entered into on April 15, 2014 among certain of the Applicants and Bank of America ("**BoA**"), as Collateral Agent and Administrative Agent to a syndicate of lenders (collectively, the "**ABL Lenders**") (the "**ABL Credit Agreement**") and the existing Term Loan Credit Agreement entered into on April 15, 2014 among PSG and BoA as Administrative Agent and Collateral Agent to a syndicate of lenders (collectively, the "**Term Loan Lenders**") (the "**Term Loan Credit Agreement**") sufficient to constitute a default. PSG was able to obtain a forbearance and was provided time to correct the breach and file the audited financial statements, which it has not done. PSG did not obtain an extension of this forbearance beyond October 28, 2016.

5. The corporate structure of the Applicants, description of activities, causes of financial difficulties and various other issues relevant to the restructuring proceedings of the Applicants are described in greater length in the affidavit sworn by Mark Vendetti[2] on October 31, 2016 and filed in support of the Applicants' motion for an Initial Order under the *CCAA* (the "**Vendetti Affidavit**"), and will therefore not be addressed herein.

6. As a result of their liquidity crisis and financial difficulties, the Applicants decided to seek the relief provided for in the *CCAA*. Contemporaneously, the Applicants have commenced parallel proceedings in the US, under Chapter 11, Title 11 of the US Bankruptcy Code ("***Code***") (the "**Chapter 11 Proceedings**"), in the Bankruptcy Court for the District of Delaware. The Proposed Monitor understands that the Applicants will file for relief under the *Code* on October 31, 2016 and will be presenting motions for first day orders on November 1, 2016.

[2] Mr. Vendetti is PSG's Executive Vice-President and Chief Financial Officer,

7. This Report of the Proposed Monitor (the "**Report**") is intended to provide the Court with information relevant to the Initial Order, based on the information that has been made available to the Proposed Monitor. The Report is presented under the following headings:

(a) Introduction and background;

(b) Terms of reference and disclaimer;

(c) Overview of PSG's restructuring plan and timeline;

(d) Foreign proceedings;

(e) Cash flow forecast;

(f) Interim financing;

(g) Authorization of certain pre-filing and post-filing payments:

(i) essential suppliers;

(ii) customer programs; and

(iii) transporters, warehouses;

(h) Financial thresholds and priority charges contemplated in the Initial Order;

(i) Upcoming restructuring measures; and

(j) Overall comments and conclusions.

8. In regards to the proposed appointment of EY as monitor in these proceedings, EY hereby confirms:

(a) that it fulfills the requirement of section 11.7(1) of the CCAA;

(b) that neither EY nor its affiliates, directors and officers is subject to the restrictions referred to in section 11.7(2) of the CCAA; and

(c) that it has consented to act as Monitor in these proceedings, if the Court chooses to appoint it as Monitor.

TERMS OF REFERENCE AND DISCLAIMER

9. The Proposed Monitor's involvement with the restructuring process undertaken by the Applicants started on or about October 12, 2016. PSG provided EY with substantial information regarding the contemplated restructuring process and full access to all requested financial information. Considering the quantity and complexity of information and the fact that the restructuring plan was already largely developed prior to EY's engagement, EY's involvement to date has mostly been spent being briefed on the various components in the restructuring plan and financial information.

10. In preparing this Report and making the comments herein, the Proposed Monitor has been provided with, and has relied upon certain unaudited, draft and/or internal financial information, company records, company prepared financial information and projections, discussions with Management and employees of the Applicants, and information from other third party sources, including the Applicants' chief restructuring officer, Brian J. Fox of Alvarez & Marsal North America LLC and other engagement personnel from Alvarez & Marsal North America LLC and its affiliates (the "**CRO**") (collectively, the "**Information**").

11. The Proposed Monitor has assumed the integrity and truthfulness of the Information and explanations provided to it, within the context in which these were presented. To date,

nothing has come to the attention of the Proposed Monitor which would cause it to question the reasonableness of this assumption.

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

13. Except as described in this Report, the Proposed Monitor has reviewed the Information for reasonableness, internal consistency and use in the context in which it was provided. The Proposed 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, and accordingly the Proposed Monitor expresses no opinion or other form of assurance in respect of the Information.

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

15. Some of the information referred to in this Report consists of forecasts and projections, which were prepared based on Management'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 the forecasted or projected results. Indeed, the reader is cautioned that the actual results will likely vary from the forecasts or projections, even if the assumptions materialize, and the variations could be significant.

16. The Proposed Monitor has prepared this Report in its capacity as the proposed monitor in the context of an application for an Initial Order under the *CCAA* to provide additional information to the Court in connection with the proposed Initial Order. The reader is

cautioned that this Report may not be appropriate for any other purpose and consequently should not be used for any other purpose.

17. Unless otherwise stated all monetary amounts contained herein are expressed in US dollars.

18. Terms not otherwise defined herein shall have the meaning ascribed to them in the Initial Order.

OVERVIEW OF THE APPLICANTS' RESTRUCTURING PLAN AND TIMELINE

19. The process undertaken by the Applicants contemplates a Court-supervised restructuring of the business through a sale of substantially all of the assets to a new entity or new entities that would continue the business as a going concern (the "**Sale Transaction**").

20. The Sale Transaction is expected to be effected through a stalking horse bidding process, in which an agreement is executed with a prospective purchaser acting as a stalking horse, and if qualifying offers are received in the context of a marketing process, an auction would be conducted under supervision of the Courts, to optimize value.

21. The Proposed Monitor understands that PSG has been negotiating with a prospective purchaser group comprised of Sagard Capital Partners, L.P ("**Sagard**")[3], and Fairfax Financial Holdings Limited ("**Fairfax**") (Sagard and Fairfax are hereinafter referred to as the "**Sagard Group**") and that an asset purchase agreement contemplating the purchase by the Sagard Group (or its nominee) of substantially all of the assets of the PSG Group has been executed contemporaneously with the inception of the restructuring proceedings under the *CCAA* and the *Code*, to be used as the stalking horse agreement ("**SH Agreement**").

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[3] The Proposed Monitor understands that Sagard is a shareholder of PSG and holds approximately 17% of the capital stock of PSG.

22. The SH Agreement contemplates that the Sagard Group (or its nominee) will purchase all or substantially all of the assets of the PSG Group (the "**Sagard Transaction**"), unless a higher or better offer is received at an auction to be carried out as part of a marketing process, as determined by the PSG Group in consultation with the Monitor and the Official Committee of Unsecured Creditors appointed in the Chapter 11 Proceedings (the "**UCC**"). The SH Agreement contemplates certain incentives and protections in favour of the Sagard Group, as an incentive to its acting as the stalking horse purchaser. The main characteristics of the SH Agreement are as follows:

(a) the contemplated base purchase price for the assets is $575 million, plus the assumption of certain liabilities such as trade accounts payable and contract cure costs (to a maximum amount) less certain assumed specified liabilities;

(b) it contemplates that the business of the Applicants will continue as a going concern under new ownership, their secured debt will be fully repaid and trade creditors will be paid. The SH Agreement further contemplates the preservation of a significant number of jobs in Canada and the US;

(c) the SH Agreement provides that a work fee in the amount of $2.5 million has been paid to the Sagard Group in connection with, among other things, the negotiation, documentation and consummation of the transactions contemplated by the SH Agreement. The work fee reduces the amount payable for the break-up fee (outlined below) in the event that the break-up fee becomes payable and the deposit in the event that the Sagard Transaction is the selected as the winning bid in the proposed auction process;

(d) a break-up fee is set at an amount of $20.1 million[4], which would be payable to the Sagard Group in the following circumstances:

(i) if the Sagard Transaction does not occur because a higher or better offer is accepted;

(ii) in the event that the Applicants are unable to obtain an approval of the Sagard Transaction by a specified deadline (further discussed below);

(iii) in the event that closing does not take place by a specified deadline (further discussed below); or

(iv) in a number of other situations where there is a departure from the restructuring process as contemplated by the SH Agreement, such as if (a) the Applicants abandon the stalking horse process; (b) a trustee in bankruptcy or receiver is appointed over any of the Canadian entities in the PSG Group; (c) the Applicants implement a restructuring process that is not compatible with the transactions contemplated in the SH Agreement; (d) the Applicants obtain interim financing that does not contemplate a transaction consistent with the SH Agreement within the specified timeframe; or (e) there is a breach of the representations and warranties given by the Applicants in the context of the SH Agreement.[5]

[4] Representing 3.5% of the base purchase price.

[5] It should be noted that in some of these circumstances, the break-up fee becomes payable only upon the occurrence of an Alternative Transaction (as defined in the SH Agreement) within a specific period after termination of the SH Agreement, which could include implementing a plan of compromise or arrangement.

(e) Sagard Group may be entitled to an expense reimbursement of up to $3.5 million in some circumstances such as if Sagard Group is not the purchaser because a higher or better offer has been accepted at the auction, or the Sagard Transaction is terminated because PSG has not obtained the required approval of the sale within the specified period; and

(f) as part of the purchase price, the Sagard Group is entitled to credit bid a portion or all of its outstanding indebtedness under the Term Loan DIP Facility (as defined below).

23. The above is merely an outline of certain salient aspects of the Sagard Transaction, and readers are invited to refer to the SH Agreement. A redacted version of the SH Agreement will be filed by the Applicants and posted on the Proposed Monitor's website.

