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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 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.

(Applicants)

MOTION RECORD
(Returnable January 26, 2017)
(Re: Inaria Sale Approval)

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Lawyers for the Applicants

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TAB 1

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(Applicants)

NOTICE OF MOTION
(Returnable January 26, 2017)
(Re: Inaria Sale Approval)

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 Uniforms Inc., BPS Diamond Sport Inc., BPS US Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., and PSG Innovation Inc. (collectively, the "**Applicants**" or the "**PSG Entities**"), will make a motion to a judge presiding over the Commercial List at 10:00 a.m. on January 26, 2017 at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING:

The motion is to be heard orally.

THE MOTION IS FOR:

1. An Order substantially in the form of the draft Order (the "**Approval and Vesting Order**") included at Tab 3 of the Applicants' Motion Record approving approving the asset purchase agreement dated December 30, 2016 (the "**Inaria APA**") between Bauer Performance Sports Uniforms Corp. ("**BPSU Corp.**") and Bauer Performance Sports Uniforms Inc. ("**BPSU Inc.**" and together with BPSU Corp., the "**Sellers**"), Saverio Michielli and a company to be formed by Mr. Michielli (the "**Buyer**") for the sale of the Inaria Business (defined below) (the "**Inaria Sale**"); and

2. Such further and other relief as this Court deems just.

THE GROUNDS FOR THE MOTION ARE:

<u>Background</u>

3. On October 31, 2016, the Applicants sought and obtained an Order (as amended and restated, the "**Initial Order**") of this Court (the "**Canadian Court**") providing creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to facilitate a going-concern sale transaction for the benefit of the Applicants' stakeholders. On the same date, the PSG Entities also filed for creditor protection (the "**Chapter 11 Proceedings**") in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Court**" and together with the Canadian Court, the "**Courts**") under Chapter 11 of Title 11 of the U.S. Code;

4. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (the "**Monitor**") of the Applicants in these CCAA proceedings (the "**CCAA Proceedings**" and together with the Chapter 11 Proceedings, the "**Restructuring Proceedings**");

5. On November 30, 2016, the Courts approved the Applicants' entering into a stalking horse asset purchase agreement (the "**Stalking Horse Agreement**") and bidding procedures to govern the marketing process to occur during the Restructuring Proceedings (the "**Sales Process**");

The Inaria Sale

6. In October 2012, BPSU Corp. acquired substantially all of the assets of Inaria International Inc. (the "**Inaria Business**"), a Toronto-based designer and manufacturer of soccer apparel;

7. The Inaria Business is a non-core component of the Applicants' business that typically generates negative EBITDA annually;

8. After considering liquidation of the Inaria Business, the Applicants began conversations with Saverio Michielli, the original owner and current general manager of the Inaria Business about a sale structure that would allow PSG to maintain the apparel-making portion of the business as it relates to hockey, baseball, and lacrosse, and sell back to Mr. Michielli the portion that relates exclusively to soccer;

9. Due to the small size and unprofitability of the Inaria Business, and discrete nature of the proposed transaction, the Applicants did not conduct a marketing process for the Inaria Business;

10. After consideration of the alternatives and arm's length negotiations with Mr. Michielli, the Sellers entered into the Inaria APA;

11. The Applicants do not expect that the Inaria Sale will impact to the Sale Process and the purchase price ultimately received for their other assets at the auction;

Asset Purchase Agreement

12. Under the Inaria APA, the Buyer will pay to the Sellers C$2,071,161.46 in full at closing and will assume certain ordinary course liabilities of the Sellers;

13. The Buyer will purchase all properties, rights, interests and other assets of the Sellers to the extent exclusively used in the of designing, developing, marketing, manufacturing, selling and distributing soccer equipment, products, gear, apparel and related accessories carried on by the Sellers under the "INARIA" brand name (the "**Purchased Assets**");

14. All of the Purchased Assets are excluded assets under the Stalking Horse Agreement;

15. Closing of the Inaria Sale is conditional upon the Buyer offering employment to 26 employees of the Sellers on substantially the same terms and conditions of employment as provided by the Sellers and the Applicants obtaining the Approval and Vesting Order which shall assign certain assumed contracts of the Sellers to the Buyer to the extent necessary and permitted by applicable law, among other things;

16. The Inaria APA also contemplates a full and final release of claims against BPSU Corp. related to the acquisition of the Inaria Business in 2012 which will allow the Applicants to retain C$366,929.55 in connection with a holdback dispute;

17. The Inaria Sale is expected to enhance recoveries for the Applicants' stakeholders while providing certain employees of the soccer component of the Inaria Business with continued employment and customers with continued access to Inaria branded products;

General

18. The provisions of the CCAA, including sections 11.3 and 36 thereof, and the inherent and equitable jurisdiction of this Court;

19. Rules 1.05, 2.03, 3.02 and 37 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended; and

20. Such further and other grounds as counsel may advise and this Court may permit.

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

21. The Affidavit of Brian J. Fox sworn January 3, 2016 and the Exhibits attached thereto;

22. The Fifth Report of the Monitor, to be filed; and

23. Such further and other materials as counsel may advise and this Court may permit.

January 5, 2017

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Lawyers for the Applicants

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD. ET. AL.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF MOTION
(RETURNABLE JANUARY 26, 2017)

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TAB 2

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

ONTARIO
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(Applicants)

AFFIDAVIT OF BRIAN J. FOX
(Sworn January 3, 2016)

I, BRIAN J. FOX, of the City of Port Washington, in the State of New York, MAKE OATH AND SAY:

1. I am a Managing Director with Alvarez & Marsal North America LLC ("**A&M**") and the Court-appointed Chief Restructuring Officer in Canada of Performance Sports Group Ltd. ("**PSG**"), 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. (collectively, the "**Applicants**" or the "**PSG Entities**").

2. As a result of my engagement with the Applicants I have knowledge of the Applicants' business, operations, properties and finances and as such have knowledge of the matters to which I hereinafter depose. I have also reviewed the books and records of the Applicants and have spoken with certain of the directors, officers, employees and/or

advisors of the Applicants as necessary and applicable, and where I have relied upon such information, I have set forth the source and believe such information to be true.

A. Background

3. The PSG Entities design, develop, manufacture, market and sell performance sports equipment and accessories for ice hockey, roller hockey, lacrosse, baseball and softball, as well as related apparel.

4. On October 31, 2016, the Applicants sought and obtained an Order (as amended, the "**Initial Order**") of this Court (the "**Canadian Court**") providing creditor protection under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") to facilitate a going-concern sale transaction for the benefit of the Applicants' stakeholders. On the same date, the PSG Entities also filed for creditor protection (the "**Chapter 11 Proceedings**") in the United States ("**U.S.**") Bankruptcy Court for the District of Delaware (the "**U.S. Court**" and, together with the Canadian Court, the "**Courts**") under Chapter 11 of Title 11 of the U.S. Code (the "**U.S. Bankruptcy Code**").

5. Pursuant to the Initial Order, Ernst & Young Inc. was appointed as monitor (the "**Monitor**") of the Applicants in these CCAA proceedings (the "**CCAA Proceedings**" and together with the Chapter 11 Proceedings, the "**Restructuring Proceedings**"). Upon commencement of the Restructuring Proceedings, the Applicants also obtained two debtor-in-possession financing facilities: an ABL DIP credit facility offered by the PSG's pre-filing ABL lenders pursuant to an ABL Superpriority Debtor-In-Possession Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "**ABL DIP Agreement**") and a term loan DIP credit facility provided by the Stalking Horse Purchaser (defined below) pursuant to the Term Loan Superpriority Debtor-In-Possession Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "**Term Loan DIP Credit Agreement**" and together with the ABL DIP Agreement, the "**DIP Credit Agreements**") to refinance PSG's pre-filing term loan credit facility and provide incremental liquidity.

6. On November 30, 2016, the Canadian Court and the U.S. Court approved a sales process (the "**Sales Process**") governing the Restructuring Proceedings, including bidding

procedures and a stalking horse asset purchase agreement dated October 31, 2016 (the "**Stalking Horse Agreement**") for the sale of substantially all of the Applicants' assets to 9938982 Canada Inc. (the "**Stalking Horse Purchaser**"), an acquisition vehicle to be co-owned by affiliates of Sagard Capital Partners, L.P. and Fairfax Financial Holdings Limited. The Stalking Horse Agreement sets the minimum bid in the Sales Process which the Applicants are currently performing.

7. Further background on the Restructuring Proceedings is set out in the affidavit of Mark Vendetti sworn October 31, 2016 in support of the Initial Order (the "**Vendetti Affidavit**"), a copy of which, without exhibits, is attached hereto as Exhibit "A".

8. This affidavit is sworn in support of the Applicants' motion seeking, among other things, an order approving the asset purchase agreement dated December 30, 2016 (the "**Inaria APA**") between Bauer Performance Sports Uniforms Corp. ("**BPSU Corp.**") and Bauer Performance Sports Uniforms Inc. ("**BPSU Inc.**" and together with BPSU Corp., the "**Sellers**"), Saverio Michielli and a company to be formed by Mr. Michielli (the "**Buyer**") for the sale of the Inaria Business (defined below) (the "**Inaria Sale**").

B. The Inaria Sale

9. In October 2012, BPSU Corp. acquired substantially all of the assets of Inaria International Inc. (the "**Inaria Business**"), a Toronto-based designer and manufacturer of soccer apparel for C$7.1 million. The Inaria Business manufacturers and distributes for sale pro-style jerseys, practice jerseys, socks, warm-up suits and athletic apparel to consumers. The primary product of the Inaria Business is a complete ''player kit'' that includes a jersey, shorts and matching socks for each member of a team or association. Each player kit is sized and personalized with team identifiers and numbering.

10. In fiscal 2016, the Inaria Business represented approximately 1% of PSG's revenue. The Inaria Business is a non-core component of the Applicants' business that typically generates negative EBITDA annually. Since acquiring the Inaria Business, it has only generated positive EBITDA in fiscal 2014 where it was only slightly positive. It is anticipated that the Inaria Business will be cash flow negative in fiscal 2017.

11. At the time of the acquisition of the Inaria Business, PSG believed that the Inaria Business had a complementary business model and significant growth opportunities having regard to PSG's performance sports platform and other business lines. In the years following the acquisition, PSG found it more difficult than anticipated to win market share from other well-established competitors in the apparel marketplace and, as a result, the Inaria Business never realized its anticipated growth.

12. Due to losses incurred by the Inaria Business and the attention it requires from the Applicants' management team relative to its size, prior to the Restructuring Proceedings the Applicants began considering winding down the Inaria Business as a cost saving initiative. As an alternative to liquidation, the Applicants also considered a sale transaction whereby the Inaria Business would be sold back to its original owner and current general manager, Saverio Michielli. Accordingly, PSG began conversations with Mr. Michielli about a sale structure that would allow PSG to maintain the apparel-making portion of the business as it relates to hockey, baseball, and lacrosse, and sell back to Mr. Michielli the portion that relates exclusively to soccer, including the Inaria Business' intellectual property and brand.

13. Winding down the Inaria Business would result in the Applicants incurring additional liabilities that could be mitigated in a going concern sale, including severance obligations to employees and termination obligations under certain contracts. Incurring these liabilities, receiving liquidation value for the assets of the Inaria Business and loss of employment for the employees of the Inaria Business made the liquidation option unattractive to the Applicants and less beneficial to stakeholders compared to a going-concern sale. Therefore, the Applicants decided to pursue the proposed sale.

14. Due to the small size and unprofitability of the Inaria Business, and discrete nature of the proposed transaction, the Applicants did not conduct a marketing process for the Inaria Business. The Applicants believed in their business judgement, after consultation with their investment banker, Centerview Partners LLC ("**Centerview**"), that conducting a marking process would be costly and time consuming compared to any benefit gained.

15. The Applicants conferred with Centerview and their other advisors regarding the terms discussed with Mr. Michielli. Upon the review of the terms, the Applicants also determined that any subsequent marketing efforts were unlikely to yield superior offers for

the Inaria Business and could jeopardize the proposed transaction with the Buyer. After consultation with Centerview and their other advisors, the Applicants determined that proceeding with the Inaria Sale was the best course of action that would maximize value to the Applicants' stakeholders.

16. Once the Inaria APA was substantially finalized after arm's length negotiations with Mr. Michielli, the Applicants presented the Inaria APA to the special committee of the PSG board of directors (the "**Special Committee**") for consideration and independent approval. The Special Committee subsequently approved the terms of the Inaria Sale.

17. The assets used in connection with the Inaria Business are excluded under the Stalking Horse Agreement and the Inaria Sale is a permitted disposition under the DIP Credit Agreements. The Applicants do not expect that the Inaria Sale will impact to the Sale Process and the purchase price ultimately received at the auction. To date, none of the parties participating in the Sale Process have expressed any concerns or an unwillingness to continue pursuing a potential purchase of the Applicants on account of the Inaria Business' absence and no parties have expressed an interest in acquiring the assets used in connection with the Inaria Business. However, to ensure that the Inaria APA represents the highest and best offer for the Inaria Business, the Applicants will further consider alternative offers for some or all of the Inaria Business until January 13, 2017. The Applicants have not run a marketing process to solicit any further offers for consideration due to the expense and time commitments required for such a process.

18. The Applicants' advisors have engaged in discussions with the advisors of the statutory committee of the unsecured creditors and the statutory committee of equity security holders, both appointed under the U.S. Bankruptcy Code, to explain the background, substance and rationale of the Inaria Sale.

C. Asset Purchase Agreement

19. After arm's length negotiations, the Sellers and Saverio Michielli together with the Buyer entered into the Inaria APA. As mentioned, Mr. Michielli is currently employed by the Applicants as the general manager of the Inaria Business but he is not a director or

officer of the Sellers or any of the other Applicants. A copy of the Inaria APA is attached hereto as Exhibit "B".

20. Under the Inaria APA, the Buyer will pay to the Sellers C$2,071,161.46 (the "**Purchase Price**") in full at closing and will assume certain ordinary course liabilities of the Business (as defined by the Inaria APA). In accordance with the terms of the DIP Credit Agreements, the Purchase Price, up to US$1.5 million, will be retained by the Applicants for general operating purposes. Sale proceeds in excess of US$1.5 million will be used to repay amounts outstanding under the DIP facilities in accordance with the terms of the Initial Order and DIP Credit Agreements.

21. Pursuant to the Inaria APA, the Buyer will purchase all properties, rights, interests and other assets of the Sellers to the extent exclusively used in the of designing, developing, marketing, manufacturing, selling and distributing soccer equipment, products, gear, apparel and related accessories carried on by the Sellers under the "INARIA" brand name (the "**Purchased Assets**"). The Purchased Assets include accounts receivable, inventory, pre-paid expenses, equipment, trademarks, sale orders and domain names used in connection with the Business.

22. All of the Purchased Assets are excluded assets under the Stalking Horse Agreement. Further, to ensure no assets sold pursuant to the Stalking Horse Agreement are sold in the Inaria Sale, the Inaria APA specifically excludes all assets sold pursuant to the Stalking Horse Agreement.

23. Under the Inaria APA, the Buyer will assume certain ordinary course liabilities of the Inaria Business, including:

(a) All trade accounts payable of the Sellers arising in the ordinary course to the extent such payables are related to the Business;

(b) All accrued expenses of the Sellers arising in the ordinary course to the extent such trade accounts payable are related to the Business;

(c) All obligations and liabilities of the Sellers under assumed contracts, including cure costs, accruing following closing;

(d) All warranty liabilities; and

(e) All obligations of the Sellers to any employee who accepts the Buyer's offer of employment, including severance, vacation pay and wages.

24. Closing of the Inaria Sale is subject to certain conditions under the Inaria APA which must be satisfied prior to the closing date, including:

(a) The Buyer offering employment to 26 employees of the Sellers on substantially the same terms and conditions of employment as provided by the Sellers;

(b) Obtaining written consent of the Stalking Horse Purchaser and the lenders under the DIP Credit Agreements to the Sellers entering into the Inaria APA and completing the Inaria Sale;

(c) Approval of the Inaria Sale and entry of the applicable sale orders by the Canadian Court and U.S. Court;

(d) Payment by the Buyer of the Purchase Price; and

(e) Certain other customary closing conditions.

25. The outside date for the closing of the Inaria Sale to occur is February 16, 2017, however, the Applicants and the Buyer expect for the transaction to close on January 31, 2017.

26. Following closing, pursuant to the Inaria APA, the parties will use commercially reasonable efforts to provide transition assistance for a period not to exceed four months. Each party shall reimburse each other for the reasonable and necessary costs incurred in providing the transition assistance.

27. Lastly, the Inaria APA contemplates a full and final release of claims against BPSU Corp. related to the acquisition of the Inaria Business in 2012. BPSU Corp. and Inaria International Inc., Mr. Michielli and Massimo Dente, the other co-founder of the Inaria Business, have been engaged in litigation related to the holdback of funds in respect of

unsaleable inventory acquired in the purchase of the Inaria Business. The release will allow the Applicants to retain C$366,929.55, the full amount of the disputed funds. Mr. Dente is not involved in the Inaria Sale and if he does not provide a release to the BPSU Corp. by closing then Mr. Michielli and the Buyer will indemnify the Sellers for any claims asserted by or on behalf of Inaria International Inc. or Mr. Dente relating to subject matter of the release. A copy of the Statement of Claim issued by BPSU Corp. commencing the litigation is attached hereto as Exhibit "C".

D. Conclusion

28. The Inaria Sale will allow the Applicants to generate approximately C$2.1 million for stakeholders for assets excluded under the Stalking Horse Agreement. It will also immediately reduce the cash burn currently being incurred by operating the Inaria Business, enhancing liquidity. Further, the Inaria Sale will preserve 26 jobs and allow the Applicants to avoid liabilities that would otherwise be incurred if the Inaria Business was wound down. Overall, the Inaria Sale is expected to enhance recoveries for the Applicants' stakeholders while providing the employees of the soccer component of the Inaria Business with continued employment and customers with continued access to Inaria branded products.

29. Selling the Inaria Business will allow management to focus more time and effort on PSG's core business segments and the Sales Process of the larger core business. The Applicants believe, in their business judgement, the Inaria Sale represents the best value available and will benefit the Applicants' stakeholders generally.

SWORN BEFORE ME at the City of Exeter, State of New Hampshire, on January 3, 2017. Kathleen Jewkes Commissioner for Taking Affidavits	BRIAN J. FOX

KATHLEEN A. JEWKES, Notary Public
My Commission Expires April 6, 2021

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD. ET. AL.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

AFFIDAVIT OF BRIAN J. FOX
(SWORN JANUARY 3, 2016)

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Lawyers for the Applicants

EXHIBIT "A"

Exhibit "A" to the Affidavit

Of Brian J. Fox, sworn

January 3, 2017

Commissioner for taking affidavits

KATHLEEN A. JEWKES, Notary Public
My Commission Expires April 6, 2021

Court File No. ______________

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

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(Applicants)

AFFIDAVIT OF MARK VENDETTI
(Sworn October 31, 2016)

I, MARK VENDETTI, of the City of Exeter, in the State of New Hampshire, MAKE OATH AND SAY:

1. I am the Executive Vice President and Chief Financial Officer of the applicant, Performance Sports Group Ltd. ("**PSG**"). I am also a director of each of 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. ("**KBAU**"), 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. ("**BPS U.S.**"), Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., and PSG Innovation Inc. (collectively with PSG, the "**Applicants**" or the "**PSG Entities**"), each of which is a direct or indirect wholly-owned subsidiary of PSG.

