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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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.

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[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**").

[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]

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[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.*

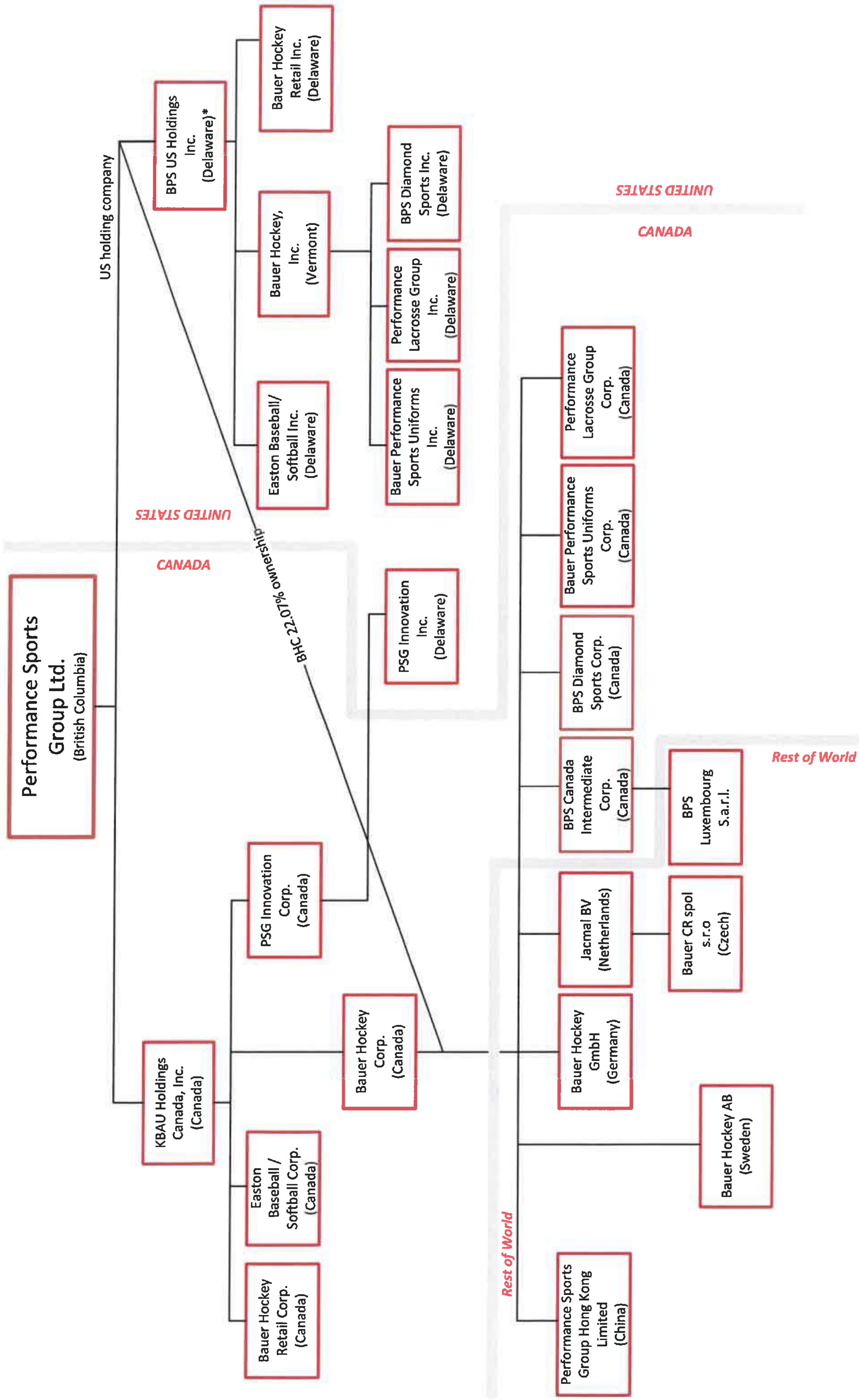
Per:

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 "A"


Performance Sports Group Ltd. (British Columbia)
US holding company
BPS US Holdings Inc. (Delaware)*
Bauer Hockey Retail Inc. (Delaware)
Bauer Hockey, Inc. (Vermont)
Easton Baseball/ Softball Inc. (Delaware)
BPS Diamond Sports Inc. (Delaware)
Performance Lacrosse Group Inc. (Delaware)
Bauer Performance Sports Uniforms Inc. (Delaware)
UNITED STATES
CANADA
BHC 22.07% ownership
PSG Innovation Inc. (Delaware)
KBAU Holdings Canada, Inc. (Canada)
PSG Innovation Corp. (Canada)
Bauer Hockey Corp. (Canada)
Easton Baseball / Softball Corp. (Canada)
Bauer Hockey Retail Corp. (Canada)
Performance Lacrosse Group Corp. (Canada)
Bauer Performance Sports Uniforms Corp. (Canada)
BPS Diamond Sports Corp. (Canada)
BPS Canada Intermediate Corp. (Canada)
Jacmal BV (Netherlands)
Bauer Hockey GmbH (Germany)
Performance Sports Group Hong Kong Limited (China)
Rest of World
BPS Luxembourg S.a.r.l.
Bauer CR spol s.r.o (Czech)
Bauer Hockey AB (Sweden)