24. PSG has engaged Centerview Partners LLC ("**Centerview**") to undertake, *inter alia*[6], a marketing process to seek out offers for the business in accordance with the proposed sale process and bidding procedures, of which the Applicants will seek approval, amongst other relief, during the week of November 21, 2016 (the "**Comeback Motion**"). Centerview expects to start communicating with prospective purchasers immediately upon the issuance of the Initial Order. The Proposed Monitor has been informed by Centerview that its process is ready and it has a list of approximately 90 prospects that will be contacted immediately and offered the opportunity to sign a non-disclosure agreement, obtain a confidential

[6] As indicated in the Vendetti Affidavit, Centerview has been retained as financial adviser to the special committee of the board of directors of PSG. In this context Centerview has assisted the Applicants in the discussions with the secured lenders, has participated in the negotiations with Sagard Group, has assisted the Applicants in searching for alternate financing and has assisted the Applicants in seeking out and negotiating with prospective interim financing providers. Centerview is an investment banking and advisory firm.

information memorandum relating to the PSG Group and its operations and access to a virtual data room.

25. The timeline with respect to the bidding process, as contemplated in the SH Agreement, is as follows:

Target Date	Milestone
Week of November 21, 2016 (Comeback Motion)	Approval of bidding procedures and SH Agreement
Wed. Jan. 4, 2017 at 5:00 p.m. EDT	Deadline to submit a Qualified Bid and Deposit (each as defined in the bidding procedures)
Mon. Jan. 9, 2017 at 10:00 a.m. EDT	Auction, which will be held at Paul, Weiss, Rifkind, Wharton & Garrison, LLP, 1285 Avenue of the Americas, New York, New York, 10019
Wed. Jan. 11, 2017 at 10:00 a.m. EDT	Sale Hearing, which will be conducted in the US and Canada, jointly, concurrently or as otherwise determined by the Courts.
February 28, 2017	Closing of Sagard Transaction must occur

26. Due to the current liquidity crisis, the Applicants require interim financing during the pendency of the restructuring process. The Applicants have arranged with the ABL Lenders and the Sagard Group to provide interim financing through an operating line of credit and a term loan, respectively (together, the "**DIP Financing**"). The DIP Financing is discussed in greater detail later in this Report.

27. The proposed timeline as set out in the SH Agreement was developed through negotiations between PSG and the Sagard Group. The Proposed Monitor has been informed that business

reasons exist to support the accelerated timeline, including the necessity to maintain the brand image in the market, the possibility that professional athletes who act as brand ambassadors may be reluctant to support a brand undergoing a protracted restructuring process, and the necessity to provide certainty to the marketplace that the business is stable in order to generate sales.

28. Centerview has advised that, in its view, the sale process timeline is not uncommon. Centerview has indicated that it has managed sale processes in the context of a bankruptcy proceeding that are shorter, and that it is confident that a robust marketing process can be carried out within the contemplated timeline. Centerview has advised that it has already received a substantial amount of interest on an unsolicited basis from potential bidders.

29. The Proposed Monitor is of the view that the contemplated milestones are tight relative to other sale processes of this nature but they are achievable. In light of this, the Proposed Monitor intends to monitor all communications between Centerview and potential bidders closely and, to the extent practicable, directly, and in keeping with the Proposed Monitor's duties, so as to be in a position to comment definitively on the efficacy and robustness of the market canvass and the results thereof.

30. It should be noted that the SH Agreement provides for a right to terminate the SH Agreement if certain milestones are not met, such as if an order approving the Sagard Transaction is not made by January 16, 2017 or if a closing does not take place by February 16, 2017.

31. The Proposed Monitor, if appointed, will be providing a further report on the bidding procedures and the SH Agreement in connection with the motion to approve same. The

Applicants are not seeking approval of the bidding procedures or the SH Agreement on the return of the initial application.

FOREIGN PROCEEDINGS

32. In view of practical considerations, proceedings have been initiated only in respect of the PSG Group entities operating in Canada and in the US, through parallel proceedings under the *CCAA* and the *Code*. No insolvency proceedings are presently contemplated in respect of the foreign affiliates in Europe or in Hong Kong, or in foreign jurisdictions in respect of the Applicants (other than the US). The rationale for limiting the insolvency proceedings to Canada and the US has been discussed with the Proposed Monitor. Essentially, the decision to refrain from filing in jurisdictions other than Canada and the US is due to the number of proceedings that would be required, the related cost and delays that would result from the commencement of proceedings in each jurisdiction, and uncertainty about the effectiveness of the relief that would be obtained if proceedings were taken. As such, the Applicants' decision to refrain from taking proceedings in jurisdictions other than Canada and the US is based on practical concerns.

33. As indicated earlier in this Report, the Applicants chose to file parallel proceedings under the *CCAA* and the *Code*, in that each of the Applicants is subject to proceedings under the *CCAA* and under Chapter 11 of the *Code*, instead of choosing to file main proceedings in one jurisdiction and file ancillary proceedings under Part IV of the *CCAA* or under Chapter 15 of the *Code*, as the case may be.

34. The decision to file parallel proceedings rather than a main and an ancillary proceeding has been discussed with the Proposed Monitor and its counsel. The Proposed Monitor understands that the decision stems from a legal analysis by the Applicants' counsel in both

Canada and the US, and from preferences expressed by the DIP Lenders (as defined below), to alleviate uncertainties regarding the location of the center of main interest of some of the entities, jurisdictional issues and related matters that could delay or disrupt the sale process that is subject to a short timeline.

35. The existence of parallel proceedings under the *CCAA* and the *Code* will likely demand an increased degree of coordination between the Courts in each jurisdiction, in view of the concurrent proceedings and possible conflicting provisions of the *CCAA* and the *Code*. PSG's counsel proposes to manage this issue through the implementation of a Cross Border Protocol. The Proposed Monitor understands that a Cross Border Protocol will be submitted to the Court for review and approval in the Comeback Motion.

CASH FLOW FORECAST

36. The Applicants have prepared a statement of projected cash flow (the "**Cash Flow Forecast**"), on a weekly basis, for the 13 weeks ending January 27, 2017. The Cash Flow Forecast is accompanied by the representations of the Applicants as prescribed, and by notes outlining the significant assumptions made in preparing the Cash Flow Forecast. The Cash Flow Forecast, the representations of the Applicants and the notes outlining the assumptions are appended to this Report as Appendix "**B**".

37. The Cash Flow Forecast is presented on a consolidated basis for all of the Applicants and their foreign subsidiaries. In the Affidavit, Management asserts that cash flow projections on a non-consolidated basis are unavailable, due to the complexity of the corporate structure of the PSG Group and the time delays that would be required to prepare such non-consolidated cash flow projections on an entity-by-entity basis. Management further asserts that non-consolidated cash flow projections on an entity-by-entity basis would be of questionable

relevance in view of the degree of interrelationship in the activities of the various entities comprising the PSG Group.

38. Although entity-by-entity statements of projected cash flows are not available, Management, with the assistance of the CRO, has estimated that those subsidiaries of the PSG Group located in Europe will realize net positive cash flows of approximately $26 million and those subsidiaries of the PSG Group located in Canada will realize net positive cash flows of approximately $7.5 million for the 13 week period ended January 27, 2017.

39. The consequence of not having cash flow projections on an entity-by-entity basis is that it is difficult to estimate or monitor the possible impact of the cash flow on one group of creditors as compared to another, in respect of activities after the Initial Order is made.

40. Although it would be preferable to have access to cash flow projections on an entity-by-entity basis, the Proposed Monitor understands and agrees there is a logistical difficulty in generating information to that level of detail. The Proposed Monitor understands that the format of the projection and the detail provided, as presented in the Cash Flow Forecast, is acceptable to the interim financing lenders (discussed later in this Report).

41. Furthermore, the proposed Sagard Transaction is expected to generate significant funds in excess of the amounts due to the secured creditors, and the proposed Initial Order contemplates an Intercompany Charge (the "**Intercompany Charge**") to protect the interests of each individual estate, which could be paid from the excess funds over the amounts due to the secured creditors. The existence of the Intercompany Charge will address the possible impact of the operations on one group of creditors as compared to another, in the period

following the Initial Order. To the extent that certain entities generate a positive cash flow, the Intercompany Charge should protect the interest of those entities' creditors.

42. In view of the foregoing, the Proposed Monitor considers that the Cash Flow Forecast prepared by PSG provides a sufficient level of detail in the circumstances.

43. The Applicants have requested a stay of proceedings until November 30, 2016 (the "**Stay Period**"). Based on the Cash Flow Forecast and anticipated DIP Financing, the Applicants have sufficient liquidity to fund ongoing operations during the Stay Period.

44. The Cash Flow Forecast, including the notes attached thereto for the 13 weeks ending January 27, 2017, has been prepared by Management for the purpose described in the notes accompanying the Cash Flow Forecast, using probable and hypothetical assumptions set out in the said notes.

45. The Proposed Monitor's review consisted of inquiries, analytical procedures and discussion related to information supplied by certain of the Management and employees of the Applicants. Since hypothetical assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Forecast. The Proposed Monitor also reviewed the support provided by Management for the probable assumptions, and the preparation and presentation of the Cash Flow Forecast.

46. Based on this review, nothing has come to the Proposed Monitor's attention that causes it to believe that, in all material respects:

(a) the hypothetical assumptions are not consistent with the purpose of the projection;

(b) as at the date of this Report, the probable assumptions developed by Management are not suitably supported and consistent with the plans of the Applicants or do not provide a reasonable basis for the projection, given the hypothetical assumptions; or

(c) the Cash Flow Forecast does not reflect the probable and hypothetical assumptions.