2. As a result of my roles with the Applicants, I have knowledge of the matters to which I hereinafter depose. I have also reviewed the books and records of the Applicants

and have spoken with certain of the directors, officers and/or employees of the Applicants, as necessary and applicable, and where I have relied upon such information, I have set forth the source and believe such information to be true.

3. All references to currency in this affidavit are references to United States ("**U.S.**") dollars, unless otherwise indicated.

I. INTRODUCTION

4. This affidavit is sworn in support of an application by the PSG Entities for an order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"). On October 31, 2016 the Applicants will file for creditor protection in the U.S. Bankruptcy Court for the District of Delaware (the "**U.S. Court**") under Chapter 11 of Title 11 of the U.S. Code (the "**Chapter 11 Proceedings**"). The first day hearing in respect of the Chapter 11 Proceedings is expected to take place on November 1, 2016.

5. The PSG Entities are leading designers, developers and manufacturers of high performance sports equipment and related apparel. Historically focused on hockey, the PSG Entities expanded their business to include equipment and apparel in the baseball/softball and lacrosse markets. The hockey business operates under the BAUER, MISSION and EASTON brands; the baseball/softball business operates under the EASTON and COMBAT brands, and the lacrosse business operates under the MAVERIK and CASCADE brands.

6. In the last 18 months, there have been significant negative events and circumstances affecting both PSG's business and the retail sports equipment industry generally. Industry-wide events include, among others:

(a) the insolvency of major sports equipment retailers in the U.S. who were key customers of the PSG Entities, leading to write-offs of accounts receivable, lower sales;

(b) weakness in the baseball/softball equipment market;

(c) consolidation of hockey retailers in the U.S. negatively impacting sales; and

(d) the strengthening of the U.S. dollar relative to other world currencies, including the Canadian dollar, compressing the PSG Entities' margins and reducing profitability.

PSG specific events include, among others:

(a) being significantly leveraged due to the purchase of a significant baseball/softball business in 2014, which was funded with debt;

(b) considerable management attention directed toward, and outside professional fees incurred, responding to regulatory investigations and defending a recent securities class action lawsuit, both arising as a consequence of the recent fall in PSG's share price that was precipitated by the negative events referred to above;

(c) considerable management attention directed toward, and incurrence of outside professional fees related to PSG's inability to file its audited annual financial statements for the fiscal year ended May 31, 2016,[1] related management discussion and analysis, its annual report on Form 10-K and related CEO and CFO certificates (together, the "**Reporting Materials**") by the filing deadline of August 15, 2016 (the "**Filing Deadline**") due to the initiation of an internal investigation regarding PSG's finalization of audited financial statements and the related certification process. The inability to file the Reporting Materials by August 29, 2016 was a breach of covenant sufficient to give rise to an event of default under PSG's secured loan documents. While the Secured Lenders (defined below) granted an extension to file the Reporting Materials to October 28, 2016, PSG has not completed its investigation and thus was unable to file the Reporting Materials by the extension deadline. As such, PSG is in default under its loan agreements as of October 28, 2016 and is not in a position to remedy this default or refinance its secured debt in a timely manner.

[1] The PSG Entities' fiscal year is June 1 to May 31.

Together, these events have contributed to the liquidity crisis currently faced by the Applicants necessitating this CCAA application.

7. In response to this crisis, the PSG Entities have developed a plan to preserve the value of their businesses for their stakeholders. The Applicants intend to sell substantially all of their businesses as a going concern through a comprehensive marketing process. To that end, the Applicants have negotiated a going-concern asset sale with Sagard Capital Ltd. ("**Sagard**") and Fairfax Financial Holdings Limited ("**Fairfax**" and together with Sagard, the "**Stalking Horse Purchasers**"), pursuant to the terms of which the Applicants will continue as a going-concern under new ownership, their secured debt will be repaid in full, and trade debt will be paid in the ordinary course of business.

8. The PSG Entities require the protection offered by the Initial Order and the CCAA to stabilize their businesses and provide the necessary breathing space to implement a sale of their businesses and property pursuant to a court-supervised sales process.

9. Due to the cross-border nature of the Applicants' businesses and the structure of the proposed transaction, the Applicants have filed for protection in the Chapter 11 Proceedings concurrently with this CCAA application.

10. Each of the boards of directors of the Applicants has authorized this CCAA application.

II. THE PSG ENTITIES

A. Corporate Structure

11. PSG is a public company incorporated under the British Columbia *Business Corporations Act*, SBC 2002, c 57. PSG's registered office is located at Suite 1700, Park Place, 666 Burrard Street, Vancouver, British Columbia and its head office is located at 100 Domain Drive, Exeter, New Hampshire.

12. PSG is the ultimate parent of the other PSG Entities and also is the indirect parent to a number of European subsidiaries and subsidiary in Asia. The European subsidiaries are not seeking any relief in respect of this Application or in the Chapter 11 Proceedings.

13. PSG's common shares are publicly traded on the Toronto Stock Exchange ("**TSX**") and the New York Stock Exchange ("**NYSE**"), in each case under the symbol "PSG". An initial public offering was completed in Canada on March 10, 2011 and in the U.S. on June 25, 2014. Over the past 52 weeks, shares have traded between C$1.55 and C$19.16 on the TSX and $1.18 and $14.43 on the NYSE. The lowest trading value on both stock exchanges was reached on August 15, 2016, the date that PSG announced the delay in the filing of its Reporting Materials. On October 28, 2016, the closing price of PSG common shares was $4.69 on the TSX and $3.48 on the NYSE.

14. PSG's authorized share capital consists of an unlimited number of common shares without par value. As at October 28, 2016, PSG had 45,861,205 common shares issued and outstanding.

15. To my knowledge, Sagard is currently PSG's largest shareholder, with beneficial ownership of approximately 17% of PSG's issued and outstanding common shares.

16. PSG's directly owned subsidiaries are BPS U.S. and KBAU. KBAU, a company wholly-owned by PSG and incorporated under the *Canada Business Corporations Act*, R.S.C., 1985, c. C-44 (the "**CBCA**"), is a holding company that holds, directly or indirectly, the shares of the other Canadian subsidiaries and the European subsidiaries. BPS U.S. is a Delaware holding company that holds, directly or indirectly, the shares of the U.S. subsidiaries with the exception of PSG Innovation Inc., which is wholly owned by PSG Innovation Corp. PSG holds 77.93% of BPS U.S.'s equity and Bauer Hockey Corp., a wholly owned subsidiary of KBAU, holds the remaining 22.07%. A chart of the various entities is attached hereto as Exhibit "A".

17. The PSG Entities are generally structured so that there is a Canadian and U.S. subsidiary for each major business line. Set out in Exhibit "B" attached hereto is a chart detailing, on an entity-by-entity basis, the business line, region of operations, jurisdiction of incorporation and registered office of each of the Applicant entities as well as the non-applicant subsidiaries of PSG. In this affidavit, the PSG Entities which are incorporated in the U.S. shall be referred to as the "**U.S. PSG Entities**" and the PSG Entities which are incorporated in Canada shall be referred to as the "**Canadian PSG Entities**."

18. The PSG Entities operate along functional business lines which are intertwined in many respects. Each entity performs specific functions, certain of which benefit all of the PSG Entities. Each operating Applicant's general role within the PSG Entities' business is summarized below:

(a) *Bauer Hockey Corp.* ("**Bauer Canada**"): Bauer Canada sells products for the Bauer Business (defined below) in the Canadian market, and also performs the majority of the research and development for the PSG Entities from its facility in Blainville, Quebec. Bauer Canada performs limited management functions for other PSG Entities, including risk management.

(b) *Bauer Hockey, Inc.* ("**Bauer U.S.**"): Bauer U.S. sells products for the Bauer Business in the U.S. market and provides executive management services, including strategic decision-making and business oversight for the PSG Entities. The majority of the PSG Entities' senior management is employed by Bauer U.S.

(c) *Easton Baseball/Canada Corp.* ("**Easton Canada**"): Easton Canada sells and distributes products for the Easton Business (defined below) in the Canadian market.

(d) *Easton Baseball/Softball Inc.* ("**Easton U.S.**"): Easton U.S. designs and manufactures equipment for the Easton Business, such as bats, helmets, apparel and bags. Easton U.S. also sells and distributes these products in the U.S. market.

(e) *BPS Diamond Sports Corp.*: BPS Diamond Sports Corp. performed research and development, engineering and manufacturing for COMBAT branded composite bats for the Easton Business. Effective September 30, 2016, the functions performed by BPS Diamond Sports Corp. were combined with Easton Canada and this entity now has limited operations and assets. While this entity retains its intellectual property assets, it no longer has any employees or inventory.

(f) *BPS Diamond Sports Inc.*: BPS Diamond Sports Inc. sold and marketed products for the Easton Business in the U.S. market. Effective September 30, 2016, the functions performed by BPS Diamond Sports Inc. were combined with Easton U.S. and this entity now has limited operations and assets. While this entity retains its intellectual property assets, it no longer has any employees or inventory.

(g) *Performance Lacrosse Group Corp.*: The primary function of Performance Lacrosse Group Corp. is sales and marketing for the Lacrosse Business (defined below) in the Canadian market.

(h) *Performance Lacrosse Group Inc.*: Performance Lacrosse Group Inc. designs, develops and manufactures equipment for the Lacrosse Business from its facility in Liverpool, New York. The entity is also responsible for sales and marketing in the U.S. market.

(i) *Bauer Performance Sports Uniforms Corp.*: Performance Sports Uniforms Corp. sources and customizes team sports and active apparel for soccer and each of the business lines. It is also manufacturers or sources products related to the Uniforms Business (defined below) and is responsible for distribution and sales of the Uniforms Business in the Canadian and U.S. markets.

(j) *Bauer Performance Sports Uniforms Inc.*: Bauer Performance Sports Uniforms Inc. has minimal operations and does not record any sales.

(k) *PSG Innovation Corp. and PSG Innovation Inc.*: the entities have limited operations and primarily hold certain intellectual property for the PSG Entities.

(l) *Bauer Hockey Retail Corp.*: Bauer Hockey Retail Corp. is responsible for establishing and growing the Bauer Business' retail presence in Canada. The first store is planned to open in Vaughan, Ontario in June 2017.

(m) *Bauer Hockey Retail Inc.*: Similar to Bauer Hockey Retail Corp., Bauer Hockey Retail Inc. operates the Bauer Business' retail presence in the U.S, selling BAUER branded products directly to end-users. There are currently two stores in the U.S near Boston, Massachusetts and Minneapolis, Minnesota. The stores operate under the brand name Own The Moment - Hockey Experience.

19. Performance Sports Group Hong Kong Limited ("**PSG HK**") is PSG's only subsidiary incorporated in Asia. PSG HK was established to manage certain aspects of the PSG Entities' supply chain, but has not yet commenced operations. Supply chain management is currently managed out of a representative office operated by Bauer U.S.

20. The European subsidiaries, Bauer Hockey AB, and Bauer Hockey GmbH[2] operate primarily sales and marketing hubs in Europe and BPS Luxembourg S.a.r.l. (together with Bauer Hockey AB, and Bauer Hockey GmbH, , the "**European Subsidiaries**") is a holding company with limited operations. No relief is being sought in this CCAA application or in the Chapter 11 Proceedings in respect of the European Subsidiaries or PSG HK.

21. Jacmal BV and Bauer CR spol (Czech Republic), two other subsidiaries, have no operations and were incorporated in relation to financing matters.

B. Corporate Governance

22. PSG's board of directors is comprised of seven individuals and each of the boards of directors of the other PSG Entities is comprised of three individuals.

C. Business Operations

<u>**Overview**</u>

23. The PSG Entities focus on designing, developing and manufacturing high performance sports equipment and apparel for hockey, baseball, softball, and lacrosse. The hockey and baseball/softball markets are the PSG Entities' largest business focus, generating approximately 60% and 30% of the Applicants' sales in fiscal 2015, respectively, with remaining sales derived from the lacrosse and apparel businesses.

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24. The PSG Entities' history is traced back to a hockey equipment business started by the Bauer family in Kitchener, Ontario in 1927. The company was the first to manufacture ice skates with the blade attached to the boot and in 1976, the company introduced the TUUK blade holder, a predecessor to the holder currently used by more than 80% of National Hockey League ("**NHL**") players. A prior iteration of PSG, Canstar Sports Inc., owned and operated well-known brands such as MICRON, LANGE, MEGA, and DAOUST ice skates, as well as FLAK and COOPER hockey equipment. In 1995, the Bauer business was acquired by NIKE, Inc. ("**Nike**") which introduced a line of Nike branded equipment alongside the existing line of BAUER branded equipment. In 2008, Nike sold the business operated by Bauer Canada, Bauer U.S., and their respective subsidiaries to private investors. Through acquisitions, the PSG Entities expanded their business beyond hockey to the baseball/softball, lacrosse, soccer and uniforms markets.

25. The PSG Entities' products span age and experience groups from youth players to professional athletes. The PSG Entities own a number of leading and recognizable brands in the sports equipment market. The hockey business is primarily marketed under the BAUER, MISSION and EASTON brands; the baseball/softball business is marketed under the EASTON and COMBAT brands, the lacrosse business is marketed under the MAVERIK and CASCADE brands, and the uniforms business is marketed under the INARIA brand.

<u>Hockey</u>

26. The Bauer business, the historical business of PSG, primarily focuses on ice, roller and street hockey equipment and apparel and BAUER is a leading brand name in the industry.

27. Bauer grew its business both organically and through acquisitions. In September 2008, the PSG Entities acquired Mission-ITECH Hockey Inc. and the MISSION brand, another hockey equipment brand focused on roller hockey. In January 2016, the PSG Entities acquired substantially all of the assets and assumed certain liabilities of Easton Hockey Holdings, Inc., the manufacturer and designer of EASTON branded hockey equipment.

28. The BAUER, MISSION and EASTON brands currently offer performance-driven hockey equipment for players in every major market in the world (the "**Bauer Business**").

The equipment offerings include skates, sticks, protective equipment, helmets and goalie equipment for ice hockey, roller hockey and street hockey.

29. BAUER has a leading market share position in ice hockey equipment, which was estimated in fiscal 2015 at approximately 56% of the overall market share globally. BAUER and MISSION combined have the number one estimated market share position in roller hockey equipment with approximately 70% of the market. A significant majority of the Bauer Business' sales were derived in the Canadian and U.S. markets, with the remaining sales generated in various other countries primarily in Europe.

Baseball and Softball

30. In April 2014, PSG acquired the baseball and softball business of Easton-Bell Sports, Inc. in a $330 million (plus adjustments and fees) asset purchase transaction (the "**Easton Baseball Acquisition**") funded by long-term debt. The Easton Baseball Acquisition significantly expanded the PSG Entities' baseball and softball market presence which previously consisted of COMBAT branded equipment, a business that was acquired in May 2013. Effective September 30, 2016, COMBAT operations were consolidated with EASTON operations, unifying the brands and allowing the relevant PSG Entities to have a more focused market presence.

31. With the EASTON and COMBAT brands, the PSG Entities offer a broad line of baseball and softball equipment for all ages and levels of play (the "**Easton Business**"). The equipment and accessories (bats, gloves, protective equipment and apparel) for athletes and enthusiasts serve the professional, inter-scholastic, and recreational levels of the diamond sports market across a variety of price points.

32. The acquisition of the Easton Business was intended to reduce the seasonality that previously affected the PSG Entities' business. The Easton Business typically experiences the majority of its sales during the winter, spring and summer seasons which compliments the Bauer Business as it experiences the majority of its sales during the summer and fall seasons. The more evenly distributed seasonality of the combined businesses was expected to provide more consistent working capital levels and allow the PSG Entities to improve efficiency in manufacturing, distribution and other efforts across their business lines. During fiscal 2016, PSG has experienced issues with the Easton Business, which have caused

adverse effects on the group of companies as a whole. The issues are described in greater detail below.

33. The Easton Business holds approximately 19% of the baseball/softball market share in North America. In fiscal 2015, the vast majority of the Easton Business' sales were generated in the U.S., and the remainder of sales were generated in Canada.

Lacrosse

34. In June 2010, the PSG Entities entered the lacrosse market with the acquisition of Maverik Lacrosse LLC, a leading manufacturer of lacrosse equipment branded as MAVERIK. On June 29, 2012, the PSG Entities expanded further into the lacrosse business by completing the acquisition of Cascade Helmets Holdings, Inc, a manufacturer of CASCADE branded head protection and other lacrosse equipment.

35. With the MAVERIK and CASCADE brands, the PSG Entities offer a comprehensive line of lacrosse equipment for all skill levels with an estimated market share of 28% (the "**Lacrosse Business**"). The MAVERIK brand offers a full line of gloves, heads, shafts and protective equipment, as well as a women's specific line of product, for players of all ages. The CASCADE brand offers primarily head protection for lacrosse players and is the number one brand in lacrosse head protection with approximately 97% market share in the segment. In addition to equipment, CASCADE and MAVERIK design and manufacture accessories and related apparel, including performance apparel and lifestyle apparel.

36. In fiscal 2015, the Lacrosse Business primarily generates its sales in the U.S. and the remainder of sales were generated in Canada.

Uniforms

37. On October 16, 2012, the PSG Entities acquired Inaria International Inc., a Toronto-based designer and manufacturer of soccer apparel. With the INARIA brand, the PSG Entities have expanded the business line continuing to sell pro-style jerseys, practice jerseys, socks, warm-up suits and training apparel (the "**Uniforms Business**"). The primary product of the Uniforms Business is a complete ''player kit'' that includes a jersey, shorts and matching socks for each member of a team or association. Each player kit is sized and personalized with team identifiers and numbering.

38. In fiscal 2015, the majority of the Uniforms Business' sales were generated in Canada with the balance generated in the U.S.

Strategic Relationships

39. The PSG Entities also have a number of strategic investments in the sports industry:

(a) Q30: In October 2015, the PSG Entities purchased a $1 million non-controlling interest in Q30 Sports Science, LLC ("**Q30 Sports Science**"). The PSG Entities also acquired an exclusive perpetual licence from a subsidiary of Q30 Sports Science, to use certain of its patents and technology assets in the development of products that are intended to address the issue of mild traumatic brain injury in sports and athletic activity. PSG Innovation Corp. holds the interest in Q30 Sports Science and licence assets;

(b) Cocona: In September 2015, Bauer Canada purchased a non-controlling interest in Cocona, Inc. ("**Cocona**") for $5 million, a privately held entity that created and owns 37.5™ technology, a patented moisture management technology that utilizes body heat to evaporate moisture from apparel and equipment. Contemporaneously with the investment, the PSG Entities entered into a new license agreement with Concona as 37.5™ technology is used in the Bauer Business, Easton Business and Lacrosse Business;

(c) Legacy: In March 2016, Bauer U.S. acquired one million Class A Units of Legacy Global Sports, L.P. (together with its affiliates, "**Legacy**") at the cost of $1 per unit, representing a 5% stake. Legacy is a Portsmouth, New Hampshire-based sports event management company that primarily organizes and oversees youth hockey, lacrosse and soccer tours and tournaments; and

(d) Kingsbridge: In August 2014, PSG loaned $4 million to KNIC Properties LP ("**KNIC**"), a developer involved in efforts to transform the Kingsbridge Armory, located in the Kingsbridge section of the Bronx in New York City, into an ice center. In exchange for the loan, KNIC issued PSG a warrant for 47 common limited partnership units (representing less than five percent of the Common Units of KNIC), executable at $1,000 a unit. PSG has not yet executed the warrant. PSG also receives interest of twelve percent per year on the loan, which KNIC has elected to pay in kind. Political disputes and litigation related to New York City's turnover of the lease for the Kingsbridge Armory to KNIC have delayed the Kingsbridge project.