Appendix "B"

PERFORMANCE [PSG LETTERHEAD]
SPORTS GROUP

In the matter of the proposed compromise and arrangement of Performance Sports Group Ltd. ("PSG"), Bauer Hockey Corp., Bauer Hockey Retail Corp., Bauer Performance Sports Uniform 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 Uniform Inc., BPS Diamond Sports Inc., BPS US Holdings Inc., Easton Baseball/ Softball Inc., Performance Lacrosse Group Inc., PSG Innovations Inc. (collectively with PSG, the "Applicants" or the "PSG Entities")

Debtors' Prescribed Representations with Respect to Cash Flow Forecast

In connection with the application by the PSG Entities for an initial order under the *Companies' Creditors Arrangement Act*, the management of PSG has developed the assumptions and prepared the attached statement of projected cash flow of the PSG Entities for the 13-week period from October 31, 2016 to January 27, 2017 (the "**Cash Flow Statement**").

The hypothetical assumptions on which the Cash Flow Statement is based are reasonable and consistent with the purpose described in the notes accompanying the Cash Flow Statement, and the probable assumptions are suitably supported and consistent with the plans of the PSG Entities and provide a reasonable basis for the projections. All such assumptions are disclosed in the notes to the Cash Flow Statement (the "**Notes**").

Since the projections are based on assumptions regarding future events, actual results will vary from the information presented, and the variations may be material.

The projections have been prepared solely for the purpose described in the notes accompanying the Cash Flow Statement, using the probable and hypothetical assumptions set out in the Notes. Consequently, readers are cautioned that the Cash Flow Statement may not be appropriate for other purposes.

DATED AT Exeter, NH, this 30 th day of October, 2016.

Mark Vendetti, Executive Vice President/Chief Financial Officer
For the PSG Entities referred to hereinabove

Performance Sports Group
13-Week Cash Flow Forecast

($ in 000s)

	Forecast 1	Forecast 2	Forecast 3	Forecast 4	Forecast 5	Forecast 6	Forecast 7	Forecast 8	Forecast 9	Forecast 10	Forecast 11	Forecast 12	Forecast 13	Total 13-Week Forecast Period
Week Ended:	11/4/16	11/11/16	11/18/16	11/25/16	12/2/16	12/9/16	12/16/16	12/23/16	12/30/16	1/6/17	1/13/17	1/20/17	1/27/17	
Total Receipts	$ 5,984	$ 7,557	$ 9,557	$ 8,557	$ 13,008	$ 13,135	$ 14,135	$ 14,135	$ 14,135	$ 11,068	$ 8,557	$ 8,557	$ 8,557	$ 136,945
Cash Disbursements:														
Payroll, Benefits and Temps.	-	(2,007)	(703)	(1,800)	(1,002)	(1,585)	(1,086)	(1,741)	(1,001)	(1,560)	(1,084)	(1,632)	(996)	(16,196)
Vendor Spend	(113)	(5,934)	(5,634)	(6,292)	(4,864)	(5,675)	(5,375)	(5,375)	(6,267)	(5,437)	(4,997)	(4,997)	(4,997)	(65,957)
Utilities	-	(41)	(41)	(45)	(33)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(41)	(486)
Insurance	(148)	-	-	-	(148)	-	-	-	-	(148)	-	-	-	(444)
Property, Sales and Other Taxes	-	(65)	(300)	(1,460)	(70)	-	(200)	(91)	(625)	(145)	-	(200)	(805)	(3,961)
Facilities / Rent / Leases	(531)	-	-	-	(531)	-	-	-	-	(531)	-	-	-	(1,592)
Other Operating Disbursements	(149)	(1,039)	(1,039)	(1,133)	(891)	(1,082)	(1,082)	(1,082)	(1,082)	(1,066)	(1,063)	(1,063)	(1,063)	(12,837)
Total Operating Disbursements	$ (941)	$ (9,087)	$ (7,717)	$ (10,731)	$ (7,539)	$ (8,384)	$ (7,784)	$ (8,331)	$ (9,016)	$ (8,927)	$ (7,184)	$ (7,932)	$ (7,901)	$ (101,473)
Total Operating Cash Flow	$ 5,043	$ (1,529)	$ 1,840	$ (2,173)	$ 5,470	$ 4,752	$ 6,352	$ 5,805	$ 5,120	$ 2,141	$ 1,373	$ 625	$ 656	$ 35,473
Capex	$ -	$ (92)	$ (430)	$ (94)	$ (164)	$ (179)	$ (29)	$ (29)	$ (29)	$ (183)	$ (209)	$ (209)	$ (209)	(1,855)
Interest Payments	(720)	-	(71)	-	(10,941)	-	(106)	-	(2,061)	(543)	-	-	-	(14,442)
Professional Fees	-	-	-	-	-	-	(5,145)	-	-	-	(4,405)	-	-	(9,550)
Other Non-Operating Disbursements	-	(114)	(189)	(514)	(106)	(86)	(161)	(86)	(86)	(81)	(80)	(155)	(80)	(1,739)
Total Non-Operating Disbursements	$ (720)	$ (206)	$ (690)	$ (608)	$ (11,212)	$ (265)	$ (5,442)	$ (115)	$ (2,177)	$ (806)	$ (4,694)	$ (364)	$ (289)	$ (27,586)
Total Chapter 11 / CCAA Items	-	(4,450)	(4,150)	(4,150)	(4,150)	(4,150)	(4,150)	(2,500)	-	-	-	-	-	(27,700)
Total Disbursements	$ (1,661)	$ (13,743)	$ (12,557)	$ (15,488)	$ (22,900)	$ (12,799)	$ (17,375)	$ (10,946)	$ (11,192)	$ (9,734)	$ (11,878)	$ (8,296)	$ (8,190)	$ (156,759)
Net Cash Flow	$ 4,323	$ (6,186)	$ (2,999)	$ (6,931)	$ (9,892)	$ 337	$ (3,240)	$ 3,190	$ 2,943	$ 1,335	$ (3,321)	$ 261	$ 367	$ (19,814)