47. Since the Cash Flow Forecast is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Forecast will be achieved. The Cash Flow Forecast has been prepared solely for the purpose described in the notes accompanying the Cash Flow Forecast, and readers are cautioned that it may not be appropriate for other purposes.

INTERIM FINANCING

48. The Cash Flow Forecast prepared by the Applicants suggests that the Applicants will need to borrow funds imminently in the course of the proceedings under the *CCAA*.

49. The Applicants have retained the services of Centerview, to assist it (*inter alia*) in putting in place the required interim financing. The Proposed Monitor understands that the Applicants, with the assistance of Centerview, determined that obtaining interim financing from a third party would be extremely challenging, unless such facility was provided either junior to the ABL Facility and Term Loan Facility, on an unsecured basis, or paired with a refinancing of the existing indebtedness. As such, the Applicants decided to focus their efforts on negotiating DIP Financing with its current lenders and stakeholders. The Proposed Monitor understands that the decision to refrain from subjecting the search for interim financing to a formal competitive marketing process was further based on the following:

(a) the need for expediency, in view of the tight timelines available to seek out a new source of funds. The existing lenders and stakeholders approached for the interim financing already have knowledge of the issues surrounding the Applicants, which decreases execution time;

(b) the complexity involved in putting in place interim financing in both Canada and in the US, in the context of concurrent proceedings, while respecting the requirements for adequate protection in the US and the inter-lender agreements between the ABL Lenders and the Term Loan Lenders that provide for the priority ranking of the secured lenders over the assets of Applicants; and

(c) the belief that in view of the existing charges against the assets and the very limited availability of unencumbered assets, there would be little or no interest for third parties to act as interim financing providers.

50. The Proposed Monitor is informed that Centerview had discussions with the ABL Lenders, the Term Loan Lenders and the Sagard Group with a view to obtaining interim financing offers during the pendency of the proceedings, and that Centerview recommended, and PSG selected, offers from two groups, as follows:

(a) A group comprised of members of the ABL Lenders ("**ABL DIP Lenders**"), will provide an operating loan facility of $200 million (the "**ABL DIP Facility**") pursuant to an ABL DIP Credit Agreement (the "**ABL DIP Credit Agreement**"). The advances are expected to be made progressively and on an as-needed basis. All receipts of the Applicants will be applied to progressively replace the existing indebtedness under the ABL Credit Agreement, which is in the amount of $160 million. Accordingly, the facility provided by the ABL DIP Lenders is estimated provide up an additional $25 million of liquidity as compared to what is currently provided under the ABL Facility (availability depends on the levels of accounts receivable and inventories, comprising the borrowing base). The advances are intended to finance current operations and to pay expenditures pertaining to the restructuring process. The amount available under this operating line of credit is limited through a borrowing base calculation.

(b) The Sagard Group (the "**Term Loan DIP Lenders**" and together with the ABL DIP Lenders, the "**DIP Lenders**"), will provide a term loan facility (the "**Term Loan DIP Facility**" and together with the ABL DIP Facility, the "**DIP Facilities**") in the amount of $361.3 million pursuant to a Term Loan DIP Credit Agreement (the "**Term Loan DIP Credit Agreement**" and together with the ABL DIP Credit Agreement, the "**DIP Agreements**"). The advances are expected to be made progressively as the funds are needed. The Term Loan DIP Facility will be applied to refinance the existing indebtedness under the Term Loan Credit Agreement, in the amount of approximately $331.3 million, to finance operations and to pay expenditures pertaining to the restructuring process. Accordingly, the Term Loan DIP Facility will provide approximately $30 million in new liquidity to fund ongoing operating and capital expenses during the restructuring proceedings.

51. The DIP Facilities appear consistent with the Applicants' liquidity needs, as presented in the Cash Flow Forecast.

52. The ABL DIP Facility is intended to be available in part immediately. The Term Loan DIP Facility is intended to be available after the Comeback Motion.

53. The DIP Facilities are intended to coordinate in conjunction with each other, whereby both are secured by charges over all assets of the Applicants (the "**DIP Collateral**").

54. The DIP Lenders have entered into a Post-Petition Intercreditor Agreement to determine the respective priorities over the DIP Collateral. Within these parameters, the charges created to secure the DIP Facilities are intended to rank as follows as compared to other charges:

(a) after the Administration Charge;

(b) before the existing security of the ABL Lenders, with respect to the ABL DIP facility;

(c) after the existing security of the Term Loan Lenders (until refinanced), with respect to the Term Loan DIP Facility; and

(d) before the D&O Charge and the Intercompany Charge.

The fees payable under the DIP Facilities are summarized below:

Type of fee	ABL DIP Loan	DIP Term Loan[7]
Interest rate	approx. 6%	8%
Letters of credit	.125%	n/a
Unused line fee	.5%	1%
Commitment fee	$600,000	1% on amount used for refinancing Term Loan Facility; 3% on new liquidity
Agent fee	$120,000	$100,000

[7] These fees are payable in addition to those that may become payable under the SH Agreement.

55. The proposed Term Loan DIP Facility also contemplates prepayment fees, but the Proposed Monitor has assumed there would not be any prepayments other than in circumstances where the prepayment fee would be Nil.

56. Based on the fee structure set out in the above table and the expected timing of the draws as provided in the Cash Flow Forecast, the Proposed Monitor can estimate that the fees payable to the DIP Lenders in order to put in place and maintain each facility, total approximately $1.2 million for the ABL DIP Facility and $4.4 million for the Term Loan DIP Facility, before taking into consideration regular interest charges.

57. The DIP Facilities are each scheduled to mature on February 28, 2017 (the "**Maturity Date**").

58. The security sought by each of the DIP Lenders is essentially the same security as that which presently exists to secure the ABL Facility and Term Loan Facility. There are two additional subsidiaries of the PSG Group that are not currently encumbered by the ABL Facility and Term Loan Facility, which will be included in the security provided under the DIP Facilities. These are PSG Innovation Corp. and PSG Innovation Inc. The Proposed Monitor understands that the assets of these entities consist of intellectual property.

59. The Proposed Monitor supports the request for authorization to borrow funds on a basis consistent with that described in the proposed DIP Agreements. This support relies on the fact that the Applicants are facing a looming liquidity crisis in the very short term and the Applicants, Centerview and the CRO have determined that there is little alternative other than to enter into the proposed DIP Agreements. Further, the DIP Financing is necessary to continue with the proposed Sagard Transaction.

AUTHORIZATION OF CERTAIN PRE-FILING AND POST-FILING PAYMENTS

Essential Suppliers

60. As mentioned earlier in this Report, no proceeding has been commenced or is contemplated in foreign jurisdictions, other than the US, due to the number of proceedings that would be required, the related cost and delays that would result from the inception of proceedings in each jurisdiction, and uncertainty about the effectiveness of the relief that would be obtained if proceedings were taken. As such, the Applicants' decision to refrain from taking proceedings in jurisdictions other than Canada and the US is based on practical concerns. The Proposed Monitor considers that this decision is reasonable in the circumstances.

61. Considering that foreign suppliers are an important part of the supply chain and that the Applicants do not believe they will be able to convince such suppliers to continue shipping merchandise without their receiving payment of the arrears on their accounts, the Applicants have sought the ability to pay pre-filing obligations owing to foreign vendors that Management deems are critical to the Applicants' operations.

62. Management, with the assistance of the CRO, has analyzed the list of foreign suppliers and developed a provision for payments of arrears to foreign suppliers, in the amount of $19.2 million. The basis of calculation and assumptions made in developing this estimate were discussed with the Proposed Monitor. Based on the explanations received, the Proposed Monitor considers that the estimate is reasonable in the circumstances.

63. Management, with the assistance of the CRO, has also analyzed the list of domestic suppliers and came to the conclusion that certain of these suppliers may require payment of some of the arrears in their accounts, in order to ensure a continued source of supply without disruption to the Applicants' operations. In this regard, Management, with the assistance of

the CRO, has developed a provision for payment of arrears of $1.2 million. The basis of calculation and assumptions made in developing this estimate were discussed with the Proposed Monitor. Based on the explanations received, the Proposed Monitor considers that the provision is reasonable in the circumstances.

Shippers, warehousemen and other liens claimants

64. The Applicants have identified a risk that some creditors may seek to exercise a right of retention, which may disrupt on-going operations, and is seeking authorization from the Court, through the Initial Order, to pay these amounts with the consent of the Monitor. The Proposed Monitor considers that this request is reasonable.

Customer programs

65. The Applicants assert that it is necessary for them to continue honouring certain customer programs, in order to maintain the confidence of the customer base and preserve the going-concern value of the business. The Proposed Monitor understands that the customer programs include items such as volume rebates, coop advertising, replacement of defective merchandise, product warranty and other similar client programs and considers that this request is reasonable.

FINANCIAL THRESHOLDS CONTEMPLATED IN THE INITIAL ORDER

66. The Initial Order provides for a number of charges and financial thresholds that are described herein:

Administration Charge

67. The Administration Charge as described in the Initial Order provides for an amount of $7.5 million for the Monitor, the Monitor's Canadian and U.S. legal counsel, the Applicants' Canadian and U.S. legal counsel, Centerview, the CRO and counsel for the Applicants'

directors and officers, as security for the professional fees and disbursements incurred both before and after the making of the Initial Order in respect of these proceedings, in addition to the retainers already provided. The Administration Charge threshold has been established based on the various professionals' previous history and experience with large cross border restructurings of similar magnitude and complexity. The Proposed Monitor believes that such charge is required and reasonable under the circumstances.