D. Customers

40. The PSG Entities have a diverse customer base, including over 4,000 retailers across the globe and more than 60 distributors. In fiscal 2015, approximately 58% of the PSG Entities' total sales were in the U.S., approximately 24% were in Canada, and approximately 18% were in the rest of the world.

41. The PSG Entities sell their products through diverse channels of distribution including to: (i) specialty retailers that cater to sports enthusiasts who typically seek premium products at the highest performance levels; (ii) national and regional full-line sporting goods retailers and distributors; (iii) institutional buyers such as educational institutions and athletic leagues; (iv) mass retailers that offer a focused selection of products at entry-level and mid-level price points; (v) directly to hockey consumers through their owned and operated Own The Moment - Hockey Experience retail stores in the U.S; and (vi) directly to end-user consumers through e-commerce channels operated by the PSG Entities.

42. The PSG Entities have a diverse customer base, with the ten largest customers making up 37% of total sales in fiscal year 2015, with the top customer, Canadian Tire Corporation, accounting for approximately 10% of those sales.

43. The Bauer Business sells directly to retailers in Canada, the U.S., and certain northern European countries. In fiscal 2015, approximately 83% of the Bauer Business' sales were directly to retailers in these markets. By specific channel, 18% of sales were to big box retailers and 82% were to hockey specialty retailers. The Bauer Business' secondary sales channel is through distributors primarily outside North America. In fiscal 2015, approximately 17% of sales were to distributors reaching over 1,000 retail outlets globally.

44. As mentioned, the PSG Entities also operate two hockey retail stores which sell BAUER branded products directly to consumers. These "Own the Moment - Hockey

Experience" stores are located near Boston, Massachusetts and Minneapolis, Minnesota. One more store is planned to open in the near term in Vaughan, Ontario.

45. The Easton Business' sales and distribution network primarily focuses on North America but was also recently launched in Japan. The Easton Business' customers are principally made up of online stores, big box retailers, sporting goods chains, and baseball specialty dealers. By channel in fiscal 2015, approximately 51% of the Easton Business' sales were to big box and sporting goods chains and approximately 49% were to baseball specialty retailers.

46. The Lacrosse Business sells its products exclusively through dealers and retailers. In fiscal 2015, approximately 89% of its sales were generated from sales to lacrosse specialty and independent dealers, who then sell to individuals, teams and institutions. The remaining 11% of the Lacrosse Business' sales were through big box retailers and sporting goods retail chains.

47. The Uniforms Business predominantly sells its products directly to teams and associations.

48. The PSG Entities strive to maintain the loyalty, support, and goodwill of their distributors, retailers, and consumers. Towards that end, in the ordinary course of business, the PSG Entities provide distributors, retailers and consumers with certain programs that engender goodwill, maintain loyalty, increase the PSG Entities' sales opportunities, and allow the PSG Entities a comparative advantage over their competition (the "**Customer Programs**").

49. Specifically, the Customer Programs include gift cards, loyalty programs, discounts, warranties allowing refunds and exchanges, and other offers or accommodations the PSG Entities, in their business judgment, provide to their wholesale customers and/or directly to retail consumers, as applicable. The Customer Programs also include consumer protection initiatives including recalls and customer reimbursement vouchers. Ongoing specific Customer Programs currently include a recall in respect of cages of certain hockey goalie masks which commenced in March 2015, and a settlement of product liability claims involving the distribution of vouchers to certain consumers.

50. In order to promote and communicate directly to end-users, the PSG Entities have agreements with approximately 100 industry experts, primarily comprised of amateur and professional athletes, who are a key part of marketing to consumers.

E. Employees

51. As of September 30, 2016, the PSG Entities, European Subsidiaries and PSG HK collectively had 728 employees globally. By location, 224 employees were located in Canada, 430 were located in the U.S., 23 were located in Taiwan, 35 were located in Sweden, 9 were located in Germany and 7 were located in Finland. By business line, 432 of the employees were employed by the Bauer Business and services shared among the PSG Entities, 165 of the employees worked in the Easton Business, 74 were employed by the Lacrosse Business and 57 were employed by the Uniforms Business and in apparel for the various business lines.

52. The majority of the PSG Entities' workforce is non-unionized. Canada is the only location with unionized employees, who are employed by Bauer Canada in Blainville, Quebec. 33 of 119 full-time Blainville situated employees are members of the United Steelworkers' Union of America (the "**USW**") Local 967 and are subject to a five-year collective bargaining agreement expiring on November 30, 2017.

53. In February, 2016, the PSG Entities closed a distribution facility in Mississauga, Ontario. Approximately 51 employees belonging to the Glass, Molders, Pottery, Plastics and Allied Workers International Union were terminated in January and February 2016 because of the closure.

54. Due to the consolidation of the COMBAT operations with the EASTON operations, the PSG Entities terminated the employment of an additional 85 individuals between July and October, 2016, of whom approximately 77% were employees located in Canada and 23% were employees located in the U.S. The workforce reductions, primarily related to consolidation of the COMBAT operations, have resulted in the number of the PSG Entities' employees falling by approximately 15% since the end of fiscal 2016 and approximately 19% since the end of calendar 2015.

F. Pensions and Benefits

Canada

55. Under the collective bargaining agreement with the unionized employees in Blainville, Quebec, Bauer Canada maintains a simplified defined contribution pension plan (the "**Union DC Plan**") registered with Retraite Quebec. Under the Union DC Plan, Bauer Canada matches employee contributions up to C$0.35/per hour worked by the employee up to a maximum of 80 hours bi-weekly. The Union manages the investments of the Union DC Plan on behalf of the participants.

56. Most non-unionized employees of certain of the Canadian PSG Entities are members of a defined contribution Registered Retirement Savings Plan (the "**Canadian RRSP Plan**"). The Canadian PSG Entities do not contribute directly to the RRSP, which is funded through payroll deductions and voluntary lump-sum payments by eligible employees. However, the Canadian PSG Entities match dollar for dollar contributions up to 4% of an employee's regular pay.

57. Bauer Canada provides a supplemental pension plan (the "**Canadian SERP**") for nine former executives which is not a registered pension plan and does not accept new participants. There is no funding obligation under these plans. As at May 31, 2016, the Canadian SERP had an accrued benefit obligation of approximately C$4.53 million. The PSG Entities do not intend to continue paying the Canadian SERP obligations during the CCAA proceedings.

58. Finally, the PSG Entities provide a post-retirement life insurance plan to most Canadian employees. The life insurance plan is not funded and as at May 31, 2016 had an accrued benefit obligation of C$614,000.

U.S.

59. The U.S. PSG Entities provide a 401(k) plan to certain of their employees which consists of matching, dollar for dollar, the first 4% contributed by the employee to the plan. Approximately 320 active employees participate in the 401(k) Plan.

60. Bauer U.S. provides a U.S. supplemental pension plan (the "**U.S. SERP**") which is not qualified, is not funded, and does not accept new participants. As at May 31, 2016, there

is one participant in the U.S. SERP who is a former employee. As at May 31, 2016, the U.S. SERP had an accrued benefit obligation of approximately US$871,000. The Applicants do not intend to continue paying the U.S. SERP obligations during the CCAA proceedings.

G. Suppliers

Sourcing and Manufacturing

61. The PSG Entities have an established and comprehensive manufacturing platform with key third party suppliers, which primarily have their facilities located in China, Thailand and Vietnam and which together produce the vast majority of PSG Entities' manufactured products. Many of these suppliers are legally or functionally exclusive to the PSG Entities such that their businesses are dependent on the Applicants. The PSG Entities also have some suppliers located in Canada and the U.S.

62. The Bauer Business orders the majority of its hockey equipment from suppliers based in Asia who are committed exclusively to supplying to the PSG Entities. The remaining hockey products are manufactured either at non-exclusive facilities in Asia or at the PSG Entities' in-house manufacturing facilities in Blainville, Quebec and Liverpool, New York. The Quebec facility manufactures professional hockey equipment for its sponsored athlete partners, including NHL players. Quality control of the Asian suppliers' manufacturing facilities is primarily managed from the PSG Entities' offices in Blainville, Quebec and Taichung, Taiwan.

63. The Easton Business sources the manufacturing of its composite bats from an exclusive supplier located in China. A small percentage of the Easton Business' products are sourced through vendors based in the U.S. and its wooden bats produced in-house by the PSG Entities at their facility located in West Lake Village, California. Its remaining baseball and softball products are manufactured in non-exclusive facilities that are located in China, Thailand, Indonesia and Vietnam.

64. For the Lacrosse Business, CASCADE branded helmets and other head protection is produced at an in-house facility in Liverpool, New York. MAVERIK branded products are primarily sourced from suppliers in China, Vietnam, and Taiwan.

65. The Uniforms Business' raw materials, work-in-process and non-custom apparel are primarily sourced from suppliers in Asia. For custom orders, production is finished at a facility in Toronto, Ontario.

Internal Supply Chain

66. The U.S. PSG Entities receive inventory from the third party suppliers described above, and the Canadian PSG Entities in turn purchase the inventory needed for their operations from the U.S. PSG Entities. The Canadian PSG Entities pay cost plus a mark-up based upon the value added to the goods provided. The Canadian PSG Entities generally purchase their inventory from the U.S. entity that operates along the same business line (e.g. Bauer Canada buys hockey inventory from Bauer U.S.).

67. For supplies received from outside of North America, the PSG Entities use customs brokers to handle duties, shipping charges and other related expenses. Generally, inventory is shipped free on board, so that title to the goods transfers at the point of shipping.

68. Approximately 40% of the PSG Entities' goods are shipped to warehouses leased by the PSG Entities, with the remaining 60% shipped directly, through third party logistics providers, to customer warehouses.

H. Intellectual Property

69. The PSG Entities protect their technologies, products and brands under the patent, copyright and trademark laws of those countries in which they conduct business in order to maintain a competitive advantage with respect to the technology and design incorporated into their products. Innovation in the PSG Entities' products enhances player performance and management believes it is a key differentiating factor between their products and those of their competitors.

70. The PSG Entities' patent portfolio includes hundreds of issued patents and pending patent applications. The patents are held by various entities and cover the following key areas:

(a) Skate construction: designs, materials, and manufacturing of skates, including their skate boot, blade holder, and blade, to help make them lighter, perform better, customizable, and be manufactured more efficiently.

(b) TUUK skate blade holders: innovative skate blade holders that allow quick and easy change of the holder and steel.

(c) Quick-connect visors: patented visors that can be quickly connected to and disconnected from the helmet to allow the player to easily remove the visor to clean or replace it.

(d) Sticks: composite hockey stick shaft technology to reduce stiffness of shafts, and enhance the elastomeric properties of shafts.

(e) Composite baseball bats: multiple patents directed to achieve desired performance and durability characteristics and allow the bat to achieve a high performance with minimal vibration.

(f) Helmets: advanced features to enhance protection, fit, and ease of adjustment.

(g) Protective gear: optimizing various equipment, including leg pads, gloves and shoulder pads, for protection and performance.

71. In addition to the PSG Entities' patent portfolio, the Applicants have a number of registered trademarks to protect their brands which have become trusted by consumers in their respective markets. The trademarks have been registered in each of the jurisdictions in which the PSG Entities operate and are typically held by the legal entity that operates the business line that uses the trademark. For example, Bauer Canada and Bauer U.S. hold the majority of the trademarks used by the Bauer Business.

72. In addition to having their own registered trademarks, the PSG Entities use certain trademarks that are owned by Nike. Upon selling Bauer Canada, Bauer U.S. and their respective subsidiaries, Nike granted an exclusive, worldwide, royalty-free, perpetual license to use certain trademarks associated with the VAPOR and SUPREME sub-brands in the hockey equipment and apparel markets. Nike continues to brand and mark certain products with the brands outside of the hockey equipment and apparel markets.

I. Properties and Facilities

73. As of October 28, 2016, the PSG Entities leased 17 facilities across the globe for various functions, including sales, marketing, research and development, warehousing and distribution and retail stores. The PSG Entities' global headquarters is located in Exeter, New Hampshire and another nine leased facilities are located in the U.S. Six facilities are located in either Ontario or Quebec, including the research and development centre in Blainville, Quebec. Bauer U.S. also leases a facility located in Taiwan.

74. The European Subsidiaries lease another 5 facilities located in Finland, Sweden, and Germany.

75. PSG has issued a letter of credit in respect of the Exeter, New Hampshire leased property in the amount of approximately $1 million.

J. Cash Management System and Intercompany Transactions

Cash Management

76. In the ordinary course of their business, the PSG Entities use a centralized cash management system (the "**Cash Management System**") to, among other things, collect funds and pay expenses associated with their operations. The Cash Management System gives the Applicants the ability to quickly, cost-effectively and accurately track and control corporate funds and ensure cash availability

77. As described below, the PSG Entities maintain bank accounts in both Canada and the U.S. for their respective Canadian and U.S. operations as well as accounts related to the holding companies. Most of the PSG Entities' North American accounts are with Bank of America ("**BOA**"). While the Applicants' business is intertwined in many ways, in other ways there are low levels of integration, for example with respect to their cash management, which is complex and has only recently been standardized and integrated internally.

Canada

78. The PSG Entities maintain 23 bank accounts with BOA in Canada (the "**Canadian Accounts**"), consisting of:

(a) Two bank accounts for Bauer Canada;

(b) Two bank accounts for Bauer Performance Lacrosse Corp.;

(c) Two bank accounts for Bauer Performance Sports Uniforms Corp.;

(d) One bank account for BPS Diamond Sports Corp.;

(e) Four bank accounts for Easton Canada;

(f) Two bank accounts for PSG;

(g) Two bank accounts for PSG Innovation Corp.; and

(h) One bank account for each of the U.S. PSG Entities which hold approximately $1,000 each.

79. The Canadian Accounts are all located at BOA's branch in Toronto, Ontario.

80. Four Canadian Accounts are used to deposit receipts (the "**Canadian Receipt Accounts**"), typically payments received from customers. All the Canadian Receipt Accounts are denominated in Canadian dollars. There is a Canadian Receipt Account for each business line, each of which is held by the respective entity operating the business line. The Canadian Receipt Accounts are blocked accounts and are swept daily by BOA to repay amounts outstanding under the ABL Facility (defined below).

81. Eleven Canadian Accounts are used as operating accounts (the "**Canadian Operating Accounts**") to make disbursements on account of expenses owed by the PSG Entities, including payroll and accounts payable. Eight Canadian Operating Accounts are denominated in Canadian dollars and two are denominated in U.S. dollars. The primary Canadian Operating Accounts are funded by draws on the ABL Facility as funds are required.

82. One Canadian Account is a concentration account that is held by Easton Canada. The concentration account disburses funds to two of the Canadian Operating Accounts.

83. The Canadian PSG Entities' Canadian dollar accounts are ultimately aggregated into the Bauer Canada operating account.

<u>**United States**</u>

84. The PSG Entities maintain another 19 bank accounts with BOA in the U.S. (the "**U.S. Accounts**"), consisting of:

(a) Two accounts held by Bauer U.S.;

(b) Two accounts held by Bauer Canada;

(c) Two accounts held by Bauer Performance Lacrosse Inc.;

(d) Two accounts held by Bauer Hockey Retail Inc.;

(e) One account held by Bauer Performance Sports Uniforms Corp.;

(f) Two accounts held by BPS Diamond Sports Inc.;

(g) One account held by BPS Diamond Sports Corp.;

(h) Four accounts held by Easton U.S.;

(i) One account held by PSG Innovation Inc.;

(j) One account held by BPS Canada Intermediate Corp.; and

(k) One account held by BPS US Holdings Inc.

85. The U.S. Accounts are located at BOA branches in Concord, California and Farmington, Connecticut.

86. Six of the U.S. Accounts denominated in U.S. dollars are used to deposit receipts (the "**U.S. Receipt Accounts**"). Similar to Canada, there is a U.S. Receipt Account for each business line held by the respective entity operating the business line. There is also a U.S. Receipt Account for deposits in respect of the PSG Entities' retail operations in the U.S. and a U.S. Receipt Account held by Bauer Canada which is not currently operational, but was set up to be used to allow Canadian customers to pay in U.S. dollars. The U.S. Receipt Accounts are all denominated in U.S. dollars. Five of the accounts are blocked accounts and are swept daily by BOA to repay amounts outstanding under the ABL Facility.

87. Twelve U.S. Accounts are used as operating accounts (the "**U.S. Operating Accounts**") to make disbursements on account of expenses owed by the PSG Entities, including payroll and accounts payable. All of the U.S. Operating Accounts are denominated in U.S. dollars. The primary U.S. Operating Accounts are funded by draws on the ABL Facility.

Europe and Asia

88. Outside of North America, Bauer U.S. (through its branch office in Taiwan), the European Subsidiaries and PSG HK hold three bank accounts with BOA, fifteen bank accounts with Handelsbanken, and two bank accounts with Cathay United Bank (the "**Eurasia Accounts**"). In particular:

(a) BPS Luxembourg S.a.r.l. holds two bank accounts with BOA;

(b) Bauer Hockey AB holds twelve bank accounts with Handelsbanken;

(c) Bauer Hockey GmbH holds three accounts with Handelsbanken;

(d) PSG HK holds an account with BOA; and

(e) Bauer U.S. holds two accounts with Cathay United Bank through its representative office in Taiwan.

89. One of the Eurasia Accounts is a customs guarantee account and the remaining are general operating accounts used to deposit receipts and pay disbursements of the European Subsidiaries and PSG HK.

90. The cash management for the European Subsidiaries is structured so that each subsidiary retains sufficient cash to pay for ongoing operations. Funds received from sales are paid by customers to the applicable European Subsidiary, which converts the funds to U.S. dollars and sends them to Bauer Canada. The inventory sold is never owned by the European Subsidiaries and Bauer Canada retains title of the inventory until it is delivered to the customer.

91. Continued access to the Cash Management System is critical to the ongoing business of the Applicants.

Foreign Exchange Forward Contracts

92. With a global customer-base and operations in various jurisdictions, the PSG Entities' financial results are exposed to fluctuations in foreign currency exchange rates. Due to the significant amount of Canadian sales, a declining Canadian dollar is the most significant currency exposure of the PSG Entities. The PSG Entities are also exposed to fluctuations in the Swedish krona and the euro, among others.

93. The PSG Entities use foreign exchange forward contracts to manage these currency exchange risks, hedging the effect of changes in currency exchange rates on product costs. The hedging practice is designed to provide stability around the receipt of cash, and at least partially offset the impact of exchange rate changes on the underlying exposure.

94. Currently, the PSG Entities are not initiating new hedges or forward contracts. The PSG Entities hold approximately $51.3 million in forward contracts allowing for the purchase of certain currencies at pre-determined exchange rates. Forward contracts with a current value of approximately $7.5 million expire in the second quarter of fiscal 2017, forward contracts with a current value of approximately $34.8 million expire in the third and fourth quarters of 2017 and the remaining contracts expire in fiscal 2018.