	1	2	3	4	5	6	7	8	9	10	11	12	13
Beginning Cash Book Balance	$ 0	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 11,705	$ 11,705	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 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	1,335	(3,321)	261	367
Prepetition Revolver Draws/(Paydowns)	(5,984)	(7,557)	(9,557)	(8,557)	(13,008)	(13,135)	(14,135)	(14,135)	(14,135)	(11,068)	(8,557)	(8,557)	(8,557)
DIP Revolver Draws/(Paydowns)	9,161	13,743	12,557	15,488	22,900	12,799	10,141	9,145	9,145	9,046	8,482	8,296	8,190
Delayed Draw DIP Term Loan Draws/(Paydowns)	-	-	-	-	4,205	-	3,029	1,801	2,048	688	3,396	-	-
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	$ 7,500	$ 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	$ 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	$ 11,500	$ 11,500	$ 11,500	$ 11,500

HYPOTHETICAL ASSUMPTIONS TO THE CASH FLOW FORECAST
For the 13 weeks ending January 27, 2017

In the Matter of the Chapter 11 and CCAA Proceedings of Performance Sports Group Ltd. ("PSG") and the Other Applicants and Partnerships Identified in the Initial Order (collectively, the "Entities")

Disclaimer: In preparing this cash flow forecast (the "**Forecast**"), PSG has relied upon unaudited financial information and PSG has not attempted to further verify the accuracy or completeness of such information. The Forecast includes estimates assumptions discussed below with respect to the requirements and impact of a filing under Chapter 11 and the *Companies' Creditors Arrangement Act* ("**CCAA**"). Since the Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Forecast period will vary from the Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty of other assurance that any of the estimates, forecasts or projections will be realized.

Purpose: The Forecast assumes that PSG files for protection under Chapter 11 and CCAA on October 31, 2016. PSG has prepared the Forecast based primarily on historical results and PSG's current expectations. The forecast includes cash receipts and disbursements from all PSG entities, including US, Canada and Rest of World. The Forecast is presented in thousands of US dollars. Receipts and disbursements denominated currencies other than US dollars have been converted into US dollars. Assumptions made in preparing the projected cash flow statement are presented hereunder.

1. The purpose of this cash flow forecast is to estimate the liquidity requirements of PSG during the 13-week period for the weeks ending November 4, 2016 to January 27, 2017.

2. Receipts are based upon PSG's latest sales forecast using days sales outstanding assumptions by sport (i.e. hockey, baseball, etc.) based on historical run rates to estimate cash receipts.

3. Employee costs include payroll, payroll taxes, employee benefits costs for salaried and hourly employees, and other payroll related costs and are forecast based on historical run-rates and include projected non-executive severance payments to be made during the period.

4. Vendor spend includes payments to vendors based on forecast finished goods and raw materials purchasing requirements, outbound/inbound freight and other transportation related costs, warehousing costs, marketing costs and research & development costs.

5. Other operating costs include rent and occupancy expenses, sales taxes, utilities, insurance premiums, and other operating expenses. These are forecast based on historical run rates and the company's latest thinking forecast.

6. Sales taxes (referenced above) reflect the net QST, HST, and GST amounts remitted (collected) to/(from) the provinces and federal governments in respect of prior month's activity. Payments are generally made one month in arrears for the prior month's collections.

7. Capex is estimated based on the capital spend requirements needed to maintain the business in the normal course.

8. Interest payments include all payments relating to PSG's borrowings during the forecast period including interest payments on all facilities, commitment / origination fees, maintenance fees and unused line fees.

9. Professional fees include fees of the Monitor, Monitor's counsel, US Trustee, consultants, advisors, and lawyers involved in the Chapter 11 and CCAA Proceedings.

10. Borrowing / (repayments) on the various facilities are calculated based on the cash balance requirements from post-filing operating disbursements. All cash receipts are to be applied against the amounts outstanding on the pre-petition ABL and all disbursements will be funded using DIP borrowings.