D&O Charge

68. The directors' and officers' charge (the "**D&O Charge**") as described in the Initial Order provides for an amount of $7.5 million to indemnify the Applicants' directors and officers from and against all costs, charges, expenses, claims, liabilities and obligations which may arise on or after the date of the Initial Order provided that the liability relates to his or her capacity as director and/or officer and that the costs, charges, expenses, claims, liabilities and obligations are not attributable to a gross or intentional fault of the director or officer.

69. The amount of the D&O Charge was established based on Management's estimate of employee costs and sales taxes that might be outstanding in the periods between the payment of the related obligations. The estimate takes into consideration hourly and salaried payroll, vacation pay, fringe benefits, and sales taxes. Based on the information presented, the Proposed Monitor believes that such charge is required and reasonable under the circumstances.

Intercompany Charge

70. As mentioned earlier in this Report, the proposed Initial Order contemplates an Intercompany Charge to protect the interests of each individual estate, in the event of a

transfer of value from one entity to another during the pendency of the restructuring proceedings.

71. The Intercompany Charge as contemplated in the Initial Order would rank below the other charges created through the Initial Order and below the existing security of the DIP Lenders. The Proposed Monitor understands that the amount secured by the Intercompany Charge would represent a priority claim in the proceedings under the *Code*, providing a level of protection comparable in priority ranking as the ranking contemplated in the Initial Order.

72. It is difficult at this juncture to ascertain whether the Intercompany Charge is sufficient to protect the interest of each individual estate. However, considering that the SH Agreement contemplates that there should be substantial funds available after the payment of the secured creditors' claims, the Intercompany Charge appears to offer some measure of protection to the individual estates. In view of the foregoing, the Proposed Monitor considers that the request to establish an Intercompany Charge, and the ranking of such charge, is reasonable in the circumstances.

Asset sales

73. The Initial Order contemplates some level of discretion of the Applicants in selling or disposing of assets without a specific authorization from the Court. The requested discretionary authority is intended to avoid cluttering the Court with approvals of transactions that are not significant, and is premised on the general power of the Court to make orders, as provided in section 11 of the *CCAA*.

74. The discretion contemplated in the Initial Order would be available to the Applicants only with the approval of the Monitor, and only inasmuch as the amounts of the proposed transactions do not exceed $1,000,000 in the aggregate, and is not a transaction with a party

that would be considered a related party (as defined in section 2(2) of the *CCAA*). The Proposed Monitor considers that the above request of the Applicants is reasonable.

UPCOMING RESTRUCTURING MEASURES

75. As mentioned earlier in this Report, the restructuring measures contemplated by the Applicants are expected to progress at a very rapid pace. These include:

    (a) Approval of a Cross Border Protocol (to be sought in the Comeback Motion);

    (b) Approval of a sale process and bidding procedures (to be sought in the Comeback Motion);

    (c) Approval of each a key employee retention plan and key employee incentive plan;

    (d) Final approval of the DIP Facilities (to be sought in the Comeback Motion);

    (e) Extension of the Stay Period; and

    (f) Approval of a stalking horse order.

OVERALL COMMENTS AND CONCLUSIONS

76. The timelines contemplated in the Applicants' restructuring process are aggressive but reasonably achievable. While the timelines are tight and meeting the milestones set out in the SH Agreement may be challenging, the Proposed Monitor believes that the Applicants' proposed approach to managing these challenges are appropriate in the circumstances and the Monitor will participate in the process directly so as to be in a position to assist the Applicants and to report to the Court definitively.

77. The SH Agreement appears to provide a strong basis to enhance the likelihood of a viable business emerging from the restructuring process, through a sale of assets, as the SH Agreement provides for a value that is significantly higher than the secured debt, allows an opportunity to optimize value for the Applicants and their stakeholders, preserves employment for a significant number of employees and preserves the business for the benefit of their customers and suppliers.

78. Although the Proposed Monitor has been provided full access and disclosure, it has only recently become involved. Based on the Proposed Monitor's review thus far, the Applicants have displayed diligence, good faith and proper intentions in pursuing these restructuring proceedings.

79. In view of the foregoing and the information EY has received since its recent engagement, EY considers that the restructuring efforts implemented by the Applicants in the proceedings herein are reasonable.

All of which is respectfully submitted this 31st day of October, 2016.

ERNST & YOUNG INC.
In its capacity as the proposed monitor
in the matter of the proposed compromise and
arrangement of Performance Sports Group Ltd. *et al.*

Per:

Brian M. Denega, CPA, CA, CIRP, LIT
Senior Vice President

Jean-Daniel Breton, CPA, CA, FCIRP, LIT
Senior Vice President

Martin Daigneault, CPA, CA, CIRP, LIT
Senior Vice President

APPENDIX B

NOTICE TO CREDITORS OF
Performance Sports Group Ltd. and its affiliates

Notice is hereby given that on October 31, 2016, pursuant to a motion filed by Performance Sports Group Ltd. and certain affiliates (collectively "**PSG**") under the *Companies' Creditors Arrangement Act* ("***CCAA***"), the Ontario Superior Court of Justice (Commercial List) issued an order (the "**Initial Order**") declaring that PSG are debtor companies pursuant to the *CCAA*, and naming Ernst & Young Inc. as Monitor.

The Court number assigned for this matter is CV-16-11582-00CL.
The debtor companies to which the Initial Order pertains are Performance Sports Group Ltd., Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Baseball/Softball Corp., KBAU Holdings Canada, Inc., Performance Lacrosse Group Corp., PSG Innovation Corp., Bauer Hockey Retail Inc., Bauer Hockey, Inc., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS US Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., and PSG Innovation Inc.

The Monitor has established a website at **www.ey.com/ca/psg**, on which a copy of the Initial Order and other information pertaining to the proceedings under the *CCAA* can be accessed.

To date, no claims procedure has been approved by the Court and creditors are therefore not required to file a proof of claim at this time.

Ernst & Young Inc., LIT
in its capacity as Court appointed Monitor

Martin Daigneault, CPA, CA, LIT
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international calls : 1-416-943-3646
telecopier/fax : 514-879-3999

EY

AVIS AUX CRÉANCIERS DE Performance Sports Group Ltd et ses sociétés affiliées

Avis est par les présentes donné que le 31 octobre 2016, à la suite d'une requête déposée par Performance Sports Group Ltd. et ses sociétés affiliées, (collectivement «**PSG**») en vertu de la *Loi sur les arrangements avec les créanciers des compagnies* («***LACC***»), la Cour supérieure de justice de l'Ontario (Rôle Commercial) a émis une ordonnance (l'«***Ordonnance Initiale***») confirmant que PSG est une compagnie débitrice au sens de la *LACC*, et nommant Ernst & Young Inc. à titre de contrôleur.

Le numéro de dossier de la cour attribué à ces procédures est le CV-16-11582-00CL. Les sociétés débitrices visées par cette Ordonnance Initiale sont Performance Sports Group Ltd., Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Baseball/Softball Corp., KBAU Holdings Canada, Inc., Performance Lacrosse Group Corp., PSG Innovation Corp., Bauer Hockey Retail Inc., Bauer Hockey, Inc., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS US Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., et PSG Innovation Inc.

Le contrôleur a mis en place un site web, à l'adresse **www.ey.com/ca/psg**, sur lequel se trouve l'Ordonnance Initiale ainsi que diverses informations concernant les procédures de réorganisation aux termes de la *LACC*.

À ce jour, aucune procédure de réclamation n'a été approuvée par le tribunal, et par conséquent les créanciers ne sont pas tenus de déposer une preuve de réclamation en date des présentes.

Ernst & Young Inc., SAI
ès qualité de contrôleur nommé par le tribunal

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APPENDIX C

EY
Building a better working world

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Tel: +1 416 864 1234
Fax: +1 416 943 3300
ey.com

October 31, 2016

To the creditors of Performance Sports Group Ltd. and its affiliates

Re: Proceedings under the *Companies' Creditors Arrangement Act*

Take notice that on October 31, 2016, Performance Sports Group Ltd. and other related entities listed below[1] (the "Applicants") commenced court-supervised restructuring proceedings in Canada under the *Companies' Creditors Arrangement Act* (the "CCAA")[2].

Ernst & Young Inc. has been appointed by the Ontario Superior Court of Justice (Commercial List) (the "Court") as Monitor (the "Monitor") in the Applicants' CCAA proceedings pursuant to an order of the Court made on October 31, 2016 (the "Initial Order"). The Court number assigned for this matter is CV-16-11582-OOCL.

The Applicants have also commenced ancillary insolvency proceedings under Chapter 11 of Title 11 of the *United States Code* in the United States Bankruptcy Court for the District of Delaware. For further information regarding the Chapter 11 proceedings, please visit the dedicated Prime Clerk website at https://cases.primeclerk.com/psg.

INITIAL ORDER

The Initial Order provides, among other things, an initial stay of proceedings in favour of the Applicants, until November 30, 2016 (the "Stay Period"), which may be extended by the Court from time to time.

During the Stay Period, all parties are prohibited from commencing or continuing legal action against the CCAA Entities, and all rights and remedies of any party against or in respect of the Applicants or their assets are stayed and suspended, except with the written consent of, *inter alia*, the Applicants and the Monitor, or leave of the Court.

A copy of the said Initial Order, the Report of the Proposed Monitor, as well as various information pertaining to the Debtor's reorganization proceedings under the CCAA, are available on the Monitor's website, at the following address: www.ey.com/ca/psg.