Transfer Pricing

95. The PSG Entities' business is integrated such that certain PSG Entities perform specific functions for the benefit of all of the Applicants. This organizational structure results in high levels of inter-company receivables and payables necessitating an inter-company transfer pricing model.

96. The PSG Entities' transfer pricing model (the "**Transfer Pricing Model**"), in most instances, involves allocating certain costs incurred by specific entities across the PSG Entities. Generally, the Transfer Pricing Model can be broken down as follows:

(a) *Provision of Physical Goods*: Certain PSG Entities are responsible for the procurement and manufacturing of products. To access global markets these PSG Entities sell inventory and products to other PSG Entities who perform sales and marketing functions. When selling products between the PSG Entities, each company sells at cost plus a mark-up. Each business line applies a mark-up of 5% or 25% based upon the value added to the products by the selling PSG Entity and the costs ancillary to the products, such as warehousing and arranging freight.

(b) *Provision of Research and Development*: Certain entities provide research and development services to the other PSG Entities. In particular, Bauer Canada and Bauer U.S. focus on research and development and a majority of the employees responsible for product development are employed by these two entities. Research and development costs are allocated between the PSG Entities using a two-step methodology. First, the research and development costs are allocated to each functional division or business line. Second, the costs of each functional division are allocated to legal entities based upon the entity that benefits from such services. A mark-up of 10% based on the arm's length principle is applied when allocating the costs on each legal entity.

(c) *Provision of Selling, General and Administrative Services*: The PSG Entities and the European Subsidiaries provide sales and marketing and administrative services to each other. Bauer Canada and Bauer U.S. employ the majority of the employees that are responsible for providing administrative services to the PSG Entities, such as legal, sourcing, finance and accounting. The main function of the European Subsidiaries is sales and marketing and therefore, they generally invoice Bauer Canada and the other relevant entities for their services. Generally, selling, general and administrative expenses costs are allocated in same fashion as research and development costs. First, the costs are allocated to each functional division and second, the costs are allocated to the legal entity that benefited from the services. General and administrative costs are allocated at cost without a mark-up. Sales and marketing costs are allocated either at cost or cost plus a mark-up of 10%.

97. The PSG Entities engage an independent accounting firm to analyze whether the transactions under the Transfer Pricing Model represent a reasonable measure of arm's length prices. The most recent report, consistent with past reports, concluded that the current Transfer Pricing Model provides a reasonable measure of the arm's length price

associated with the transactions which that the accounting firm analyzed. The report was based upon transfer pricing analysis on the accounting firm's expertise and analysis of comparable companies operating in similar industries.

III. ASSETS AND LIABILITIES OF THE PSG ENTITIES

98. A copy of the PSG Entities' fiscal 2015 audited financial statements are attached hereto as Exhibit "C" and a copy of the unaudited financial statements for the quarter ending November 30, 2015 are attached hereto as Exhibit "D". The PSG Entities' latest unaudited financial statements are for the quarter ending February 29, 2016, a copy of which are attached hereto as Exhibit "E". As detailed starting at paragraph 147 to this affidavit, as at the date of this affidavit, the fiscal 2016 financial statements have not been prepared and are pending, among other things, internal review.

A. Assets of PSG

99. As at September 30, 2016, PSG's assets had a book value of approximately $594 million. The majority of these assets were comprised of accounts receivable, inventory and intangible assets. The bulk of the intangible net assets line item relates to the PSG Entities' proprietary research and development, license agreements with third parties, and brand names.

B. Liabilities of PSG

100. As at September 30, 2016, PSG had liabilities totalling approximately $608 million. The major liabilities of the PSG Entities consisted of short term debt and long term debt. The majority of the PSG Entities' liabilities are obligations under the Term Loan Facility and ABL Facility (both defined below).

Term Loan Facility

101. PSG, as borrower, and a syndicate of lenders, as lenders, are among the parties to a term loan credit agreement dated as of April 15, 2014 (as amended from time to time, the "**Term Loan Agreement**") in the principal amount of $450 million (the "**Term Loan Facility**"). The Term Loan Facility matures on April 15, 2021. As at October 28, 2016, approximately $330.5 million was outstanding under the Term Loan Facility.

102. The rate of interest payable on amounts outstanding under the Term Loan Facility varies based on the type of advance, the appropriate applicable margin, and PSG's choice of LIBOR or the U.S. base rate. The current rate of interest under the Term Loan Facility is 4.83% per annum.

103. Principal amounts outstanding under the Term Loan Facility are repayable according to a repayment schedule set out in the Term Loan Agreement. The next scheduled payment of principal and interest is due on November 30, 2016.

104. PSG's obligations in respect of the Term Loan Facility are jointly and severally guaranteed by Bauer Canada, Bauer U.S., Performance Lacrosse Group Corp., Performance Lacrosse Group Inc., Bauer Performance Sports Uniforms Corp., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Corp., BPS Diamond Sports Inc., Easton Canada, Easton U.S., BPS U.S., KBAU, BPS Canada Intermediate Corp., Bauer Hockey Retail Inc., and Bauer Hockey Retail Corp. (collectively, the "**PSG Guarantors**"). PSG Innovation Corp. and PSG Innovation Inc. are the only Applicants which are not PSG Guarantors.

105. The obligations of PSG and the PSG Guarantors in respect of the Term Loan Facility are secured by, among other things, a U.S. security agreement and a Canadian security agreement (collectively, the "**Term Loan Security Agreements**") and a U.S. pledge agreement and a Canadian pledge agreement (collectively, the "**Term Loan Pledge Agreements**"), each dated as of April 15, 2014.

106. Pursuant to the Term Loan Security Agreements and the Intercreditor Agreement (as defined below), the administrative agent under the Term Loan Agreement (the "**Term Loan Agent**") was granted a first priority security interest in the following collateral, subject to permitted liens and certain exceptions:

(a) all present and future shares of capital stock (or other ownership or profit interests) held by PSG or any PSG Guarantor (subject to certain exceptions);

(b) all present and future debt owed to PSG or any of the PSG Guarantors;

(c) all present and future property and assets, real and personal (other than assets constituting the ABL Priority Collateral, as defined below) of PSG and the PSG Guarantors, including, but not limited to, machinery and equipment, patents, trademarks, trade names, copyrights, other intellectual property and other contract rights; and

(d) all proceeds and products of the property and assets described above (collectively, the "**Fixed Asset (Term) Priority Collateral**").

107. The Term Loan Facility is further secured by perfected second priority security interest in the ABL Priority Collateral (defined below), subject to permitted liens and certain exceptions.

108. Pursuant to the Term Loan Pledge Agreements, PSG and the PSG Guarantors pledged a security interest in, among other things, all accounts, shares, notes, interests, participations or other equivalents owned or acquired from time to time by PSG and the PSG Guarantors.

109. Repayment of the Term Loan Facility may be accelerated upon occurrence of an event of default, subject (in certain cases) to a requirement that the Term Loan Agent give notice that an event of default has occurred and to certain cure rights. Events of default under the Term Loan Agreement include, among other things, non-payment of the principal or interest when due, failure to file financial statements, defaults under any other indebtedness to which the PSG Entities or PSG's other restricted subsidiaries are subject and the commencement of insolvency proceedings by any of those entities.

110. PSG did not file its annual audited financial statements for fiscal 2016 by the filing deadline, as described in greater detail below. As a result, the PSG Entities which were borrowers under the Term Loan Agreement would have been in default under same.

111. Pursuant to an amendment to the Term Loan Agreement dated as of August 29, 2016 (the "**Term Loan Amendment**"), the period of time granted to PSG to file its annual financial statements for fiscal 2016 was extended to October 28, 2016. A copy of the Term Loan Amendment is attached hereto as Exhibit "F".

ABL Facility

112. Bauer Hockey Corp., Bauer Hockey, Inc., and most of the other U.S. and Canadian subsidiaries of PSG[3] (collectively, the "**ABL Borrowers**"), as borrowers, and Bank of America, N.A., as administrative agent, collateral agent and lender (the "**ABL Agent**"), and others are parties to a revolving ABL credit agreement dated as of April 15, 2014 (as amended from time to time, the "**ABL Agreement**"), in the principal amount of $200 million (the "**ABL Facility**"). The ABL Facility matures on April 15, 2019. As at October 28, 2016, approximately $158.9 million was outstanding under the ABL Facility.

113. The ABL Facility is an asset-backed loan governed by a borrowing base calculation that is comprised of eligible accounts receivable and eligible inventory. The ABL Facility requires that a certain cash balance be maintained to meet a minimum calculated borrowing base equal to the outstanding principal amount. The ABL Facility contains various restrictive covenants which, among other things, limit PSG's ability to incur additional indebtedness or encumber its assets.

114. The rate of interest payable on amounts outstanding under the ABL Facility is determined according to formulas set out in the ABL Agreement. The current rate of interest under the ABL Facility is 3.33%.

115. The ABL Borrowers' obligations in respect of the ABL Facility are jointly and severally guaranteed by PSG and the PSG Guarantors.

116. The ABL Borrowers' obligations in respect of the ABL Facility are secured by, among other things, a U.S. security agreement and a Canadian security agreement (collectively, the "**ABL Security Agreements**") and a U.S. pledge agreement and a Canadian pledge agreement (collectively, the "**ABL Pledge Agreements**"), each dated as of April 15, 2014.

117. Pursuant to the ABL Security Agreements and the Intercreditor Agreement (defined below), the ABL Agent was granted a first priority security interest in certain collateral, including:

[3] PSG Innovation Corp. and PSG Innovation Inc. are not parties to the ABL Facility. PSG and BPS Canada Intermediate Corp. are guarantors but not borrowers under the ABL Facility.

(a) all present and future accounts receivable (except to the extent constituting proceeds of equipment, real property, intellectual property, or intercompany loans);

(b) all present and future inventory;

(c) all present and future instruments, chattel paper and other contracts, in each case, evidencing or substituted for, the accounts receivable;

(d) all present and future guarantees, letters of credit, security and other credit enhancements for the accounts receivable;

(e) all present and future documents of title for any inventory;

(f) all present and future bank accounts, or investment property but excluding certain deposit accounts and any capital stock;

(g) all present and future tax refunds;

(h) all present and future supporting obligations, documents and books and records relating to any of the above; and

(i) all substitutions, replacements, accessions, products or proceeds of any of the above, (collectively, the "**ABL Priority Collateral**").

118. The ABL Facility is further secured by perfected second priority security interest in the Fixed Asset (Term) Priority Collateral, subject to permitted liens and certain exceptions.

119. Pursuant to the ABL Pledge Agreements, PSG and the PSG Guarantors pledged a security interest in, among other things, all accounts, shares, notes, interests, participations or other equivalents owned or acquired from time to time by PSG and the PSG Guarantors.

120. Repayment of the ABL Facility may be accelerated upon occurrence of an event of default, subject (in some cases) to a requirement that the ABL Agent give notice that an event of default has occurred and to certain cure rights. Events of default under the ABL Agreement include, among other things, non-payment of the principal or interest when due, failure to file financial statements, defaults under any other indebtedness to which the PSG

Entities and PSG's other restricted subsidiaries are subject and the commencement of insolvency proceedings by any of those entities.

121. As discussed above, PSG failed to file its annual financial statements, which would have triggered a breach of covenant sufficient to give rise to an event of default under the ABL Agreement without an amendment under same.

122. Pursuant to an amendment to the ABL Agreement dated as of August 29, 2016 (the "**ABL Loan Amendment**"), the period of time granted to PSG to file its annual financial statements for fiscal 2016 was extended to October 28, 2016. A copy of the ABL Loan Amendment is attached hereto as Exhibit "G".

Intercreditor Agreement

123. In connection with the Term Loan Facility and the ABL Facility (collectively, the "**Credit Facilities"**), PSG and the PSG Guarantors thereunder, entered into an intercreditor agreement with their lenders as contemplated by the Term Loan Agreement and the ABL Agreement (as amended from time to time, the "**Intercreditor Agreement"**), dated April 15, 2014.

124. Pursuant to the Intercreditor Agreement:

(a) the lenders under the ABL Facility (the "**ABL Lenders**") have first-ranking security on the ABL Priority Collateral and second-ranking security on the Fixed Asset (Term) Priority Collateral ; and

(b) the lenders under the Term Loan Facility (the "**Term Lenders**" and, together the "**Secured Lenders**") have first-ranking security on the Term Loan Collateral and second-ranking security on the ABL Priority Collateral.

IV. FINANCIAL DIFFICULTIES AND NEED FOR CCAA PROTECTION

A. Financial Difficulties

125. Over the last year, the PSG Entities have experienced significant unfavourable financial results due to the occurrence of a number of negative events in a relatively short timeframe. Sales for the first nine months of fiscal 2016 declined by 10%, as compared to the first nine months of fiscal 2015, contributing to a decrease in gross profit by $25 million. At

the same time, expenses have increased significantly due to, among other things, write-offs of accounts receivables due to customer insolvencies and other non-operational expenses described below. Further, due in part to a decline in sales and gross margins of the products sold by the PSG Entities, PSG impaired goodwill by over $145 million by February 29, 2016. As result of these and other events described below, for the nine-month period ending February 28, 2016, the PSG Entities experienced an operating loss of approximately $164 million and a net loss of approximately $197 million, as compared to a net profit of $3.28 million in fiscal 2015 and $19.99 million in fiscal 2014. The causes of these poor results are described in greater detail below.

Customer Insolvencies

126. A major factor leading to the PSG Entities' current liquidity position has been the consequences of the unexpected financial difficulties experienced by a number of key customers in late 2015 and 2016, primarily Team Express Distributing, LLC ("**Team Express**"), the Sports Authority ("**TSA**"), Vestis Retail Group, LLC ("**Vestis**") and Total Hockey Inc. ("**Total Hockey**").

127. On December 16, 2015, Team Express filed chapter 11 proceedings in the U.S. Team Express was primarily an online retailer of baseball and softball equipment. At the time of its filing, the PSG Entities were owed approximately $4.75 million in accounts receivable and have since written-off approximately $4.5 million of that amount. In fiscal 2015, the Easton Business' sales to Team Express totalled approximately $9.5 million.

128. On March 2, 2016, TSA filed chapter 11 proceedings in the U.S. TSA was a major sports retailer in the U.S. with approximately 450 locations. TSA was one of the Easton Business' most significant customers with fiscal 2015 sales totalling approximately $19.9 million. According to initial news reports and TSA's own public disclosure, it intended to close only 140 of its 450 stores during the course of its restructuring. However, according to subsequent news reports, after failing to reach an agreement with its creditors on a restructuring plan, TSA proceeded to close all remaining stores and liquidate its remaining assets. At the time of TSA's bankruptcy, the PSG Entities were owed approximately $2.6 million in accounts receivable and have since written-off the entire amount. The PSG

Entities also entered into settlement agreements with TSA with respect to consignment inventory and other anticipated liabilities.

129. On April 16, 2016, Vestis, the company operating Sport Chalet, a network of sporting goods store in the southwest U.S, filed for chapter 11 protection. The Sport Chalet stores were a customer of the Easton Business, stocking various baseball and softball products. After commencing its chapter 11 proceedings, Vestis proceeded to shut down approximately 47 Sport Chalet stores. At the time of its filing, the PSG Entities were owed approximately $800,000 in accounts receivable.

130. Finally, Total Hockey, a hockey and lacrosse retailer with approximately 30 stores and a significant online presence, filed chapter 11 proceedings in the U.S. in July 2016. Total Hockey was a significant customer of the Bauer Business and the Lacrosse Business. In fiscal 2015, the PSG Entities' sales to Total Hockey were approximately $19 million and upon Total Hockey's filing for creditor protection, the PSG Entities were owed approximately $14 million. Since the filing the PSG Entities have written-off approximately $13 million of that amount.

131. Ultimately, Team Express and Total Hockey's insolvency proceedings resulted in sales of these businesses to other sporting goods retailers in May and July 2016, respectively. Though continuing as going-concerns, Team Express and Total Hockey have reduced the size of their operations through the course of their respective chapter 11 cases, affecting the amount of product that the PSG Entities are able to sell to the businesses. These hockey and lacrosse retailer insolvencies were compounded by the fact that in 2015, two large retailers consolidated the market through acquisitions such that the industry was already more concentrated when the insolvencies and resulting tightening of the industry occurred.

132. TSA and the Sports Chalet stores owned by Vestis have both wound down operations and liquidated their inventories.

133. The insolvency of these customers significantly negatively affected the PSG Entities' financial performance by causing a number of receivables to become fully or partially uncollectable within a short-period of time. Compounding the negative impact on receivables is the fact that as these customers have entered into restructuring and/or

liquidating proceedings, they have reduced purchase orders from the PSG Entities and their unsold existing inventory is being liquidated in the market.

Below-Target Performance of Key Business Lines

134. As noted above, in 2014, PSG acquired the Easton baseball/softball business line for $330 million (plus adjustments and fees). The Easton Baseball Acquisition, funded by proceeds of the Credit Facilities, substantially increased the leverage of the PSG Entities.

135. In fiscal year 2015, the Easton Business' sales were strong and new product launches and a geographical expansion was expected to roll out in 2016.

136. However, in fiscal 2016, the Easton Business suffered from a reduction in sales attributed to weakness in the baseball/softball market generally and the above-noted challenges faced by the PSG Entities' customers. During fiscal 2016, PSG wrote down the value of the Easton Business due to these events.

137. The PSG Entities also experienced lower than expected sales in the Bauer Business, in part due to a consolidation of hockey retailers in the U.S. and the insolvency of the hockey equipment retailers noted above.

138. The underperformance in the two most significant of the PSG Entities' business lines has significantly negatively affected the PSG Entities' overall profitability.

Unfavourable Exchange Rates

139. As explained above, the PSG Entities' financial results are exposed to fluctuations in currency exchange rates. With the Bauer Business' significant amount of Canadian dollar denominated sales while the majority of production costs are denominated in U.S. dollars, a declining Canadian dollar compresses the PSG Entities' margins and reduces overall profitability.

140. Despite the PSG Entities' hedging efforts, in fiscal 2015, the PSG Entities experienced a $19.5 million currency loss and, as of February 29, 2016, had experienced a further $8.7 million loss. The losses were primarily due to the weakening Canadian dollar starting in late 2014, which weakened by 8.3% over the course of fiscal 2015 and 4.2% over the course of fiscal 2016. The declining Canadian dollar resulted in lower revenue realized by the PSG Entities relative to their cost of goods sold.

141. In all, responding to the significant number of adverse events affecting the Applicants in the past year has taken up a considerable amount of management time in an effort to improve profitability and turn around the business for the benefit of all stakeholders.

Commencement of Regulatory Investigations

142. In response to the difficulties experienced by their customers and the below target performance of the Easton Business, the PSG Entities reduced their earnings guidance for the third quarter of fiscal 2016 and entire fiscal 2016. The press releases issued in respect of the revisions in January and March 2016 are attached hereto as Exhibits "H" and "I", respectively. After issuing the revised earning guidance, on March 8, 2016, the PSG Entities common share price fell by approximately 67%.