Pursuant to the Initial Order, all persons having oral or written agreements with the Applicants or statutory or regulatory mandates for the supply of goods and/or services are restrained until further Order of the Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicants, provided that the normal prices or charges

1 The Applicants in the present proceedings are comprised of Performance Sports Group Ltd., Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Baseball/Softball Corp., KBAU Holdings Canada, Inc., Performance Lacrosse Group Corp., PSG Innovation Corp., Bauer Hockey Retail Inc., Bauer Hockey, Inc., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS US Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., PSG Innovation Inc.

2 L.R.C. 1985, c. C-36, as modified.

for all such goods or services received after the date of the Initial Order are paid by the Applicants in accordance with normal payment practices of the Applicants or such other practices as may be agreed upon by the supplier or service provider and the Applicants and the Monitor, or as may be ordered by this Court.

The Initial Order prohibits Applicants from making payments of amounts related to the supply of goods or services prior to October 31, 2016, other than certain payments specified in the Initial Order.

To date, no claims procedure has been approved by the Court and creditors are therefore not required to file a proof of claim at this time.

The CCAA provides that various reports must be prepared by the Monitor and filed with the Court, from time to time. These reports include reports on the reasonability of the cash flow projections provided by the Debtor and on the financial and other affairs of the Debtor. Creditors and other stakeholders are advised to consult the Monitor's website periodically to stay abreast of developments in this matter.

Persons requiring further information not available on the Monitor's website may communicate with the Monitor as follows:

Email	psg@ca.ey.com
Toll free from Canada and the United States	1 855 287 4005
International callers	1 416 943 3646
Fax	1 514 879 3999

ERNST & YOUNG INC.
Court Appointed Monitor of Performance Sports Group Ltd *et al*.

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Le 31 octobre 2016

Aux créanciers de Performance Sports Group Ltd. et de ses affiliés

Objet : Procédure en vertu de la *Loi sur les arrangements avec les créanciers des compagnies*

Soyez informés que le 31 octobre 2016, Performance Sports Group Ltd. et d'autres entités liées[1] (les «Requérantes») ont initié au Canada un processus de restructuration judiciaire en vertu de la *Loi sur les arrangement des créanciers des compagnies* (la «LACC»)[2].

Ernst & Young Inc. a été nommée contrôleur (le «Contrôleur») dans le cadre de la procédure en vertu de la LACC des Requérantes aux termes d'une ordonnance (l'«Ordonnance initiale») rendue le 31 octobre 2016 par la Cour supérieure de justice de l'Ontario (rôle commercial) (le «Tribunal»). Le dossier de cour porte le numéro CV-16-11582-OOCL.

Parallèlement, les Requérantes ont aussi déposé des requêtes volontaires en vertu du chapitre 11 du titre 11 du *United States Code* devant la United States Bankruptcy Court for the District of Delaware. Pour en savoir davantage sur la procédure en vertu du chapitre 11, veuillez visiter la page Web de Prime Clerk qui lui est consacrée, à l'adresse https://cases.primeclerk.com/psg.

ORDONNANCE INITIALE

L'Ordonnance initiale prévoit notamment une première période de suspension des procédures en faveur des Requérantes jusqu'au 30 novembre 2016 (la «Période de suspension des procédures»), laquelle peut être prorogée par le Tribunal de temps à autre.

Durant la Période de suspension des procédures, aucune partie ne peut initier ni continuer de procédure judiciaire contre les Requérantes, et tous les droits et recours contre les Requérantes ou leurs actifs ou à l'égard de ceux-ci sont suspendus, sauf avec le consentement écrit des Requérantes et du Contrôleur entre autres, ou avec la permission du Tribunal.

Une copie de l'Ordonnance initiale et du rapport du Contrôleur proposé ainsi que divers renseignements relatifs à la réorganisation des Requérantes en vertu de la LACC sont disponibles sur le site Web du Contrôleur à l'adresse www.ey.com/ca/psg.

[1] Les Requérantes qui sont parties à la procédure actuelle sont Performance Sports Group Ltd., Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Baseball/Softball Corp., KBAU Holdings Canada, Inc., Performance Lacrosse Group Corp., PSG Innovation Corp., Bauer Hockey Retail Inc., Bauer Hockey, Inc., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS US Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., PSG Innovation Inc.

[2] L.R.C. (1985), ch. C-36, dans sa version modifiée.

Jusqu'à ordonnance ultérieure du Tribunal, l'Ordonnance initiale interdit à toute personne ayant un contrat verbal ou écrit avec les Requérantes, ou ayant envers elles une obligation d'origine législative ou réglementaire, pour la fourniture de biens ou de services d'interrompre, de modifier ou d'entraver la fourniture des biens ou services en question selon les besoins des Requérantes, ou d'y mettre fin, dans la mesure où les Requérantes acquittent les prix ou coûts normaux pour les biens et services reçus après la date de l'Ordonnance initiale, et ce, conformément à leurs pratiques de paiement habituelles, à toute autre entente que le fournisseur de biens ou de services peut conclure avec les Requérantes et le Contrôleur, ou à une éventuelle ordonnance du Tribunal.

L'Ordonnance initiale interdit aux Requérantes d'acquitter quelque somme que ce soit relativement à des biens ou services fournis avant le 31 octobre 2016, à l'exception de certains paiements précisés dans l'Ordonnance initiale.

Aucune procédure de réclamation n'a encore été approuvée par le Tribunal, et les créanciers n'ont donc pas à déposer de preuve de réclamation pour le moment.

La LACC prévoit que le Contrôleur doit préparer et déposer auprès du Tribunal divers rapports, dont des rapports sur la justification des projections relatives à l'évolution de l'encaisse fournies par les Requérantes et sur l'état des affaires financières et autres de ces dernières. Il est recommandé aux créanciers at aux autres parties intéressées de consulter périodiquement le site Web du Contrôleur afin de se tenir au courant des développements dans cette affaire.

Les personnes désirant des renseignements qui ne sont pas disponibles sur le site Web du Contrôleur peuvent communiquer avec le Contrôleur, dont voici les coordonnées :

Courriel	psg@ca.ey.com
Ligne sans frais pour les appels en provenance du Canada ou des États-Unis	1 855 287 4005
Appels internationaux	1 416 943 3646
Télécopieur	1 514 879 3999

ERNST & YOUNG INC.
Contrôleur nommé par le Tribunal de
Performance Sports Group Ltd. *et al.*

APPENDIX D

OVERVIEW OF THE CHAPTER 11 PROCEEDINGS TO DATE
To November 26, 2016

Introduction

1. The Applicants commenced the Chapter 11 Proceedings on the Petition Date. U.S. Bankruptcy Court Judge Kevin J. Carey presides over the Chapter 11 Proceedings. The main proceedings addressed to date are outlined below.

U.S. "First Day" Orders and Relief

2. On November 1, 2016, the U.S. Court granted the following "first day" orders ("**First Day Orders**"). The U.S. Court, as noted below, also set hearing dates for approval of such interim relief orders on a final basis. Copies of all of the First Day Orders, and other pleadings and filings made in the Chapter 11 Proceedings are posted on the Prime Clerk Website. The First Day Orders are as follows[1]:

   (a) *Joint Administration Order* – an order directing the joint administration of the Chapter 11 Proceedings in the U.S. Court, solely for procedural purposes;

   (a) *Debtor-In-Possession Order Extending Automatic Stay* – a "comfort" order authorizing each Debtor to operate as a debtor in possession pursuant to the *Code* and continue to operate its business in the ordinary course, allowing all undisputed ordinary course business obligations incurred after the Petition Date to be entitled to administrative expense priority, and extending the automatic stay to all persons, subject to certain exceptions as set forth in the *Code*;

   (b) *Interim Utilities Order* – an interim order prohibiting utility service providers from discontinuing or altering service to the Applicants and determining adequate assurance of payment for future utility services (and setting a final hearing for these matters on November 30, 2016);

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[1] References to "pre-petition" are taken directly from the orders issued by the U.S. Court, and refer to the "pre-filing" period prior to October 31, 2016.

(c) *Interim Equity Transfer Procedures Order* – an interim order establishing notice procedures for transfers of equity securities in PSG by shareholders who beneficially own at least 4.5% of all issued and outstanding shares (and setting a final hearing for these matters on November 30, 2016) to preserve certain tax assets and attributes;

(d) *Interim Cash Management Order* – an interim order authorizing the Applicants to continue to use their existing consolidated cash management systems and bank accounts to continue performing ordinary course inter-company transactions, except that the Applicants are restricted from making cash advances to any foreign affiliate in excess of $50,000 per month without further order of the U.S. Court, granting administrative priority status to post-petition intercompany claims, and granting a limited and interim waiver of the deposit guidelines set forth in section 345 of the *Code* (and setting a final hearing for these matters on November 30, 2016);

(e) *Customer Programs Order* – an order authorizing the Applicants to honour certain pre-petition obligations to customers and to otherwise continue in the ordinary course of business with their customer programs and practices;

(f) *Insurance Programs Order* – an order authorizing the Applicants to continue insurance programs and financing programs related to such insurance programs entered into pre-petition, to renew, or enter into new, programs post-petition, and to honour or otherwise satisfy obligations with respect to such programs;

(g) *Interim Employee Wages, Benefits, Reimbursement, and Withholding Tax Order* – an interim order authorizing the Applicants to continue to pay and honour certain pre-petition obligations such as pre-petition wages, salaries, and other compensation in the ordinary course of business in an amount not to exceed $12,850 to any one employee, independent contractor, or temporary worker, without further order of the U.S. Court, authorizing the Applicants and any applicable third parties to allocate and distribute certain withholding obligations to appropriate third party recipients or taxing authorities in accordance with the Applicants' policies and pre-petition practices, authorizing the Applicants to continue certain workers compensation programs and other benefit programs, and authorizing the Applicants to continue to honour certain reimbursement obligations with respect to such things as employee travel, meals, and similar charges in an amount not to exceed $500,000 in the aggregate without further order of the U.S. Court (and setting a final hearing for these matters on November 30, 2016);

(h) *Taxes and Fees Order* – an order authorizing the Applicants to remit and pay certain taxes and fees, including trust fund taxes, taxes likely to give rise to personal liability of the Applicants' officers or directors, franchise taxes, regulatory fees, import duties, excise taxes, sales and use taxes, taxes that may give rise to a lien on any of the Applicants' assets, subject to a cap of $2,400,000, and authority to remit and pay any fees or taxes determined post-petition following an audit to be owed for the pre-petition period;

(i) *Shippers, Warehousemen and Other Lien Claimants Order* – an order authorizing payment up to an aggregate amount of $5,500,000 of certain essential pre-petition statutory, possessory, shipping, and warehousing lien claims;

(j) *Interim Critical and Foreign Vendors Order* – an interim order authorizing the Applicants to pay certain claims of critical vendors and foreign vendors (including claims entitled to administrative expense priority pursuant to section 503(b)(9) of the *Code*), up to an aggregate amount of $7,500,000 without further order from the U.S. Court and authorizing the Applicants to condition such payment on trade terms agreed to by the Applicants (and setting a final hearing for these matters on November 30, 2016 at which time the U.S. Court will be asked to authorize payment of up to $21,800,000 inclusive of the interim authorization);

(k) *Noticing Agent Order* – an order authorizing the retention of Prime Clerk as claims and noticing agent to the Applicants effective *nunc pro tunc* to the Petition Date;

(l) *Interim DIP Financing Order* – an interim order approving post-petition financing ("**DIP Financing**"); authorizing the Applicants to immediately request extensions of credit under a new senior secured asset-based revolving credit facility ("**ABL DIP Facility**") up to an aggregate amount of $200 million, authorizing the Applicants to obtain a senior secured new money delayed draw term loan facility of up to $361.3 million with fees thereunder payable upon entry of the interim order, but advances thereunder contingent upon entry of a final order ("**Term Loan DIP Facility**" and together with the ABL DIP Facility, the "**DIP Facilities**"), authorizing use of cash collateral, granting liens and providing super priority administrative expense status, granting adequate protection, modifying the automatic stay and scheduling a final hearing with respect to the DIP Facilities and (and setting a final hearing for these matters on November 30, 2016).

Further Developments in Chapter 11 Proceedings – November 9 Filings

3. On November 9, 2016, the Applicants filed the "Notice of Case Commencement" providing certain general information regarding the Chapter 11 Proceedings, including that a meeting of creditors will be held on November 30, 2016 in Delaware pursuant to section 341 of the *Code*.

4. Also on November 9, 2016, the Applicants filed the following motions, each with a scheduled hearing date of November 30, 2016:

(a) *Motion to Grant Additional Time to File Schedules* – a motion seeking an extension of the deadline by which the Applicants must file required statements of financial affairs and schedules of assets and liabilities pursuant to section 521 of the *Code*, to 45 days from the Petition Date;

(b) *Motion to Reject Leases* – a motion authorizing the rejection of the following two leases pursuant to section 365 of the *Code* effective as of November 30, 2016: (i) a lease with Gateway Olympia, Inc., as landlord, concerning property located at West Valley at 216, 6651 South 216th Street, Kent, Washington, U.S. and (ii) a lease with Skyline Commercial Real Estate Holdings Inc., as landlord concerning property located at 5390 Canotek Road, Ottawa, Ontario;

(c) *Motion to Establish Compensation Procedures for Professionals* – a motion pursuant to section 105(a) and 331 of the *Code* authorizing procedures for compensation of estate professionals;

(d) *Motion to Approve Cross-Border Protocol* – a motion requesting approval of a cross-border protocol pursuant to section 105(a) of the *Code* to facilitate coordination between the Canadian and U.S. Courts and maximize efficiency of the dual proceedings;

(e) *Motion to Approve Retention of Ordinary Course Professionals* – a motion authorizing retention of professional advisors, such as attorneys, accountants, auditors, and other professionals in the ordinary course of business;

(f) *Motion to Retain Restructuring Advisor* – a motion authorizing the Applicants to retain individuals from Alvarez & Marsal North America, LLC for restructuring advice and to designate Brian J. Fox as the Applicants' Chief Restructuring Officer effective *nunc pro tunc* to the Petition Date;

(g) *Motion to Retain Administrative Agent* – a motion authorizing the Applicants' to retain Prime Clerk as administrative agent effective *nunc pro tunc* to the Petition Date to, among other things, assist with solicitation, balloting, and tabulation of votes in connection with a plan of reorganization;

(h) *Motion to Retain Co-Counsel* – a motion authorizing the Applicants to retain Young Conaway Stargatt & Taylor, LLP as Delaware co-counsel effective *nunc pro tunc* to the Petition Date;

(i) *Motion to Retain Investment Banker* – a motion authorizing the Applicants to retain Centerview Partners LLC as investment banker effective *nunc pro tunc* to the Petition Date;

(j) *Motion to Retain U.S. Counsel* – a motion authorizing the Applicants to retain Paul, Weiss, Rifkind, Wharton & Garrison LLP as the Applicants' U.S. counsel effective *nunc pro tunc* to the Petition Date.

Appointment of the Official Committee of Unsecured Creditors

5. On November 10, 2016, the Office of the United States Trustee ("**USOT**") appointed the following persons to the Committee of Unsecured Creditors ("**UCC**") pursuant to section 1102(a)(1) of the *Code*:

(a) Wilmington Saving Fund Society, FSB;

(b) VNSH, LLC; and

(c) Denlea & Carton LLP.

Reclamation Demand

6. On November 18, 2016, Sigma Global Co., Ltd. ("Sigma") filed a reclamation demand pursuant to section 546(c) of the *Code* for the turnover of certain goods to the extent such goods were received by the Applicants within 45 days of the Petition Date. Sigma asserts that the goods are valued at an amount not less than $2,711,350.48, were sold in the ordinary course of business while the Applicants were insolvent, and that it has not received payment for the goods.

Objections to U.S. Bidding Procedures and DIP Financing Motions

7. *Q30 Objection to U.S. Bidding Procedures Motion* – on November 14, 2016, Q30 Sports, LLC and Q30 Sports Science, LLC (collectively, "**Q30**") filed a limited objection and reservation of rights with respect to the Applicants' motion to approve the Bidding Procedures filed in the Chapter 11 Proceedings ("**U.S. Bidding Procedures Motion**"), objecting to, among other things, the proposed timeline for parties to object to proposed adequate assurances of future performance in connection with contracts to be assumed and assigned to a non-stalking horse qualified bidder.

8. *USOT Objection to U.S. Bidding Procedures Motion* – on November 15, 2016, the USOT filed an objection to the US Bidding Procedures Motion on the bases that: (i) the U.S. Bidding Procedures Motion does not provide sufficient information from which the U.S. Court or other interested parties may determine whether the SH Transaction (as defined below) is an effective exercise of the Applicants' business judgment or an exercise in self-

dealing; (ii) that the Applicants have not made a good faith effort to market the assets subject to the SH Transaction and are proposing a short timeline for the SH Transaction to be consummated; and (iii) that the break-up fee of $20.125 million and expense reimbursement of $3.5 million payable to the SH Purchaser (together, the "**Bid Protections**") should not be approved until after a sale transaction has been consummated, interested parties are given notice and a chance to object, and the U.S. Court will determine whether the Bid Protections are necessary.

9. *Ad Hoc Committee Objection to U.S. Bidding Procedures Motion and DIP Financing Motion* – on November 15, 2016, an ad hoc committee ("**Ad Hoc Committee**") of equity security holders[2] (which has requested that the USOT form an official committee of equity security holders) objected to the U.S. Bidding Procedures Motion and the Applicants' motion to approve DIP Financing ("**DIP Financing Motion**") on a number of grounds, including that: (i) the SH Transaction involves the Applicants' largest shareholder and disregards the interest of the Applicants' other equity owners; (ii) the Applicants' have not shown that the Bid Protections are actually necessary to preserve the value of the estates; (iii) the proposed two month sales process with intervening holidays and terms and procedures are impediments to competitive bidding; (iv) there was no pre-petition marketing of the business or efforts to obtain alternative financing; (v) there is no current liquidity crisis and the proposed Term Loan DIP Facility should not be approved in any event; and (vi) that the three members of the recently appointed UCC have relatively small claims and will not serve as a check or balance on the process.

10. *UCC Objection to U.S. Bidding Procedures Motion* – on November 21, 2016, the UCC filed an objection to the U.S. Bid Procedures Motion on a number of grounds, including that: (i) the Bid Procedures contemplate too short a timeline for the SH Transaction given that no pre-petition marketing efforts were made and the timeline runs through the holiday season; (ii) the Bid Protections, including a $4.05 million termination fee, is excessive in proportion

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[2] Current members of the Ad Hoc Committee are Dendera Capital LP, New Generation Advisers LLC, Steppingstone Group, Alder Hill Management, Weiss Multi-Strategy Advisers, LLC, Sports Direct International plc, Chad Valerio, Culmen Capital Management LLC, Gratia Capital LLC, Q Investments, L.P., Scoggin Capital Management LLC, Rangeley Capital LLC, Broadbill Investment Partners, LP, Broadbill Investment Partners II, LP, and Black Rhino, LP, and MatlinPatterson Global Advisers LLC.

to the deal size and not needed for SH Purchaser to make its bid; and (iii) the Bid Procedures inadequately protect certain unencumbered assets.