143. The Ontario Securities Commission (the "**OSC**") has commenced an issue-oriented review of PSG's continuous disclosure record, and the Securities and Exchange Commission (the "**SEC**") Enforcement Division has opened an inquiry into PSG's revised earnings guidance and several other related topics of interest, in response to PSG's revised third quarter and full fiscal year earnings guidance. Following the August 15, 2016 announcement that an internal investigation was ongoing which would impact the filing of audited financial statements, the OSC and SEC extended their inquiries to related matters. In addition, the Financial Industry Regulatory Authority ("**FINRA**") conducted a review of trading in PSG's common shares surrounding (i) PSG's March 8, 2016 revised earnings guidance announcement and (ii) PSG's August 15 announcement that its Annual Report on Form 10-K would not be filed by the required filing date. PSG provided the information requested by FINRA pursuant to these reviews.

144. The PSG Entities have cooperated with the OSC, SEC and FINRA throughout their reviews.

Commencement of U.S. Securities Litigation

145. Connected to the revised earnings guidance, on May 16, 2016, certain equity investors commenced a class action lawsuit in the U.S. against PSG and certain former officers of PSG (the "**Class Action**"). The lead plaintiff in the Class Action is the Plumbers & Pipefitters National Pension Fund and it is proceeding before the U.S. District Court,

Southern District of New York (Case No. 1:16-cv-03591) (the "**U.S. District Court**"). The former officers of PSG named by the Class Action are Kevin Davis, the former Chief Executive Officer of PSG and Amir Rosenthal, the former President of PSG.

146. Per the filed complaint, the Class Action alleges that (i) PSG and the named officers withheld information from investors about PSG's sales practices and their impact on the PSG's financial performance; and (ii) that shareholders were injured as a result of this misconduct because they purchased PSG shares at inflated prices. PSG has filed a comprehensive defence to the Class Action denying the allegation contained in the complaint. The PSG Entities also filed to a motion to dismiss the Class Action on October 13, 2016. Paul, Weiss, Rifkind, Wharton & Garrison LLP represents PSG in its defence of the Class Action.

Inability to File Fiscal 2016 Financial Statements

147. Pursuant to securities laws in both Canada and the U.S., PSG was required to file the Reporting Materials by the Filing Deadline.

148. However, on August 15, 2016, PSG announced that the Reporting Materials would not be filed by the Filing Deadline. The delay was the result of the decision of the audit committee (the "**Audit Committee**") of PSG's board of directors to commence an internal investigation in connection with the finalization of the Reporting Materials. The press release issued in respect of the internal investigation is attached hereto as Exhibit "J".

149. The Audit Committee retained Richards Kibbe & Orbe LLP ("**RKO**") as outside independent legal counsel to assist with the internal investigation. RKO subsequently retained Alix Partners, LLP to provide accounting services, including forensic services, if necessary. The Audit Committee is working closely with these professionals as well as the PSG Entities' Canadian and U.S. outside counsel during this investigation.

150. The Audit Committee's investigation remains ongoing as of the date of this affidavit and consequently, the Applicants remain unable to file the Reporting Materials.

151. As noted above, not filing the Reporting Materials in a timely manner constitutes a breach of covenant sufficient to give rise to an event of default under the Credit Facilities. The Secured Lenders and PSG initially agreed to extend the period for filing the Reporting

Materials to October 28, 2016. However, PSG has not been able to file the Reporting Materials by the extended deadline and are now in default under the Credit Facilities.

B. Reponses to Financial Difficulties

152. Taken together, the events of the past year have presented significant and unforeseen challenges to the business and operations of a group of companies that had undertaken an assertive acquisition approach to its business in the past eight years.

153. The PSG Entities have undertaken significant efforts to counteract the recent financial difficulties experienced, including:

(a) Reorganizing certain key members of management within the company, including replacing the CEO;

(b) Consolidating the EASTON and COMBAT brands into one business line;

(c) Other cash generating initiatives , including workforce reductions, operating consolidation and reducing overall working capital requirements through reductions in inventory and accounts receivable;

(d) Efficiency improvements including inventory quality improvements, reduced product costs and reduced working capital requirements in the PSG Entities' supply chain;

(e) Hiring a restructuring advisor (Alvarez & Marsal North America, LLC ("**A&M**")) to assist with liquidity management; and

(f) Forming a special committee of the board of directors of PSG which has hired an investment bank (Centerview Partners LLC ("**Centerview**")) to assist with reviewing strategic alternatives and finding a potential financer to or purchaser of the Applicants' businesses.

C. The Applicants are Insolvent

154. The Applicants have experienced a net loss for the first nine months of fiscal year 2016, and significantly reduced expectations, and have limited cash with which to run a business of this size.

155. The Applicants (with the exception of the PSG Innovation Corp. and PSG Innovation Inc.) are in default under the Credit Facilities as of October 28, 2016. The Applicants have not been able to enter into any further amendments or forbearances under the Credit Facilities with respect to the delayed filing of the Reporting Materials on commercially reasonable terms. Further, the Applicants are not able to repay the amounts owing under the Credit Facilities. The Applicants are not able to obtain further funding on reasonable terms or at all given the inability to file the Reporting Materials.

156. Further, PSG is expending significant funds each month in professional fees responding to the OSC, SEC and FINRA regulatory inquiries, conducting the internal investigations and defending the Class Action, which is not sustainable in the long and likely even short term.

157. PSG Innovation Corp. has intercompany debts of approximately $13 million and PSG Innovation Inc. has intercompany debts of approximately $50,000, neither of which has the means to repay these debts as they have no operations of their own.

158. As a result, the Applicants are insolvent. The PSG Entities cannot meet their liabilities as they come due and do not have sufficient cash to fund their operations without CCAA protection and access to DIP Financing (defined below). Without the protection of the CCAA, a shut-down of operations is inevitable, which would be extremely detrimental to the PSG Entities' stakeholders, including employees, suppliers, and customers. CCAA protection will allow the PSG Entities to access DIP Financing and maintain operations while giving them the necessary time to consult with their stakeholders regarding the future of their business operations and structure, including the proposed sales process.

V. RESTRUCTURING THE PSG ENTITIES

159. The Applicants, in response to the myriad of issues leading to the current liquidity crisis and in particular in response to their failure to timely file the Reporting Materials,

engaged in a thorough review of the PSG Entities' strategic alternatives with the advice and guidance of their legal and financial advisors. The PSG Entities concluded that negotiating a going-concern sale of their businesses was the optimal course to maximize value, and structured a process by which do so. As part of that process, the PSG Entities have entered into an asset purchase agreement (the "**Stalking Horse Agreement**") for the sale of substantially all of their assets to a group of investors led by the Stalking Horse Purchasers.

160. The bid contemplated under the Stalking Horse Agreement will, subject to Court approval, serve as the stalking horse bid in a CCAA/Chapter 11 sales process to take place over the next 60 days of the proceedings and which is expected to conclude early in 2017. As noted in greater detail herein, the Stalking Horse Purchasers will provide the Term Loan DIP Facility (defined below) to fund the CCAA proceeding.

161. The Stalking Horse Agreement provides for the sale of substantially all of the Applicants' business for a base purchase price of $575 million in the aggregate plus the assumption of certain liabilities. The Stalking Horse Agreement contemplates that the Applicants will continue as a going concern under new ownership, their secured debt will be fully repaid and payment of trade creditors. The Stalking Horse Agreement further contemplates the preservation of a significant number of jobs in Canada and the U.S. Other features of the Stalking Horse Agreement include:

(a) The assignment of substantially all of the contracts to which the PSG Entities are party;

(b) Payment of a good faith deposit of 5% of the base purchase price by the Stalking Horse Purchasers;

(c) The option to pay part of the purchase price by offsetting as against the amounts funded under the Term Loan DIP Facility;

(d) A break-up fee of 3.5% of the base purchase price (the "**Break Fee**") and an expense reimbursement fee of $3.5 million due only in certain instances;

(e) Payment of a work fee of approximately $2.5 million paid pursuant to a side letter of Stalking Horse Agreement, which shall be credited against the Break

Fee and returned if the transaction contemplated by the Stalking Horse Agreement closes.

(f) Court approval of the Stalking Horse Agreement and the bidding procedures governing the sale process; and

(g) Closing of the transaction within two business days of the satisfaction of the conditions to closing, which is expected to be in early February, 2017.

162. It is anticipated that the Applicants will commence the sale process contemplated by the Stalking Horse Agreement on November 1, 2016 and seek approval of the sale process (including the Stalking Horse Agreement) at a motion returnable on November 21, 2016. It is further anticipated that the bid deadline will be January 4, 2017, and auction (if necessary) will take place on January 9, 2017 and the motion to approve the sale of assets will be heard by January 11, 2017.

VI. CASH FLOW FORECAST

163. As set out in the 13-week cash flow projection (the "**Cash Flow Statement**") that was prepared by the PSG Entities in consultation with their restructuring advisor, A&M, and reviewed by the proposed Monitor for the period from October 31, 2016 to the week ending January 27, 2017, the Applicants' estimated principal uses of cash will consist of the payment of ongoing day-to-day operational expenses and professional fees and disbursements in connection with these CCAA proceedings. I understand from counsel to the Applicants that a copy of the Cash Flow Statement will be attached to the pre-filing report of the proposed Monitor which is to be filed with the Court.

164. As at the time of execution of this affidavit, the Applicants have $7.2 million cash on hand. The Cash Flow Statement projects that, subject to obtaining the relief outlined herein including approval of the DIP Financing (defined below), they will have sufficient cash to fund their projected operating costs until the end of the stay period. If the DIP Financing is not approved, the Applicants do not have sufficient cash to support their operations during the stay period.

165. The Cash Flow Statement is consolidated so that it includes the U.S. PSG Entities, the Canadian PSG Entities and all of their subsidiaries. The PSG Entities do not maintain country-by-country cash flows, and the interconnected nature of the business and the operation along business lines prevents the PSG Entities' restructuring advisors from creating country-by-country basis without significant expenditures of cost and time.

166. The PSG Entities, in consultation with their restructuring advisor, have conducted a high level analysis of cash flows as between the Canadian PSG Entities and the U.S. PSG Entities and have estimated that, on a cash basis, the European Subsidiaries will realize net positive cash flows of approximately $31 million and the Canadian PSG Entities will realize net positive cash flows of approximately $9 million for the 15 week period ended January 20, 2017.

167. These cash amounts do not include operational obligations borne by the Canadian PSG Entities (with respect to the European Subsidiaries) and certain operational and non-operational obligations borne by the U.S. PSG Entities (with respect to the Canadian PSG Entities).

168. With respect to the positive net cash flows of the European Subsidiaries, as described above, Bauer Canada retains title to the inventory sold by the European Subsidiaries. Substantially all of the cash brought in by the European Subsidiaries is flowed to Bauer Canada in the normal course to cover inventory costs. The European Subsidiaries maintain approximately 5% from the collection in order to fund limited operating expenses, facilities, employees and sale agent commissions.

169. With respect to the positive net cash flows of the Canadian PSG Entities, certain of this cash would be owed to the U.S. PSG Entities to cover some transfer pricing amounts for cost of goods sold and sales, as well as to cover certain non-operating costs, such as interest payments and professional fees. Even incorporating these adjustments, however, the Canadian PSG Entities are predicted to have net positive cash flows over the CCAA Proceeding, while the U.S. PSG Entities are predicted to have net negative cash flows over the CCAA proceedings.

VII. PROPOSED INITIAL ORDER

A. Payment of pre-filing amounts

170. The Applicants believe that authority to pay the pre-filing amounts set out below is vital to their efforts to preserve and maximize the value of their estates and to their reorganization efforts.

Foreign Suppliers

171. As noted above, the PSG Entities source the majority of their manufacturing operations out to suppliers located in various jurisdictions in Asia (such suppliers being the "**Foreign Suppliers**"). The PSG Entities' business is reliant on those suppliers, many of which are committed exclusively to the PSG Entities and integrated with the PSG Entities' ongoing operations, including their technology and quality specifications. Further, the PSG Entities do not have sufficient inventory to complete the CCAA proceedings and Chapter 11 Proceedings and will need to order from the Foreign Suppliers.

172. It is the opinion of management of the PSG Entities that, without payment of the pre-filing amounts owing to them, the Foreign Suppliers may refuse to deliver goods which are critical to the PSG Entities' ongoing business, leading to a supply chain disruption during the first critical weeks of the CCAA proceedings. Finding replacement suppliers would interrupt operations and require a lengthy qualification process. Enforcing an order of a Canadian court in multiple countries in Asia could take weeks or longer, during which time the Applicants would be at significant risk of not being able to supply their customers with product.

173. As such, the Applicants are seeking authorization to pay pre-filing amounts of the Foreign Suppliers, with consent of the proposed Monitor on individual payments in excess of $10,000. The CRO has calculated the pre-filing amount owing to Foreign Suppliers as being approximately $19.2 million, as discussed with and reviewed by the proposed Monitor. The Applicants believe that payment to the Foreign Suppliers is in the best interests of their stakeholders. The proposed Monitor will be kept apprised of any payments that are made on a weekly basis.

Critical Suppliers

174. The PSG Entities also have a number of suppliers in North America who are critical to ensuring there is no disruption to the Applicants' business, such suppliers being the "**Critical Suppliers**".

175. The PSG Entities have worked with their financial advisors in determining the list of Critical Suppliers and have discussed this list with the proposed Monitor, considering (i) the importance of each supplier to the PSG Entities' operations; (ii) the nature of the goods or services supplied and whether there are alternative supply sources; (iii) the ability of the supplier to either remain in business or continue normal operations if not paid for pre-filing goods and services; (iv) the ability and likelihood that the supplier may delay or otherwise restrict supplying goods or services in the event of the PSG Entities' non-payment; (v) the volume of goods or services supplied; (vi) the potential for disruption of the PSG Entities' operations if the supplier delays or fails its supply of goods pursuant to its existing contracts; and (vii) the amount that the PSG Entities currently owe the supplier.

176. The Critical Suppliers are the most cost-efficient and, in many cases, the only source from which the Applicants can procure critical goods and services within a timeframe that would permit the Applicants to avoid unanticipated interruptions, delays or shutdowns in their operations. The proposed Monitor will be kept apprised of any payments that are made on a weekly basis.

177. Based on the above criteria, the PSG Entities identified approximately 31 Critical Suppliers which are owed in the aggregate approximately $1.2 million. The PSG Entities are seeking authorization, but not the requirement, to make those payments with consent of the proposed Monitor on individual payments in excess of $10,000.

178. To the extent that the PSG Entities determine that additional critical suppliers are paid, the PSG Entities are seeking authorization to pay pre-filing amounts to those suppliers with the approval of the proposed Monitor.

179. The PSG Entities intend to continue to rely on their suppliers during the CCAA proceedings and require the flexibility to pay these suppliers to ensure adequate and timely supply of required products and services to attempt to obtain and negotiate credit terms.

20 Day Goods Suppliers

180. Pursuant to 503(b)(9) of the U.S. Bankruptcy Code, the Applicants are required to pay any suppliers who delivered goods to the Applicants in the 20 days leading to the filing, in this case, October 11, 2016 (the "**20 Day Goods Suppliers**").

181. As the Applicants have commenced the Chapter 11 Proceedings, the Applicants are required to pay the 20 Day Goods Suppliers. The proposed Initial Order seeks authorization, but not the requirement, for the PSG Entities to pay 20 Day Good Suppliers, with consent of the proposed Monitor for individual amounts over $5,000.

182. The amounts owing to the 20 Day Goods Suppliers total approximately $1.4 million in the aggregate.

Shippers and Warehousemen

183. The PSG Entities depend on an extensive shipping, warehousing and distribution network to move raw materials from the PSG Entities' suppliers, which are largely based overseas, and to move finished products to the PSG Entities customers, including those in Europe. This network is dependent on shippers, brokers, warehousers, distributors and logistics providers, based at various locations around the world, including in Canada (together, the "**Shippers and Warehousemen**").

184. The failure to pay any of these parties for charges incurred in connection with the transportation and storage of any goods or materials may result in Shippers and Warehousemen asserting possessory liens against the Applicants' Property. In addition, in respect of the Shippers and Warehousemen, shipments may be stopped in transit if customs duties are not paid by the PSG Entities or their customs agents when due in the ordinary course.

185. The PSG Entities rely on Shippers and Warehousemen to provide the inventory necessary to continue their business without interruption. The successful uninterrupted operation of the Applicants' business during the CCAA proceedings is critical to the Applicants' restructuring, and the payment of the amounts owing to the Shippers and Warehousemen.

186. As at October 28, 2016, the PSG Entities estimate that approximately $2.5 million is owed in the aggregate to the Shippers and Warehousemen.

187. To the extent that additional amounts are found to be outstanding to Shippers and Warehousemen (most likely due to delayed invoicing or the timing of certain shipments), for shipments that are important to the PSG Entities' ongoing operations, the PSG Entities must be able to pay such amounts, and thus request the authority to make such payments, with the consent of the proposed Monitor for amounts in excess of $5,000.

188. Payment to these parties will avoid disruption in the Applicants' business, prevent the possibility of possessory liens being asserted against merchandise, and enable the PSG Entities to realize the value of the merchandise and other property and allow the PSG Entities' to continue their business operations uninterrupted.

Lien Claimants

189. The Applicants also routinely transact with third parties such as contractors, builders, and repairers, who may potentially assert liens under applicable law against the PSG Entities (collectively, "**Lien Claimants**") if they are not paid for goods or services rendered. The Lien Claimants may be able to assert possessory liens against the Applicants' Property. Lien Claimants without violating the automatic stay in the U.S. These possessory liens could cause interruptions to the Applicants' business.

190. The Applicants are requesting the authorization, but not the requirement, to pay Lien Claimants with consent of the proposed Monitor and up to a maximum of $3 million in the aggregate.

Taxes

191. In the ordinary course of business, the PSG Entities are responsible for paying or collecting and remitting various taxes to governmental authorities, including (i) sales taxes; (ii) use taxes (iii) franchise taxes; (iv) property taxes; (v) import duties; (vi) goods and services taxes; and (vii) certain other miscellaneous taxes ("**Taxes**"). The proposed Initial Order includes the standard relief from the Model Order regarding the collection and remittance of priority source deductions and property taxes; however, the PSG Entities are also seeking the authority, but not the obligation, to pay Taxes outstanding as of the filing

date up to an individual maximum amount of $1,000 and up to $15,000 in the aggregate. The PSG Entities are seeking similar relief in the Chapter 11 Proceedings.

192. Failure to pay certain Taxes could damage the PSG Entities' relationships with the taxing authorities or could cause the taxing authorities to exercise action contrary to the stay of proceedings, including conducting audits, filing liens or seeking to impose liability against the directors of the Applicants. Such actions could disrupt the PSG Entities' business and restructuring efforts and cause the PSG Entities to incur professional fees as result of needing to seek relief from this Court or the U.S. Court. The PSG Entities believe that authorizing, but not requiring, them to pay pre-filing Taxes with the approval of the proposed Monitor would minimize the interruptions to their business operating in the ordinary course and benefit stakeholders generally.

B. Maintenance of Customer Programs

193. As described above, consistent with industry practice, the PSG Entities maintain various Customer Programs to generate sales and maintain customer loyalty. The Customer Programs often result in the PSG Entities' accruing liabilities for the benefit of their customers, some of which will not have been paid upon commencement of the CCAA proceedings.