11. *UCC Objection to DIP Financing Motion* – on November 21, 2016, the UCC also filed an objection to the DIP Financing Motion on a number of grounds, including that: (i) the $4 million prepayment premium that would become due if the Bid Procedures is not approved by the U.S. Court is intended to force approval of the Bid Procedures; (ii) the interweaving of the SH Transaction's milestones into the DIP Facilities is designed to hurry the sale process; (iii) the extension of DIP liens to unencumbered assets is inappropriate; (iv) the UCC's ability to carry out its fiduciary duties is hindered because it is subjected to a $25,000 cap for its investigations of pre-petition secured claims and because it is not explicitly provided with oversight over amendments to the budget made in connection with the DIP Facilities; (v) the proposed final order does not allow either DIP Facility's roll-up of pre-petition debt be unwound in the event of a successful challenge; and (vi) the Applicants agreed to waive statutory rights, such as the ability to surcharge the pre-petition secured lender parties' collateral, which will unnecessarily deprive unsecured creditors of value.

12. *Ad Hoc Committee Supplemental Objection to DIP Financing Motion* – on November 21, 2016 the Ad Hoc Committee filed a supplemental objection to the DIP Financing Motion, asserting, among other things, that: (i) the DIP Facilities lock-in unduly restrictive milestones; (ii) the proposed carve-out in connection with the DIP Facilities is deficient in that it does not include fees and expensive of an official equity committee, should one be appointed; (iii) the designated period to assert claims challenging the pre-petition facilities is too short; (iv) the proposed $25,000 cap for the UCC's investigation budget is too small and is deficient in that it does not include fees and expenses of an official equity committee, should one be appointed; (v) the DIP Facilities provide the lenders with an expansive indemnity; (vi) the proposed final order does not make clear that the Term Loan DIP Facility roll-up of pre-petition debt is subject to being unwound before the deadline for making a challenge expires and during the pendency of any challenge timely made; and (vii) the DIP Facilities are not warranted because, among other reasons, the Applicants' have adequate cash flow and liquidity.

Applicants' Omnibus Reply to Objections to U.S. Bidding Procedures and DIP Financing Motions

13. On November 28, 2016 the Applicants filed an omnibus reply to the objections filed with respect to the DIP Financing Motion and U.S Bidding Procedures Motion (the "**Omnibus Reply**"). The Applicants addressed each of the objections to the U.S. Bidding Procedures Motion and advanced arguments that the motion meets applicable Canadian and U.S. legal standards because, among other things: (i) the SH Transaction was the best available option to address dwindling liquidity, (ii) the SH Transaction would provide a meaningful recovery for stakeholders in addition to secured lenders, (iii) reasonable notice of the SH Transaction was given to numerous parties on the Petition Date; and (iv) the Applicants' and the SH Purchaser negotiated in good faith and the SH Purchaser did not have a representative on the Applicant's board of directors during the relevant negotiations.

14. The Applicants also addressed each of the objections to the DIP Financing Motion in the Omnibus Reply and argued that: (i) without the DIP Facilities, the Applicants would not have sufficient liquidity to operate and fund the Restructuring Proceedings and (ii) the relief requested in the DIP Financing Motion is consistent with precedent from other cases. In addition, the Applicants noted that they have consensually resolved certain objections, for example, by increasing the budget for investigations of pre-petition secured claims from $25,000 to $250,000.

Appointment of Official Committee of Equity Security Holders

15. On November 28, 2016, USOT appointed the following persons to the Official Committee of Equity Security Holders pursuant to section 1102(a)(1) of the *Code*:

    (d) Weiss Multi-Strategy Advisers LLC;

    (e) Dendera Capital Fund, LP; and

    (f) Kenneth S. Grossman.

Additional November 28 Filings – Final Orders Authorizing Certain Interim Relief on a Final Basis, UCC's Motions to Retain Professionals, and Applicants' Bar Date Motion

16. On November 28, 2016, the U.S. Court entered orders authorizing relief on a final basis for interim relief granted in certain of the First Day Orders (and as described below, certain consensually agreed modifications to such relief) following the filing of certificates by the Applicants that no formal objections were received during the relevant objection deadline (the "**November 28 Final Orders**"). The November 28 Final Orders are as follows:

    (a) *Final Utilities Order* – an order approving relief granted in the Interim Utilities Order on a final basis and adding the UCC notice party where relevant.

    (b) Final Equity Transfer Procedures Order – an order approving relief granted in the Interim Utilities Order on a final basis and adding the UCC as a notice party where relevant.

    (c) Final Cash Management Order – an order approving relief granted in the Interim Critical and Foreign Vendors Order on a final basis and providing that: (i) absent further relief from the U.S. Court, the balance of the Applicants' account with Cathay United Bank cannot exceed $325,000; and (ii) that the Applicants will have until December 15, 2016 to comply with the deposit guidelines set forth in section 345(b), subject to further requests for extensions.

    (d) Final Critical and Foreign Vendors Order – an order approving relief granted in the Interim Critical and Foreign Vendors Order on a final basis.

17. Also on November 28, 2016, the UCC filed the following motions, each with a scheduled hearing date of December 19, 2016:

    (a) *Motion to Retain Blank Rome as Counsel* – a motion authorizing the UCC to retain Blank Rome LLP as counsel to the UCC effective *nunc pro tunc* to November 10, 2016;

(b) *Motion to Retain Cassels Brock & Blackwell as Canadian Co-Counsel* – a motion authorizing the UCC to retain Cassels Brock & Blackwell LLP as Canadian co-counsel to the UCC effective *nunc pro tunc* to November 14, 2016; and

(a) *Motion to Retain Financial Advisor* – a motion authorizing the UCC to retain Province, Inc. as financial advisor effective as of November 10, 2016.

18. Additionally, on November 28, 2016, the Applicants filed a motion (the "**Bar Date Motion**") requesting, among other things, that the U.S. Court establish bar dates by which certain entities must file proofs of claim in the Chapter 11 Proceedings and related procedures for providing notice of the bar dates for filing proofs of claim. Specifically, by the Bar Date Motion the Applicants request that the U.S. Court establish: (i) a general bar date of February 6, 2017 by which all entities, except entities specified in the Bar Date Motion, must file proofs of claim for claims arising pre-petition in the Chapter 11 Proceedings (the "**General Bar Date**"), (ii) a governmental bar date of May 1, 2017 by which governmental units must file proofs of claims in the Chapter 11 Proceedings, (iii) that relevant entities must file proofs of claim relating to the Applicants' rejection of executory contracts or unexpired leases in the Chapter 11 Proceedings by the later of the General Bar Date, 30 days after the relevant rejection in the Chapter 11 Proceedings, or 30 days of the effective date of the disclaimer notice in the CCAA Proceedings, and (iv) that entities must file proof of claim in the Chapter 11 Proceedings relating to the Applicants' amendment, if any, of their schedules of assets and liabilities and statements of financial affairs ("**Schedules**") to be filed in the Chapter 11 Proceedings by the later of the General Bar Date and 30 days after the date the notice of the amended Schedules is served on the relevant entity. The Bar Date Motion provides that the Applicants will file an application in the CCAA Proceedings requesting a complementary order establishing the same bar dates to coordinate the claims process in the Restructuring Proceedings.

APPENDIX E

Performance Sports Group Ltd.
Cash Flow Variance (Actual vs. Cash Flow Forecast) Report
For the Period from October 31 to November 18, 2016 (3 weeks)
Unaudited, in US $000's (note 1)

	October 31 to November 11, 2016 (3 weeks)		
	Actual	**Budget**	**Variance**
Opening Cash	$ 3,202	$ -	$ 3,202
Total Receipts	30,997	23,099	7,898
Cash Disbursements			
Payroll, Benefits and Temps.	(2,249)	(2,710)	460
Vendor Spend	(2,699)	(11,682)	8,983
Utilities	(9)	(81)	72
Insurance	(123)	(148)	25
Property, Sales and Other Taxes	(469)	(365)	(104)
Facilities / Rent / Leases	(88)	(531)	443
Other Operating Disbursements	(1,138)	(2,228)	1,090
Total Operating Disbursements	**(6,774)**	**(17,745)**	**10,970**
Total Operating Cash Flow	**24,223**	**5,354**	**18,868**
Capex	(201)	(522)	322
Interest Payments	(720)	(791)	71
Professional Fees	(9)	-	(9)
Other Non-Operating Disbursements	(118)	(303)	185
Total Non-Operating Disbursements	**(1,048)**	**(1,616)**	**568**
Chapter 11 / CCAA Items:			
Utilities Deposit	-	(300)	300
503b9 Claims	-	(467)	467
Foreign / Critical Vendor Payments	(781)	(6,833)	6,053
Other Chapter 11 / CCAA Prepayments	-	-	-
Shippers and Warehousemen	(133)	(1,000)	867
KEIP / KERP	-	-	-
Total Chapter 11 / CCAA Items	**(914)**	**(8,600)**	**7,686**
Total Disbursements	**(8,736)**	**(27,960)**	**19,224**
Net Cash Flow	**22,261**	**(4,862)**	**27,123**
Cash application			
ABL Facility draw / (pay down)	(28,971)	(23,099)	(5,873)
ABL DIP Facility draw / (pay down)	10,190	35,460	(25,270)
Ending Cash Balance (note 2 & 3)	**$ 6,681**	**$ 7,500**	**$ (819)**
ABL Balances			
ABL Facility	129,865	138,444	8,580
ABL DIP Facility	10,190	35,460	25,270
Ending total	**$ 140,055**	**$ 173,905**	**$ 33,850**
Borrowing Base	175,960	192,250	(16,290)
Liquidity	**$ 35,906**	**$ 18,345**	**$ 17,561**

Note 1
From October 31 to November 18, 2016, all Canadian dollar denominated amounts were converted to US dollars using an exchange rate of 0.75 CAD/USD.
Note 2
The closing cash balance reflects all Canadian and US dollar operating accounts described in the DIP ABL Facility Agreement.
Note 3
Outstanding items are not included in the closing cash balance. As at Nov 11, 2016, $163 in outstanding cheques existed.