194. Maintaining the loyalty, support, and goodwill of their wholesale and retail customers is critical to the business of the PSG Entities and their efforts to maximize the value for the benefit of stakeholders. Accordingly, the proposed Initial Order provides that the PSG Entities are authorized, but not required, to continue to honour and fulfill their obligations under the Customer Programs, including those relating to the pre-filing period. The PSG Entities are seeking similar relief in the Chapter 11 Proceedings.[4]

195. Allowing the PSG Entities to honour their Customer Programs will maintain goodwill and positive relationships with customers for the duration of the CCAA proceedings and Chapter 11 Proceedings. It will also allow the PSG Entities to maintain

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[4] In the Chapter 11 Proceedings, the PSG Entities are not seeking authorization to pay liabilities accruing in respect of certain indemnity obligations under standard form agreements with certain wholesale customers. The proposed Initial Order also provides a carve-out of these indemnity obligations and the PSG Entities are not seeking authorization to pay such amounts. As of September 30, 2016, the PSG Entities are not aware of any amounts owing in respect of the indemnity obligations.

their operations in the ordinary course without any interruption. The Cash Flow Statement presents customer receipts on a net basis after the deduction of such applicable Customer Program amounts.

C. Engagement of A&M and Chief Restructuring Officer

196. As described above, A&M was previously retained by the Applicants and A&M has played a central role in advising and assisting the PSG Entities with liquidity management and operational restructuring initiatives. PSG and A&M have entered into an engagement letter dated as of October 24, 2016 (the "**A&M Engagement Letter**"), conditional upon the initiation of the CCAA proceedings and Chapter 11 Proceedings and the appointment of Brian J. Fox as the Chief Restructuring Officer (the "**CRO**") of the PSG Entities, with respect to A&M's mandate moving forward. A copy of the A&M Engagement Letter is attached hereto as Exhibit "K".

197. Pursuant to the A&M Engagement Letter, A&M will provide restructuring personnel to assist the PSG Entities during the CCAA and Chapter 11 Proceedings. Brian J. Fox of A&M will serve as CRO of the PSG Entities, subject to Court approval. The A&M Engagement Letter provides that A&M will be compensated based on the services of the CRO and the engagement team at their hourly rates, and that PSG shall be responsible for the payment of the fees and expenses of A&M for the services provided by A&M to the PSG Entities. A&M is not entitled to a success fee under the A&M Engagement Letter.

198. In the proposed Initial Order, the PSG Entities are seeking the Court's confirmation of the retention of A&M and the CRO and the approval of the A&M Engagement Letter. The PSG Entities will also be seeking confirmation of the retention of A&M and the CRO in the Chapter 11 Proceedings. The approval of the engagement of A&M, including the CRO, is appropriate in the circumstances as A&M has worked extensively with the PSG Entities since its initial engagement and has significant knowledge with respect to their business, operations and finances. A&M's continued involvement will be critical to the successful completion of the going-concern restructuring transaction as part of the CCAA proceedings and Chapter 11 Proceedings that will maximize value for stakeholders. The Applicants believe that the retention of A&M and appointment of the CRO, is in the best interests of the PSG Entities and their stakeholders.

D. Continuance of Transfer Pricing System

199. As described above, the PSG Entities operate as hubs for certain operations that are used in their business necessitating use of the Transfer Pricing Model to record intercompany transactions. The Transfer Pricing Model is critical to ensuring that intercompany transactions are recorded at fair market value and a PSG Entity providing goods or services to another PSG Entity receives appropriate value for those goods or services. Accordingly, the proposed Initial Order contemplates approval of the continued use of the Transfer Pricing Model. Use of the Transfer Pricing Model during the CCAA proceedings will allow the PSG Entities to continue operating in an integrated manner and facilitate intercompany transactions in the ordinary course, preserving going-concern value for benefit of their stakeholders.

200. During the CCAA proceedings, the PSG Entities will continue to settle inter-company receivables and payables arising from use of the Transfer Pricing Model in the ordinary course.

E. Administration Charge

201. The Applicants seek a Charge (defined below) on the assets, property and undertakings of the Applicants (the "**Property**") in the maximum amount of $7.5 million to secure the fees and disbursements incurred in connection with services rendered to the Applicants both before and after the commencement of the CCAA proceedings by the proposed Monitor, U.S. and Canadian counsel to the Monitor, U.S. and Canadian counsel to the Applicants, counsel to the directors of the Applicants and the CRO (the "**Administration Charge**").

202. The PSG Entities worked with A&M to estimate the proposed quantum of the Administration Charge. The proposed Monitor has reviewed the quantum of the Administration Charge and believes it is reasonable and appropriate in view of the complexities of the Applicants' CCAA proceedings and the services to be provided by the beneficiaries of the Administration Charge.

203. The Initial Order provides that the Administration Charge shall rank first on the Property of the Applicants.

204. At the Comeback Motion (defined below), the Applicants will be seeking to split the Administration Charge between the Fixed Asset (Term) Priority Collateral and the ABL Priority Collateral such that the Administration Charge will be two separate $3.5 million Charges against each class of collateral.

F. DIP Financing

205. As described above, the Applicants have insufficient liquidity to maintain operations through the proposed CCAA proceedings and require interim debtor-in-possession financing ("**DIP Financing**") to provide suppliers, customers and other stakeholders with confidence that the business of the PSG Entities will continue to operate smoothly throughout these CCAA proceedings. Further, the liquidity position of the PSG Entities and the inability to file the Reporting Materials and the corresponding default under the Credit Facilities, resulted in the PSG Entities not having the time nor resources to run a comprehensive pre-filing sales process making access to DIP Financing critical to preserve value for the PSG Entities and their stakeholders and allow them the appropriate time to run a post-filing sales process.

206. I am advised by Kathryn Esaw of Stikeman Elliott LLP, counsel to the PSG Entities, that the counsel to the ABL Lenders and counsel to the Term Loan Lenders will receive notice of this application.

Process for Selecting DIP Financing

207. Due to the current capital structure of PSG and its recent business performance, the PSG Entities, with the assistance of Centerview, determined that obtaining DIP Financing from a third party would be extremely challenging, unless such facility was provided either junior to the ABL Facility and Term Loan Facility or on unsecured basis or paired with a refinancing of the PSG Entities' existing indebtedness. In both cases, the only third parties likely to provide such financing were those evaluating a potential purchase of the PSG Entities' businesses (with the DIP Financing effectively serving as a "down payment" on such purchase). As such, the PSG Entities focused their efforts on negotiating with the three parties most likely to provide DIP Financing: the ABL Lenders, the Term Loan Lenders and Sagard, due to its interest in acquiring the Applicants' businesses.

208. The PSG Entities received three DIP Financing proposals: one from each of the above noted parties. The PSG Entities evaluated the DIP Financing proposals with the assistance of Centerview, A&M and their counsel, considering, among other things, the costs and fees associated with each proposal, the priority ranking of charges securing the proposed DIP Financing and the liquidity requirements to fund the sales process and operations during these CCAA proceedings and Chapter 11 Proceedings.

209. After evaluating the proposals, on an informed basis and in good faith with a view to the best interests of the Applicants and their stakeholders, the PSG Entities, with the assistance of their advisors, focused on negotiating with Sagard and the ABL DIP Lenders due to the superiority of their proposals. After negotiating, through Centerview and their Canadian and U.S. counsel, the PSG Entities selected the DIP Financing proposal from Sagard and an interim DIP Financing proposal from the ABL Lenders to provide supplementary liquidity.

210. The DIP facility provided by Sagard (the "**Term Loan DIP Facility**") is provided on terms that are fair and reasonable and the product of significant arms'-length negotiation and compromise. For example, Sagard initially sought to link its DIP Financing package to its stalking horse bid, including by inserting cross-default provisions in its proposed Term Loan DIP Credit Agreement (defined below) and the Stalking Horse Agreement. The PSG Entities were successfully able to persuade Sagard to "de-link" its Term Loan DIP Facility from the Stalking Horse Agreement, resulting in greater flexibility and value for the PSG Entities. In addition, the economic terms of the Term Loan DIP Credit Agreement were subject to significant negotiation and the interest rate and fees embedded in the Term Loan DIP Facility are on economic and other terms significantly better than those initially proposed by Sagard. In fact, the interest rate on the Term Loan DIP Facility provided by Sagard is equivalent to the default rate on the Term Loan Facility. As well, as set out below, the Term Loan DIP Facility is structured as a delayed draw term loan facility so the PSG Entities may borrow and incur concomitant interest expenses, only as needed. The PSG Entities also requested that Sagard provide the Applicants with the required financing on a junior basis to the Term Loan Facility, so it would not need to be refinanced early in the CCAA proceedings and Chapter 11 Proceedings, but Sagard declined to provide the requisite financing on such terms.

211. The DIP Financing proposal submitted by the Term Loan Lenders was predicated on the Term Loan Lenders credit bidding their approximately $330 million of secured debt and being named the stalking horse bidder in connection with the sale process. The Term Loan Lenders were not willing to provide the PSG Entities with DIP Financing without also being named the stalking horse bidder. Further, the overall economic terms of their initial DIP Financing proposal, were less favourable than the combined proposals of Sagard and the ABL Lenders, including higher fees, interest rates and tighter sale process milestones. Also important, the Stalking Horse Agreement provides value well in excess of the PSG Entities' aggregate secured indebtedness and, therefore, by definition well in excess of any potential credit bid offered by the Term Loan Lenders. For these and other reasons, the PSG Entities determined in their business judgment not to accept the Term Loan Lenders' DIP Financing proposal.

212. While evaluating the other DIP Financing proposals, the PSG Entities with the assistance of their advisors, engaged in extensive discussions and good faith, arms'-length negotiations with the ABL Lenders on the terms of a DIP Financing proposal. In the view of the PSG Entities, with the eligible inventory and receivables levels forecasted in the near term, the borrowing base is not sufficient to support an asset-backed facility large enough to fund the entirety of the CCAA proceedings and Chapter 11 Proceedings and supplemental liquidity is required. However, given that the PSG Entities' ABL Facility is their lowest cost form of indebtedness, the Applicants negotiated extensively and in good faith, terms of a DIP facility to be provided by the ABL Lenders (the "**ABL DIP Facility**" and together with the Term Loan DIP Facility, the "**DIP Facilities**") to supplement the liquidity provided by the Term Loan DIP Facility, reducing the PSG Entities' overall weighted average cost of DIP Financing.

<u>Summary of DIP Financing</u>

213. In connection with the selection, the PSG Entities, through Centerview, A&M and their Canadian and U.S. counsel, have negotiated the Term Loan Superpriority Debtor-In-Possession Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "**Term Loan DIP Credit Agreement**") with the Stalking Horse Purchasers and the other lenders party thereto (the "**Term Loan DIP Lenders**") pursuant to which the PSG

Entities will obtain access to the Term Loan DIP Facility in the maximum amount of $361 million. A copy of the Term Loan DIP Credit Agreement is attached hereto as Exhibit "L".

214. The PSG Entities also negotiated the ABL Superpriority Debtor-In-Possession Credit Agreement (as amended, supplemented or otherwise modified from time to time, the "**ABL DIP Agreement**" and together with the Term Loan DIP Credit Agreement, the "**DIP Agreements**") with the ABL Lenders (in such capacity, the "**ABL DIP Lenders**") giving the PSG Entities' access to the ABL DIP Facility in a maximum principal amount of $200 million. A copy of the ABL DIP Agreement is attached hereto as Exhibit "M".

215. The ABL DIP Facility and Term Loan DIP Facility are coordinated facilities. The ABL DIP Facility will be available to the PSG Entities on an interim basis upon entry of the appropriate orders of the Canadian and U.S. Courts (the "**Interim DIP Orders**") in order to provide immediate liquidity to the Applicants. The Term Loan DIP Facility, which is proposed to be approved by the Initial Order, but shall not be funded until entry of the applicable final orders of Canadian and U.S. Courts (the "**Final DIP Orders**"), will be used to refinance the existing Term Loan Facility and provide the PSG Entities with incremental liquidity for the remainder of the CCAA proceedings and Chapter 11 Proceedings.

216. It is essential that both the ABL DIP Facility and Term Loan DIP Facility be committed to the Applicants upon entry of the Initial Order, with borrowing on the Term Loan DIP Facility subject to entry of the Final DIP Orders, so that the PSG Entities may be certain that adequate financing is available from the first day of the CCAA proceedings and Chapter 11 Proceedings to support operation of the business, vendor and customer relationships, and execution of the sales process to completion.

ABL DIP Agreement

217. Some of the material terms of the ABL DIP Agreement are set out below:

(a) **Borrowers**: Bauer Canada, Bauer Hockey Retail Corp., Bauer Performance Sports Uniforms Corp., BPS Canada Intermediate Corp., BPS Diamond Sports Corp., Easton Canada, KBAU, Performance Lacrosse Group Corp., Bauer Hockey Retail Inc., Bauer U.S., Bauer Performance Sports Uniforms Inc., BPS Diamond Sports Inc., BPS U.S., and Easton U.S., Performance Lacrosse Group Inc.

(b) **Guarantors**: PSG, PSG Innovation Corp. and PSG Innovation Inc.

(c) **Facility Amount:** US$200,000,000

(d) **Availability:** Subject to a borrowing base calculated by adding the U.S. borrowing base and Canadian borrowing base *less* a carve-out reserve, and *less* the amount outstanding under the ABL Facility. The Canadian borrowing base is calculated as follows: (i) the book value of the eligible accounts of the Canadian PSG Entities *multiplied by* 85%; *plus* (ii) the book value of the foreign eligible accounts of the Canadian PSG Entities *multiplied by* 85% of; *plus* (iii) the lesser of (x) the cost of eligible inventory of the Canadian PSG Entities *multiplied by* the advance rate of 70% and (y) the net recovery cost percentage *multiplied by* the cost of eligible inventory of the Canadian PSG Entities *multiplied by* the advance rate of 85%; plus (iv) the cost of eligible in-transit inventory of the Canadian PSG Entities *multiplied by* the advance rate of 30%; *minus* (v) any reserves established from time to time by the administrative agent under ABL DIP Agreement. The U.S. borrowing base is calculated as follows: (i) the book value of eligible accounts of the U.S. PSG Entities *multiplied by* the advance rate of 85%; *plus* (ii) the lesser of (x) the cost of eligible inventory of the U.S. PSG Entities *multiplied by* the advance rate of 70% and (y) the net recovery cost percentage *multiplied by* the cost of eligible inventory of the U.S. PSG Entities *multiplied by* the advance rate of 85%; *plus* (c) the cost of eligible in-transit inventory of the U.S. PSG Entities *multiplied by* the advance rate of 30%; *minus* (d) any reserves established from time to time by the administrative agent under ABL DIP Agreement.

(e) **Maturity**: The earlier of (i) February 28, 2017; (ii) the date on which the PSG Entities consummate a sale transaction approved in the Canadian and U.S. Courts; (iii) the acceleration of the ABL DIP Facility in accordance with the ABL DIP Agreement; (iii) three (3) business days after the filing date if the Interim DIP Orders are not issued; and (iv) 30 days after the date of the issuance of the Interim DIP Orders, if the Final DIP Orders are not issued.

(f) **Conditions**: The essential terms for drawing on the ABL DIP Facility are: (i) issuance of the Interim DIP Orders; (ii) all reasonable fees of the administrative agent and other lenders under the ABL DIP Facility will be paid in accordance with the ABL DIP Agreement; (iii) the ABL Lenders have received and approved the most recent budget prepared by the PSG Entities; and (iv) the ABL DIP Facility shall be in full force and effect.

(g) **Milestones**: The milestones to the ABL DIP Agreement are set out in section 8.15 thereof, the key provisions of which are as follows: (i) the PSG Entities will obtain the Interim DIP Orders within three business days of the filing date and the Final DIP Orders within 30 days of the filing date; (ii) that the PSG Entities will file a motion to approve bidding procedures as soon as reasonably possible and obtain orders from the Canadian and U.S. Courts approving the bidding procedures within 21 days of the filing date; and (iii) certain bid deadlines set out in subsections 8.15(e)-(h) will be complied with in full.

(h) **Negative Covenants**: The PSG Entities shall not, amongst other things, (i) create, incur, or assume any liens on the Property except for certain permitted liens; (ii) convey, sell, lease or otherwise dispose of all or any part of their property or assets; (iii) pay any dividends; (iv) create, incur, or assume any indebtedness except certain permitted indebtedness; (v) make any investments except in certain permitted instances; (vi) permit the proceeds of the ABL DIP Facility to be used in a manner other than for permitted uses in accordance with a budget approved by the Term Loan DIP Lenders; (vii) appoint a CRO, other than a CRO employed by A&M or as otherwise agreed to by the ABL DIP Lenders; or (viii) make payments to critical vendors except in accordance with orders of the Canadian and U.S. Courts.

(i) **Interest Rate**: Canadian prime rate plus 3.5% per annum in respect of Canadian prime rate loans and CDOR rate (annual yield rates applicable to banker's acceptances) plus 4.5% per annum in respect of CDOR rate loans.

The US prime rate and LIBO rate also apply as a base rate to certain loans, which are equivalent to the Canadian prime rate and CDOR rate.

(j) **Fees:** The fees under the ABL DIP Agreement are (i) an unused line fee of 0.5% per annum of the average daily unused availability; (ii) an agent fee of $120,000; (iii) an origination fee of $600,000; and (iv) a letters of credit fronting fee of 0.125% per annum of face amount of issued letters of credit.

(k) **Charge**: The obligations under the ABL DIP Agreement are proposed to be secured by a Charge over the Property (the "**ABL DIP Charge**") having second-ranking priority on the ABL Priority Collateral, subject only to the Administration Charge, and third-ranking priority on the Fixed Asset (Term) Priority Collateral, described in more detail below. The

218. The ABL DIP Agreement provides that any amounts collected in accounts controlled by the ABL DIP Lenders will be applied to reduce the outstanding amount of the ABL Facility. Amounts repaid under the ABL Facility will create additional availability for the PSG Entities under the ABL DIP Facility. Refinancing the ABL Facility in such a fashion is a requirement of the ABL Lenders agreeing to provide additional liquidity to the PSG Entities under the ABL DIP Facility. Further, pursuant to the Stalking Horse Agreement, the ABL DIP Facility will be paid in full at closing of the sale transaction.

219. Because the proposed ABL DIP Facility is provided by the ABL Lenders and the ABL Lenders have first-ranking security on the ABL Priority Collateral, the PSG Entities believe there will be no material prejudice to any of their existing creditors. Further, the PSG Entities do not believe that the ABL Lenders would consent to any DIP Financing that primed their security position. Accordingly, the ABL DIP Facility is the only option to provide immediate liquidity to the PSG Entities until at least the Final DIP Orders are issued and the Term Loan DIP Facility is able to be advanced.

220. Altogether, the PSG Entities believe in their business judgement that the repayment provisions of ABL DIP Agreement are a necessary component to the ABL DIP Facility and will ensure the PSG Entities have access to sufficient liquidity for working capital and general corporate purposes during the CCAA proceedings and Chapter 11 Proceedings.

Term Loan DIP Credit Agreement

221. Some of the material terms of the Term Loan DIP Credit Agreement are set out below:

(a) **Borrower**: PSG

(b) **Guarantors:** The PSG Entities, other than PSG.

(c) **Facility Amount**: The Term Loan DIP Facility consists of two facilities: (i) a delayed draw term loan, funded in cash in one or more drawings occurring after the closing date in the principal amount of approximately $30 million; and (ii) a refinancing term loan, funded in cash on the closing date in the principal amount of approximately $331 million, which will be used to refinance the Term Loan Facility.

(d) **Maturity**: The earlier of (i) February 28, 2017; (ii) the date on which the PSG Entities consummate a sale transaction approved by the Canadian and U.S. Courts; (iii) the acceleration of the Term Loan DIP Facility in accordance with the Term Loan DIP Credit Agreement; (iii) three business days after the filing date, if the Interim DIP Orders are not issued; and (iv) 30 days after the date of the issuance of the Interim DIP Orders, if the Final DIP Orders are not approved.

(e) **Conditions**: The essential terms for drawing on the delayed draw term loan facility are: (i) the issuance of the Interim DIP Orders; (ii) all reasonable fees of the administrative agent and other lenders under the Term Loan DIP Facility will be paid in accordance with the Term Loan DIP Credit Agreement; (iii) the PSG Entities will comply with the budget in the Term Loan DIP Credit Agreement; and (iv) the ABL DIP Facility shall be in full force and effect. The refinancing term loan is functionally a debt roll-over of the PSG Entities' secured term loan facility, whose central condition is that the PSG Entities pre-filing term loan facility is paid in full.

(f) **Milestones**: The milestones to the Term Loan DIP Credit Agreement are set out in section 8.15 thereof, the key provisions of which are as follows: (i) the PSG Entities will obtain the Interim DIP Orders within three (3) business days of the filing date and the Final DIP Orders within 30 days of the filing date (ii) that the PSG Entities will file a motion to approve bidding procedures as soon as reasonably possible and the PSG Entities' obtain orders from the Canadian and U.S. Courts approving the bidding procedures within 21 days of the filing date; and (iii) that certain bid deadlines set out in subsections 8.14(e)-(h) of the Term Loan DIP Credit Agreement will be complied with in full.

(g) **Negative Covenants**: The PSG Entities shall not, amongst other things, (i) create, incur, or assume any liens on the Property except for certain permitted liens; (ii) convey, sell, lease or otherwise dispose of all or any part of their property or assets; (iii) pay any dividends; (iv) create, incur, or assume any indebtedness except certain permitted indebtedness; (v) make any investments except in certain permitted instances; (vi) permit the proceeds of the Term Loan DIP Facility to be used in a manner other than permitted uses in accordance with a budget approved by the Term Loan DIP Lenders; (vii) appoint a CRO, other than a CRO employed by A&M or otherwise agreed to by the Term Loan DIP Lenders; or (viii) make payments to critical vendors except in accordance with orders of the Canadian and U.S. Courts.

(h) **Interest Rate**: 8% per annum.

(i) **Fees**: The fees under the Term Loan DIP Credit Agreement are (i) an unused line fee of 1% per annum of the delayed draw term loan; (ii) a commitment fee of 1% on the portion of the Term Loan DIP Facility being used to refinance the Term Loan Facility; (iii) a commitment fee of 3% on the delayed draw term loan; (iv) an agent fee of $100,000; and (v) 1% on amounts prepaid that were used to refinance Term Loan Facility and 2.5% on amounts prepaid that were from the delayed draw term loan, reducing to 0% in each case if the

Stalking Horse Agreement and corresponding Break Fee are approved by Canadian and U.S. Courts.

(j) **Charge**: The obligations under the Term Loan DIP Credit Agreement will not secured by a Charge under the Interim DIP Orders, including the Initial Order. However, it is proposed that under the Final DIP Orders obligations under the Term Loan DIP Credit Agreement will be secured by a Charge (the "**Term Loan DIP Charge**" and together with the ABL DIP Charge, the "**DIP Lenders' Charges**") having second-ranking priority on the Fixed Asset (Term) Priority Collateral, subject only the Administration Charge, and fourth-ranking priority on the ABL Priority Collateral, described in more detail below. For greater certainty, the Applicants are not seeking the Term Loan DIP Charge in the proposed Initial Order but will seek it at the Comeback Motion.

222. Although funds under the Term Loan DIP Facility are not being advanced until after the Comeback Motion, the PSG Entities are seeking approval of it under the Initial Order. Obtaining approval on the first day of the CCAA proceedings and Chapter 11 Proceedings will allow the Applicants to communicate to its employees, vendors, regulators and customers, as well as potential bidder's assets, that the PSG Entities are entering creditor protection on strong financial footing and will continue operating without interruption.

223. In addition, interim relief is critical to prevent any value destruction that could diminish the likelihood of receiving bids in connection with the sales process. By approving the Term Loan DIP Facility at the outset of these proceedings, the PSG Entities will be able to maintain the value of their business during the course of the sale process.

224. Given the PSG Entities' current projections, and absence of meaningful unencumbered assets, immediate access to the DIP Facilities is necessary for continued operations, including to fund wages, salaries, and benefits of the PSG Entities' employees, procure necessary goods and services (and maintain trade terms with the PSG Entities' vendors), finance the cost of these CCAA proceedings and Chapter 11 Proceedings and meet other working capital needs.

225. Following the competitive selection process between the ABL Lenders, the Term Lenders and Sagard, the Applicants have determined that the DIP Facilities, as reflected by the DIP Agreements, represent the best interim financing available under the circumstances. Based on current projections, the DIP Facilities are necessary to fund their continued operations. In the circumstances, the PSG Entities believe in their business judgement, that the pricing, fees, interest rates, and other terms and conditions of the DIP Facilities are reasonable and are generally consistent with those contained in the pre-filing ABL Facility and Term Loan Facility. In addition, the milestones, covenants, and restrictions included in the DIP Agreements are reasonable and are not designed to make the PSG Entities disproportionately susceptible to a breach of their terms.

226. The DIP Facilities are expected to provide sufficient liquidity to allow the Applicants to pursue a restructuring in these CCAA proceedings and the Chapter 11 Proceedings. Accordingly, the Applicants seek an order authorizing and empowering the Applicants to obtain and borrow under the DIP Facilities in order to refinance the Term Loan Facility and finance the operations of the Applicants during the CCAA proceedings and Chapter 11 Proceedings.

227. I understand from counsel to the Applicants that the proposed Monitor supports approval of the DIP Agreements.

DIP Lenders' Charges

228. The proposed Initial Order only contains an ABL DIP Charge. The ABL DIP Charge is proposed to rank below the security interests, charges, and liens securing the obligations under the Term Loan Agreement (the "**Pre-Filing Term Loan Security**") on the Fixed Asset (Term) Priority Collateral, avoiding any need to prime the Term Loan Lenders in respect of their first-ranking Pre-Filing Term Loan Security. Only the ABL DIP Lenders' Charge and only Administration Charge will prime the Pre-Filing Term Loan Security in respect of the ABL Priority Collateral.

229. The ABL DIP Charge will prime the security interests, charges, and liens securing the obligations under the ABL Facility Agreement (the "**Pre-Filing ABL Facility Security**") in respect of the ABL Priority Collateral. However, the ABL DIP Charge will cause no

prejudice as it is being granted to the ABL Lenders themselves in their capacity as the ABL DIP Lenders.

230. The ABL DIP Charge is also proposed to be over the Property that is not Fixed Asset (Term) Priority Collateral or ABL Priority Collateral, including the assets of PSG Innovation Corp. and PSG Innovation Inc. The ABL DIP Lenders have indicated that extending this Property is a condition to them providing DIP Financing. Under the proposed Initial Order, with respect to the assets, property and undertakings of PSG Innovation Corp. and PSG Innovation Inc. (the "**PSG Innovation Collateral**"), the ABL DIP Charge is proposed to rank second, behind the Administration Charge. With respect to all other Property that is not Fixed Asset (Term) Priority Collateral, ABL Priority Collateral and PSG Innovation Collateral (the "**Other Unencumbered Collateral**"), the ABL DIP Charge is also proposed to rank second, again behind the Administration Charge.

231. The Applicants will be seeking relief with respect to the Term Loan DIP Charge at the Comeback Motion.

232. I understand from counsel to the Applicants that the proposed Monitor supports approval of the ABL DIP Charge. The priority with respect to the other Charges is explained further below.

G. Directors' Charge

233. To ensure the ongoing stability of the Applicants' business during the CCAA proceedings, the Applicants require the continued participation of their respective directors, officers, managers and employees.

234. The Applicants are seeking, what I am informed by counsel are, typical provisions staying all proceedings against the directors and officers of the PSG Entities with respect to all claims against the directors or officers that relate to any obligations of the Applicants whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers of the Applicants.

235. I am advised by counsel to the Applicants that in certain circumstances directors can be held liable for certain obligations of a corporation owing to employees and government entities. As of October 21, 2016, the Applicants are potentially liable for accrued but unpaid

vacation pay, wages, source deductions and sales tax in the aggregate amount of approximately $7.5 million.

236. The Applicants maintain directors' and officers' liability insurance (the "**D&O Insurance**") that benefit the directors and officers of the Applicants. The current D&O Insurance policy provides $70 million in aggregate coverage (plus certain additional amounts in respect of certain claims). In addition, there are also contractual indemnities which have been given to the directors and officers by the PSG Entities. The Applicants may not have sufficient funds to satisfy those indemnities should their directors and officers be found responsible for the full amount of the potential directors' liabilities. Lastly, there is a deductible for certain claims and the presence of a number of exclusions creates a degree of uncertainty.

237. The directors and officers of the Applicants have indicated that, due to the potentially significant personal exposure arising going forward, they cannot continue their service with the Applicants unless the Initial Order grants a charge on the Property in the amount of $7.5 million (the "**D&O Charge**").

238. The D&O Charge is proposed to rank fifth in priority on the Property.

239. The D&O Charge will allow the Applicants to continue to benefit from the efforts and knowledge of their directors and officers. The Applicants and the proposed Monitor believe the D&O Charge is reasonable in the circumstances.

H. Intercompany Charge

240. As described above, the Canadian PSG Entities are expected to have positive net cash flows during the first 26 weeks of the CCAA Proceeding. Certain of these monies will be used to fund the deficit expected to be experienced by the U.S. PSG Entities during the first 26 weeks of the CCAA proceedings. To the extent that one or more of the Canadian PSG Entities have cash on hand that could be utilized by other Applicants, the Applicants are seeking authorization to effect intercompany advances secured by a charge (the "**Intercompany Charge**") on the Property of the borrowing Applicant. The provision of an Intercompany Charge will minimize the amounts needed to be borrowed under the DIP Facilities.

241. The Intercompany Charge is proposed to rank sixth on the Property.

I. Ranking of the Court Ordered Charges

242. As mentioned above, each of the DIP Agreements requires issuance of Interim DIP Orders and Final DIP Orders which include Court-ordered charges (the "**Charges**" and each a "**Charge**") on the Property for the DIP Facilities. Under the proposed Initial Order, the Applicants are only seeking the ABL DIP Charge and the Term Loan DIP Charge will only be sought at the Comeback Motion for the Final DIP Orders. The Applicants are also seeking an Administration Charge, D&O Charge and Intercompany Charge in the Initial Order.

243. The Administration Charge is proposed to have first-ranking priority on all the Property. The D&O Charge is to rank in priority to the Intercompany Charge, and both are proposed to rank junior to the Administration Charge, ABL DIP Charge, the Pre-Filing ABL Facility Security and the Pre-Filing Term Loan Security on all the Property. In the Chapter 11 Proceedings, the PSG Entities are seeking liens from the U.S. Court with the same priority scheme as in Canada except for slightly minor difference with respect to the PSG Innovation Collateral and Other Unencumbered Collateral.

244. The full proposed waterfall priority scheme being sought in the Interim DIP Orders is set out at Schedule "1" to this affidavit.

245. The PSG Entities believe the provision of protections to ABL Lenders and Term Loan Lenders, the payment of default rate interest, fees and expenses (including certain reasonable fees and expenses of counsel and financial advisors, as agreed), is reasonable and appropriate under the circumstances. Absent such provisions, the ABL Lenders and Term Loan Lenders likely would not consent to the ranking of the Charges, including the priming of the Pre-Filing ABL Facility Security and Pre-Filing Term Loan Security. Thus, the PSG Entities likely would have been required to litigate with the ABL Lenders and Term Loan Lenders over the imposition of priming Charges, if the above-mentioned protections were not granted. Given the distraction, uncertainty, and costs associated with such a dispute, the PSG Entities believe that the protections agreed to be provided by the PSG Entities to the ABL Lenders and Term Loan Lenders is in the best interest of the PSG Entities and their stakeholders.

J. Retention of Prime Clerk

246. As part of the Chapter 11 Proceedings, the Applicants have retained Prime Clerk LLC ("**Prime Clerk**") as claims and noticing agent. In order to realize efficiencies within the two proceedings, the Applicants propose to use the noticing services of Prime Clerk for the services of all notices and motion materials in these CCAA proceedings.

247. In selecting Prime Clerk, the Applicants solicited proposals from a number of agents. Prime Clerk was determined by U.S. Counsel to the Applicants to provide the most value to the Applicants. A copy of the Prime Clerk engagement letter is attached hereto as Exhibit "N".

248. Any party who advises the Applicants in writing that it prefers to be served via the E-Service Protocol will be served as such going forward.

VIII. COMEBACK MOTION

249. The Applicants intend to return to Court on notice to the service list for a motion (the "**Comeback Motion**") seeking, among other things:

(a) Approval of a Cross Border Protocol;

(b) Approval of the Term Loan DIP Charge;

(c) Amendments to the priority and structure of certain Charges;

(d) A super-priority ranking for the Charges;

(e) Approval of the Stalking Horse Agreement and bidding procedures;

(f) Approval of the Centerview engagement letter, including the success fee contemplated therein;

(g) Approval of the key employee incentive and retention programs; and

(h) Extension of the stay of proceedings established by the proposed Initial Order.

250. Pursuant to the Stalking Horse Agreement, the Applicants are required to serve and file the Comeback Motion materials within two business days of the commencement of the CCAA proceedings, at which point all parties will have the full details and documents relating to the relief sought at the Comeback Motion.

IX. MONITOR

251. Ernst & Young Inc. (**"EY"**) has consented to act as the Court-appointed Monitor (the "**Monitor**") of the PSG Entities, subject to Court approval.

252. EY is a trustee within the meaning of section 2 of the *Bankruptcy and Insolvency Act* as amended, and is not subject to any of the restrictions on who may be appointed as Monitor set out in section 11.7(2) of the CCAA.

253. I am advised by Brian Denega of EY that the proposed Monitor is supportive of the relief being sought in favour of the PSG Entities, including authorization to pay certain pre-filing amounts, approval of the DIP Agreements and approval of the Charges. Mr. Denega has also advised me that the proposed Monitor will be filing a pre-filing Monitor's report in respect of that relief.

SWORN BEFORE ME at the City of Exeter, State of New Hampshire, on October 31, 2016. Kathleen Jewkes Commissioner for Taking Affidavits	MARK VENDETTI

KATHLEEN A. JEWKES, Notary Public
My Commission Expires April 6, 2021

Schedule "1"

Charges Priority Waterfall[5]

		US	Canada
		Interim Order	Initial Order
1.	**ABL Priority Collateral**	1. Carve-Out 2. ABL DIP Facility 3. Prepetition ABL Facility / adequate protection liens of Prepetition ABL Lenders 4. Prepetition Term Loan Facility / adequate protection liens of Prepetition Term Loan Lenders	1. Administration Charge (professional fees/Carve-Out) 2. ABL DIP Charge 3. Pre-Filing ABL Facility Security 4. Pre-Filing Term Loan Security 5. D&O Charge 6. Intercompany Charge
2.	**Fixed Asset (Term) Priority Collateral**	1. Carve-Out 2. Prepetition Term Loan Facility / adequate protection liens of Prepetition Term Loan Lenders 3. ABL DIP Facility 4. Prepetition ABL Facility / adequate protection liens of Prepetition ABL Lenders	1. Administration Charge (professional fees/Carve-Out) 2. Pre-Filing Term Loan Security 3. ABL DIP Charge 4. Pre-Filing ABL Facility Security 5. D&O Charge 6. Intercompany Charge
3.	**PSG Innovation Collateral[6]**	1. Carve-Out 2. Prepetition Term Loan Facility/ adequate protection liens of Prepetition Term Loan Lenders 3. ABL DIP Facility 4. Prepetition ABL Facility / adequate protection liens of Prepetition ABL Lenders	1. Administration Charge (professional fees/Carve-Out) 2. ABL DIP Charge 3. D&O Charge 4. Intercompany Charge
4.	**Other Unencumbered Collateral (other than avoidance actions)[7]**	1. Professional fees Carve-Out 2. Prepetition Term Loan Facility/ adequate protection liens of Prepetition Term Loan Lenders 3. ABL DIP Facility 4. Prepetition ABL Facility / adequate protection liens of Prepetition ABL Lenders	1. Administration Charge (professional fees/Carve-Out) 2. ABL DIP Charge 3. D&O Charge 4. Intercompany Charge

[5] Capitalized terms used in this summary have the same meaning used in the Interim Order and Initial Order.
[6] To the extent these assets would otherwise constitute ABL Priority Collateral, they shall be treated as such. Otherwise, they shall be treated as Fixed Asset Priority Collateral as reflected above. In addition, these assets will not be available as adequate protection under the CCAA order.
[7] To the extent these assets would otherwise constitute ABL Priority Collateral, they shall be treated as such. Otherwise, they shall be treated as Fixed Asset Priority Collateral as reflected above. In addition, these assets will not be available as adequate protection under the CCAA order.

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

Court File No. ___________________________

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD. ET. AL.

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

AFFIDAVIT OF MARK VENDETTI SWORN ON OCTOBER 31, 2016

STIKEMAN ELLIOTT LLP
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Lawyers for the Applicants

6635390 v1

EXHIBIT “B”

Exhibit "B" to the Affidavit

Of Brian J. Fox, sworn

January 3, 2017

Commissioner for taking affidavits

KATHLEEN A. JEWKES, Notary Public
My Commission Expires April 6, 2021

ASSET PURCHASE AGREEMENT

among

BAUER PERFORMANCE SPORTS UNIFORMS CORP. and BAUER PERFORMANCE SPORTS UNIFORMS INC.

and

SAVERIO MICHIELLI

and

A CORPORATION TO BE FORMED BY SAVERIO MICHIELLI

dated as of

December 30, 2016

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement (this "**Agreement**"), dated as of December 30, 2016, is entered into between **BAUER PERFORMANCE SPORTS UNIFORMS CORP.**, a corporation incorporated under the laws of Canada ("**BPSUC**"), and **BAUER PERFORMANCE SPORTS UNIFORMS INC.**, a corporation incorporated under the laws of Delaware ("**BPSUI**", and together with BPSUC, the "**Sellers**") and a corporation to be incorporated by Saverio Michielli under the laws of Canada (the "**Buyer**") and Saverio Michielli (the "**Owner**", and together with the Sellers and the Buyer, the "**Parties**").