APPENDIX F

Performance Sports Group
Cash Flow Forecast

($ in 000s)

Week Ended:	Forecast 1 11/4/16	Forecast 2 11/11/16	Forecast 3 11/18/16	Forecast 4 11/25/16	Forecast 5 12/2/16	Forecast 6 12/9/16	Forecast 7 12/16/16	Forecast 8 12/23/16	Forecast 9 12/30/16
Total Receipts	**$ 5,984**	**$ 7,557**	**$ 9,557**	**$ 8,557**	**$ 13,008**	**$ 13,135**	**$ 14,135**	**$ 14,135**	**$ 14,135**
Cash Disbursements:									
Payroll, Benefits and Temps.	-	(2,007)	(703)	(1,800)	(1,002)	(1,585)	(1,086)	(1,741)	(1,001)
Vendor Spend	(113)	(5,934)	(5,634)	(6,292)	(4,864)	(5,675)	(5,375)	(5,375)	(6,267)
Utilities	-	(41)	(41)	(45)	(33)	(41)	(41)	(41)	(41)
Insurance	(148)	-	-	-	(148)	-	-	-	-
Property, Sales and Other Taxes	-	(65)	(300)	(1,460)	(70)	-	(200)	(91)	(625)
Facilities / Rent / Leases	(531)	-	-	-	(531)	-	-	-	-
Other Operating Disbursements	(149)	(1,039)	(1,039)	(1,133)	(891)	(1,082)	(1,082)	(1,082)	(1,082)
Total Operating Disbursements	**$ (941)**	**$ (9,087)**	**$ (7,717)**	**$ (10,731)**	**$ (7,539)**	**$ (8,384)**	**$ (7,784)**	**$ (8,331)**	**$ (9,016)**
Total Operating Cash Flow	**$ 5,043**	**$ (1,529)**	**$ 1,840**	**$ (2,173)**	**$ 5,470**	**$ 4,752**	**$ 6,352**	**$ 5,805**	**$ 5,120**
Capex	$ -	$ (92)	$ (430)	$ (94)	$ (164)	$ (179)	$ (29)	$ (29)	$ (29)
Interest Payments	(720)	-	(71)	-	(10,941)	-	(106)	-	(2,061)
Professional Fees	-	-	-	-	-	-	(5,145)	-	-
Other Non-Operating Disbursements	-	(114)	(189)	(514)	(106)	(86)	(161)	(86)	(86)
Total Non-Operating Disbursements	**$ (720)**	**$ (206)**	**$ (690)**	**$ (608)**	**$ (11,212)**	**$ (265)**	**$ (5,442)**	**$ (115)**	**$ (2,177)**
Total Chapter 11 / CCAA Items	**-**	**(4,450)**	**(4,150)**	**(4,150)**	**(4,150)**	**(4,150)**	**(4,150)**	**(2,500)**	**-**
Total Disbursements	**$ (1,661)**	**$ (13,743)**	**$ (12,557)**	**$ (15,488)**	**$ (22,900)**	**$ (12,799)**	**$ (17,375)**	**$ (10,946)**	**$ (11,192)**
Net Cash Flow	**$ 4,323**	**$ (6,186)**	**$ (2,999)**	**$ (6,931)**	**$ (9,892)**	**$ 337**	**$ (3,240)**	**$ 3,190**	**$ 2,943**
Beginning Cash Book Balance	$ 0	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 11,705	$ 11,705	$ 7,500	$ 7,500
Net Cash Flow (excl. Draws/Paydowns)	4,323	(6,186)	(2,999)	(6,931)	(9,892)	337	(3,240)	3,190	2,943
Prepetition Revolver Draws/(Paydowns)	(5,984)	(7,557)	(9,557)	(8,557)	(13,008)	(13,135)	(14,135)	(14,135)	(14,135)
DIP Revolver Draws/(Paydowns)	9,161	13,743	12,557	15,488	22,900	12,799	10,141	9,145	9,145
Delayed Draw DIP Term Loan Draws/(Paydowns)	-	-	-	-	4,205	-	3,029	1,801	2,048
Ending Cash Bank Balance (Excl. Restricted Cash)	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 11,705	$ 11,705	$ 7,500	$ 7,500	$ 7,500
Restricted Cash	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000
Ending Cash Bank Balance (incl. Restricted Cash)	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 15,705**	**$ 15,705**	**$ 11,500**	**$ 11,500**	**$ 11,500**

Week Ended:	Forecast 10 1/6/17	Forecast 11 1/13/17	Forecast 12 1/20/17	Forecast 13 1/27/17	Forecast 14 2/3/17	Forecast 15 2/10/17	Forecast 16 2/17/17	Forecast 17 2/24/17	Forecast 18 3/3/17	Total 18-Week Forecast Period
Total Receipts	**$ 11,068**	**$ 8,557**	**$ 8,557**	**$ 8,557**	**$ 9,248**	**$ 10,169**	**$ 10,169**	**$ 10,169**	**$ 10,598**	**$ 187,297**
Cash Disbursements:										
Payroll, Benefits and Temps.	(1,560)	(1,084)	(1,632)	(996)	(1,546)	(1,081)	(1,631)	(996)	(1,527)	(22,977)
Vendor Spend	(5,437)	(4,997)	(4,997)	(4,997)	(5,513)	(5,246)	(5,246)	(5,246)	(6,013)	(93,222)
Utilities	(41)	(41)	(41)	(41)	(40)	(40)	(40)	(40)	(42)	(689)
Insurance	(148)	-	-	-	(148)	-	-	-	(148)	(740)
Property, Sales and Other Taxes	(145)	-	(200)	(805)	(170)	(65)	(200)	(655)	(70)	(5,121)
Facilities / Rent / Leases	(531)	-	-	-	(531)	-	-	-	(531)	(2,654)
Other Operating Disbursements	(1,066)	(1,063)	(1,063)	(1,063)	(1,060)	(1,056)	(1,056)	(1,056)	(1,106)	(18,170)
Total Operating Disbursements	**$ (8,927)**	**$ (7,184)**	**$ (7,932)**	**$ (7,901)**	**$ (9,009)**	**$ (7,488)**	**$ (8,173)**	**$ (7,993)**	**$ (9,437)**	**$ (143,573)**
Total Operating Cash Flow	**$ 2,141**	**$ 1,373**	**$ 625**	**$ 656**	**$ 239**	**$ 2,681**	**$ 1,995**	**$ 2,176**	**$ 1,161**	**$ 43,724**
Capex	$ (183)	$ (209)	$ (209)	$ (209)	$ (145)	$ (59)	$ (397)	$ (59)	$ (150)	(2,664)
Interest Payments	(543)	-	-	-	(3,222)	-	-	-	-	(17,664)
Professional Fees	-	(4,405)	-	-	(4,190)	-	-	(2,990)	-	(16,730)
Other Non-Operating Disbursements	(81)	(80)	(155)	(80)	(88)	(97)	(172)	(97)	(90)	(2,284)
Total Non-Operating Disbursements	**$ (806)**	**$ (4,694)**	**$ (364)**	**$ (289)**	**$ (7,644)**	**$ (157)**	**$ (569)**	**$ (3,147)**	**$ (239)**	**$ (39,343)**
Total Chapter 11 / CCAA Items	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(27,700)**
Total Disbursements	**$ (9,734)**	**$ (11,878)**	**$ (8,296)**	**$ (8,190)**	**$ (16,653)**	**$ (7,645)**	**$ (8,743)**	**$ (11,140)**	**$ (9,676)**	**$ (210,616)**
Net Cash Flow	**$ 1,335**	**$ (3,321)**	**$ 261**	**$ 367**	**$ (7,405)**	**$ 2,524**	**$ 1,426**	**$ (971)**	**$ 922**	**$ (23,319)**
Beginning Cash Book Balance	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 11,691	$ 10,841	
Net Cash Flow (excl. Draws/Paydowns)	1,335	(3,321)	261	367	(7,405)	2,524	1,426	(971)	922	
Prepetition Revolver Draws/(Paydowns)	(11,068)	(8,557)	(8,557)	(8,557)	(9,248)	(10,169)	(5,181)	-	-	
DIP Revolver Draws/(Paydowns)	9,046	8,482	8,296	8,190	9,692	7,645	7,947	121	(428)	
Delayed Draw DIP Term Loan Draws/(Paydowns)	688	3,396	-	-	6,961	-	-	-	-	
Ending Cash Bank Balance (Excl. Restricted Cash)	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 11,691	$ 10,841	$ 11,336	
Restricted Cash	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	$ 4,000	
Ending Cash Bank Balance (incl. Restricted Cash)	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 11,500**	**$ 15,691**	**$ 14,841**	**$ 15,336**	