RECITALS

WHEREAS, upon the terms and subject to the conditions set forth in this Agreement, the Sellers wishes to sell to the Buyer, and the Buyer wishes to purchase from the Sellers, certain of the assets of the Sellers as more fully described herein, and to assume certain liabilities of the Sellers as more fully described herein, in each case relating to the Seller's business of designing, developing, marketing, manufacturing, selling and distributing soccer equipment, products, gear, apparel and related accessories carried on by the Sellers under the "INARIA" brand name (the "**Business**");

WHEREAS, on October 31, 2016 (the "**Petition Date**"), the Sellers, Bauer Hockey Corp., Bauer Hockey Retail 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., BPS Diamond Sports Inc., BPS US Holdings Inc., Easton Baseball/Softball Inc., Performance Lacrosse Group Inc., and PSG Innovation Inc. (collectively, the "**Debtors**" filed (a) with the Ontario Superior Court of Justice (Commercial List) (the "**CCAA Court**") an initial application for relief under the *Companies' Creditors Arrangement Act* (Canada) (the "**CCAA**") (the proceedings commenced by such application, the "**CCAA Proceedings**") and (b) voluntary petitions (the "**Chapter 11 Cases**" and together with the CCAA Proceedings, the "**Bankruptcy Proceedings**") under Chapter 11 of the U.S. Bankruptcy Code by filing petitions for relief in the United States Bankruptcy Court for the District of Delaware (the "**U.S. Bankruptcy Court**" and together with the CCAA Court, the "**Bankruptcy Courts**");

WHEREAS, the Debtors (including the Sellers) have entered into that certain Asset Purchase Agreement, by among the Debtors and 9938982 Canada Inc. dated October 31, 2016 (the "**Stalking Horse APA**") pursuant to which the Debtors have agreed to sell, subject to approval by the Bankruptcy Courts and higher or better offers pursuant to an auction, substantially all of the Debtors' assets to 993892 Canada Inc. on the terms and conditions set forth in the Stalking Horse APA; and

WHEREAS, the Stalking Horse APA does not include the sale of the Business to 993892 Canada Inc.;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto covenant and agree as follows:

ARTICLE I
PURCHASE AND SALE

Section 1.01 Purchase and Sale of Assets. Subject to the terms and conditions set forth herein, and to the extent consistent with the Stalking Horse APA, the Sellers shall sell, assign, transfer, convey and deliver to the Buyer, and the Buyer shall purchase from the Sellers on the Closing Date, all properties, rights, interests and other assets of the Sellers to the extent exclusively used in the Business (the "**Purchased Assets**"), free and clear of any mortgage, pledge, lien, charge, security interest, claim or other encumbrance ("**Encumbrance**") (except as may be noted herein) including but not necessarily limited to:

(a) All trade accounts receivable, notes receivable and other amounts receivable that relate solely to the Business owed to the Sellers from customers;

(b) All inventory of finished goods exclusively related to the Business, wherever located or in transit ("**Inventory**");

(c) The prepaid expenses, credits, and advance payments that relate solely to the Business, which includes prepayments under any Assumed Contracts (as defined herein);

(d) All machinery, equipment, technology and communications hardware and infrastructure, furniture, furnishings and accessories, parts and supplies of all kinds owned by the Sellers and exclusively used in the Business and located at 61 Industry Street, Toronto, ON M6M, except those identified on **Schedule 1.01(d)** attached hereto (the "**Fixed Assets**");

(e) All right, title and interest of the Sellers in and to the trademarks identified on **Schedule 1.01(e)**, provided that Mitre Sports International Limited has opposed Canadian Trademark Application No. 1,530,921 for the Chevron Design, and the Sellers makes no representation or warranty as to the registrability or usability of said mark anywhere in the world, or its freedom from Encumbrances;

(f) All rights to universal product codes and universal product code ranges exclusively used in the Business;

(g) All rights, benefits and interests of the Sellers in, to or under any contract or lease to which a Seller is a party and related strictly to the Business (the "**Assumed Contracts**"), including without limitation the lease for 60 Industry Street, Toronto, Ontario (the "**Lease**"), as set forth on **Schedule 1.01(g)** to the extent assignable under section 365 of the Bankruptcy Code and section 11.3 of the CCAA;

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(h) The outstanding sales orders for Inventory;

(i) Access to copies of all documents, records and files that the Sellers have from the last seven (7) years, wherever located, to the extent related to the Business or the Purchased Assets;

(j) All domain names phone numbers listed on **Schedule 1.01(j)**; and

(k) All goodwill associated with the foregoing.

For the avoidance of doubt, and notwithstanding any inclusion in the definition of Purchased Assets indicating otherwise, the Purchased Assets shall not include any other assets of the Sellers, including without limitation any assets to be sold to one or more purchasers (each a "Purchaser") pursuant to and in accordance with the Stalking Horse APA (all assets other than the Purchased Assets are referred to herein as the **"Excluded Assets"**) or any other higher and better offer.

Section 1.02 Assumed Liabilities. The Buyer shall assume and agree to discharge, perform and fulfil only the following obligations and liabilities of the Sellers with respect to the Business as of the Closing Date (the "**Assumed Liabilities**"):

(a) All trade accounts payable of the Sellers arising in the ordinary course and outstanding as of immediately prior to the Closing, to the extent such trade accounts payable are related to the Business;

(b) All accrued expenses of the Sellers arising in the ordinary course and outstanding as of immediately prior to the Closing, to the extent such accrued expenses are related to the Purchased Assets;

(c) All obligations and liabilities of the Sellers under the Assumed Contracts, including cure costs and those that relate to the performance of such contracts following the Closing Date;

(d) All obligations of the Sellers under any outstanding purchase orders;

(e) All warranty liabilities to repair or replace products related to the Purchased Assets; and

(f) All obligations of the Sellers to any employee who accepts the Buyer's offer of employment pursuant to Section 2.01(a), including but not limited to severance obligations, vacation pay, wages, etc.

The Buyer shall not assume any other liabilities or obligations of the Sellers of any kind, whether known or unknown, contingent, matured or otherwise, whether currently existing or hereinafter created, other than the Assumed Liabilities (all such liabilities or obligations are referred to herein as the **"Excluded Liabilities"**).

Section 1.03 Purchase Price. The aggregate purchase price for the Purchased Assets shall be **CAD$2,071,161.46** (the "**Purchase Price**"), exclusive of any applicable sales Taxes to be paid by Buyer. The Buyer shall pay the Purchase Price to the Sellers by wire transfer of immediately available funds (the "**Cash Payment**"); and at Closing, the Buyer will be liable for and shall pay all transfer taxes, sales taxes and all other similar taxes, duties, registration fees or other like charges properly payable upon and in connection with the sale, assignment and transfer of the Purchased Assets from the Sellers to the Buyer.

Section 1.04 Allocation of Purchase Price. The Sellers and the Buyer agree to allocate the Purchase Price between BPSUC and BSPUI in the amounts of 99% and 1%, respectively, and to reach agreement on an allocation of the Purchase Price among the Purchased Assets no later than thirty (30) days after the Closing. The Buyer and the Sellers shall file their own tax returns (including amended returns and claims for refund) and prepare all of their own financial statements and other information reports in a manner consistent with such allocation.

Section 1.05 Transition Services. For a period not to exceed four (4) months following the Closing, the Parties (or any subsequent purchaser of the Parties' assets) shall use commercially reasonable efforts to provide such transition assistance to each other as may be necessary in connection with the transition of the Business with the Parties reimbursing each other for reasonable and necessary costs incurred in doing so.

ARTICLE II
CLOSING

Section 2.01 Conditions of Closing. The purchase and sale of the Purchased Assets is subject to the following conditions being satisfied on or prior to the Closing Date:

(a) The Buyer's offer of employment, to commence at Closing, to all of the employees of the Business, as identified on **Schedule 2.01(a)**, on substantially the same terms and conditions of employment as provided by the Sellers as of the day before Closing, and the Buyer's hire of all such employees who accept said offer. The Buyer shall honor such employees' terms of service with the Sellers for all purposes including severance;

(b) obtaining written consent of 9938982 Canada Inc. to this agreement and the transaction contemplated herein; and

(c) obtaining written consent from the Debtors' lenders under the Debtors' post-petition debtor-in-possession financing facilities (the "**DIP Financing Agreements**") in accordance with the terms thereof;

(d) the entry by the Bankruptcy Courts of the Sale Orders approving this Agreement and the transaction contemplated herein, including the assumption and assignment of the Assumed Contracts to the extent such Assumed Contracts have not otherwise been assigned to the Buyer and to the extent such Assumed Contracts are assignable under section 365 of the Bankruptcy Code and section 11.3 of the CCAA;

(e) No action or proceeding shall be pending or threatened by any person in any jurisdiction, and no order or notice will have been made or issued or delivered by any governmental entity, seeking to enjoin, restrict or prohibit, or enjoining, restricting or prohibiting, on a temporary basis any of the transactions contemplated by this Agreement or imposing any temporary or permanent terms or conditions on the transactions contemplated by this Agreement.

(f) The Buyer must have received the following:

(i) a bill of sale or general assignment, as applicable, in form and substance satisfactory to the Buyer and duly executed by the Sellers, transferring the Purchased Assets to the Buyer;

(ii) a certificate of status, compliance, good standing or like certificate with respect to the Sellers issued by appropriate government officials of their jurisdiction of incorporation;

(iii) such other customary instruments of transfer, assumption, filings or documents, in form and substance reasonably satisfactory to the Buyer, as may be required to give effect to this Agreement.

(g) The Sellers must have received the following:

(i) The Cash Payment;

(ii) a certificate of status, compliance, good standing or like certificate with respect to the Buyer issued by appropriate government official of the jurisdiction of its incorporation; and

(iii) a duly executed release in the form attached hereto, executed by each of Inaria International Inc., Massimo Dente and Saverio Michielli, provided, however, that if the signature of Massimo Dente shall not have been obtained by the Closing Date, the Buyer and Owner, without the need for any further documentation, each hereby agree to jointly and severally indemnify the Sellers and their affiliates for any claims asserted by or on behalf of Inaria International Inc. or Massimo Dente relating to the subject matter of the attached release (including reasonable and documented attorney's fees incurred in connection therewith, provided such attorney's fees shall only be reimbursable in a successful action by Sellers).

Section 2.02 Closing. Subject to the conditions set forth herein, the closing of the transactions contemplated by this Agreement (the "**Closing**") shall take place on January 31, 2017 or such later date as may be agreed to by the Parties in writing, but in no event later than February 16, 2017 (the "**Closing Date**") unless mutually extended by the Parties. The consummation of the transactions contemplated by this Agreement shall be deemed to occur at 12:01 a.m. on the Closing Date.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF THE SELLERS

The Sellers represent and warrant to the Buyer that the statements contained in this **Article III** are true and correct as of the date hereof and acknowledge that the Buyer is relying upon the representations and warranties in connection with the Purchased Assets and the assumption by the Buyer of the Assumed Liabilities.

Section 3.01 Organization and Authority of the Sellers; Enforceability. BPSUC is a corporation duly organized, validly existing and in good standing under the laws of Canada. BPSUI is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware. Subject to the entry of the Sale Orders (as defined below) by the Bankruptcy Courts to the extent consistent with the terms of the Stalking Horse APA and the DIP Financing Agreements, the Sellers have full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery of and performance by the Sellers of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Sellers.

Section 3.02 Title to Purchased Assets. The Sellers owns and has good title to the Purchased Assets.

Section 3.03 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Sellers.

Section 3.04 Tax. BPSUC is not a non-resident of Canada within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**"). BPSUI does not use any of the Purchased Assets in a business carried on in Canada within the meaning of the Tax Act.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF THE BUYER

The Buyer represents and warrants to the Sellers that the statements contained in this **Article IV** are true and correct as of the date hereof and acknowledges and confirms that the Sellers are relying on such representations and warranties in connection with the sale by the Sellers of the Purchased Assets.

Section 4.01 Organization and Authority of the Buyer; Enforceability. The Buyer is a corporation duly organized, validly existing and in good standing under the laws of the state of Delaware. The Buyer has full corporate power and authority to enter into this Agreement and the documents to be delivered hereunder, to carry out its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance by the Buyer of this Agreement and the documents to be delivered hereunder and the consummation of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of the Buyer. This Agreement and the documents to be delivered hereunder have been duly executed and delivered by the Buyer, and (assuming due authorization, execution and delivery by the Sellers) this Agreement and the documents to be delivered hereunder constitute legal, valid and binding obligations of the Buyer enforceable against the Buyer in accordance with their respective terms.

Section 4.02 Brokers. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Buyer.

ARTICLE V
COVENANTS

Section 5.01 <u>Bankruptcy Actions</u>.

(a) The Sellers and the Buyer acknowledge that this Agreement and the transactions contemplated hereby are subject to entry of Sale Orders. In the event of any discrepancy between this Agreement and the Sale Orders, the terms of the Sale Orders shall govern. The Parties further acknowledge that this Agreement is not binding on, or enforceable by, the Parties until entry of the Sale Orders.

(b) The Sellers shall file with the Bankruptcy Courts a motion or application (together, the "**Sale Motions**"), as the case may be, seeking entry of orders (together, the "**Sale Orders**") authorizing the Sellers to enter into this Agreement and approving the Agreement in accordance with section 363 of the Bankruptcy Code and the CCAA.

(c) Prior to entry of the Sale Orders, the Seller shall have undertaken reasonable efforts to have the landlord agree that the Lease is extended on a month to month basis in accordance with its terms, per Section 18 of Schedule A of the Lease, and such month-to-month tenancy may be assigned to Buyer for a period of up to four months from Closing.

Section 5.02 Public Announcements. Unless otherwise required by applicable law or stock exchange requirements, including the filing of the Sale Motions, neither party shall make any public announcements prior to Closing regarding this Agreement or the transactions contemplated hereby without the prior written consent of the other party (which consent shall not be unreasonably withheld or delayed).

Section 5.03 Access to and Maintenance of Records. The Buyer shall keep and maintain all documents, records, information and files for a period of seven (7) years post-Closing, whether related to the Purchased Assets and the Business or otherwise. The Buyer shall permit either or both of (i) the Sellers and (ii) Purchaser, and their respective successors and assigns (including any chapter 7, plan trustee or other liquidating trustee overseeing the liquidation of the Debtors), and the tax, accounting, financial and legal representatives of each, to have reasonable access, during normal business hours, to the aforementioned documents, records, information and files, as may be reasonably requested by Sellers, Purchaser or their successors and assigns during the duration of such seven-year period.

Section 5.04 Non-Competition. For a period of three (3) years from the Closing Date, neither the Buyer nor Owner shall, directly or indirectly, anywhere in Canada or the United States, engage in the business of owning, licensing, developing, marketing, manufacturing, producing, selling or distributing apparel for hockey (including without limitation jerseys and uniforms) (the "**Restricted Business**"). Notwithstanding the foregoing, nothing herein shall prohibit the Buyer or Owner from being a passive owner of not more than five percent (5%) of the outstanding shares of any class of securities or other ownership interests of a person that, directly or indirectly, engages in the Restricted Business. The Purchaser expressly acknowledges that this Section 5.05 is reasonable and valid in all respects and irrevocably waives (and irrevocably agrees not to raise) as a defence any issue of reasonableness (including the reasonableness of the territory or the duration and scope of this Section 5.05) in any proceeding to enforce any provision of this Section 5.05.

Section 5.05 Section 22 Election. To the extent that such an election is available, BPSUC and the Buyer shall, with respect to any accounts receivable acquired by the Buyer from BPSUC pursuant to this Agreement, jointly execute and file such election in the prescribed form and within the prescribed time under section 22 of the Tax Act, and any equivalent provision under applicable provincial tax legislation.

Section 5.06 Section 20(24) Election. To the extent that such an election is available, the BPSUC and the Buyer agree to jointly elect under subsection 20(24) and 20(25) of the Tax Act, and any equivalent provision under applicable provincial tax legislation, in respect of amounts allocated for future obligations of BPSUC that are assumed by the Buyer hereunder.

Section 5.07 56.4 Election. If requested by BPSUC, the Buyer shall make a joint election with BPSUC under section 56.4 of the Tax Act, and any equivalent provision under applicable provincial tax legislation.

Section 5.08 Further Assurances. Following the Closing, each of the Parties hereto shall execute and deliver such additional documents, instruments, conveyances and assurances and take such further actions as may be reasonably required to carry out the provisions hereof and give effect to the transactions contemplated by this Agreement and the documents to be delivered hereunder.

ARTICLE VI
SURVIVAL OF CERTAIN REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 6.01 Survival. None of the representations, warranties, covenants and agreements contained herein shall survive the Closing, other than those covenants and agreements to be performed after the Closing which shall survive in accordance with their terms.

ARTICLE VII
TERMINATION EVENTS

Section 7.01 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) by either Party, upon written notice to the other:

(i) by mutual written consent;

(ii) if the Closing does not take place on or prior to February 16, 2017 (the "**Outside Date**") unless mutually extended by both Parties; *provided, however*, that a Party shall not be permitted to terminate this Agreement pursuant to this Section 7.01(a) if such Party is in material breach of this Agreement;

(iii) if (a) the Sale Orders have not been entered on or before February 1, 2017, or (b) following their entry, the Sale Orders shall fail to be in full force and effect or shall have been stayed, reversed, revoked, rescinded, vacated, modified or amended in any respect without the prior written consent of the Buyer and the Sellers;

(iv) if there shall be in effect any law or final order preventing, enjoining, restraining, making illegal or otherwise prohibiting the consummation of the transactions contemplated by this Agreement;

(v) if the Chapter 11 Cases are dismissed or converted to cases under Chapter 7 of the U.S. Bankruptcy Code and neither such dismissal nor conversion expressly contemplates the transactions provided for in this Agreement, or a trustee is appointed for the U.S. Debtors and such trustee rejects the transactions contemplated by this Agreement; or

(vi) if the CCAA Proceedings are terminated or a trustee in bankruptcy or receiver is appointed in respect of any of the Canadian Debtors or their respective Acquired Assets, and such trustee in bankruptcy or receiver refuses to proceed with the transactions contemplated by this Agreement.

(b) by the Buyer, upon written notice to the Sellers:

(i) in the event of a material breach by the Sellers of this Agreement and such breach is incapable of being cured prior to the Outside Date; or

(ii) if the Sellers withdraw, or seek to withdraw, the Sale Motions.

(c) by the Sellers, upon written notice to the Buyer:

(i) in the event of a material breach by the Buyer of this Agreement and such breach is incapable of being cured prior to the Outside Date;

(ii) if the Buyer fails to deliver any of the Closing deliverables set forth in Sections 2.01(g) of this Agreement including the Cash Payment; or

(iii) if the Sellers receive objections (whether written, formal or otherwise) to the transactions contemplated by this Agreement in the Bankruptcy Proceedings that cannot be consensually resolved at a cost and expense that, in the Seller's sole judgment, is reasonable, including any objection to the assumption and assignment of any Assumed Contract.

Section 7.02 Effect of Termination. If this Agreement is validly terminated pursuant to Section 7.01, then all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party to the other.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Expenses. All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 8.02 Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective Parties at the following addresses (or at such other address for a party as shall be specified in a notice given in accordance with this **Section 8.02**):

If to the Buyer:

c/o Graci Law Office
4195 Dundas St. West
Toronto, Ontario
M8X 1Y4
Canada
Facsimile:416-360-7530
E-mail: gtgraci@bellnet.ca
Attention: Tony Graci

If to the Sellers:

Bauer Performance Sports Uniforms Inc.
100 Domain Drive
Exeter, NH 03833
Facsimile: 603-292-1505
E-mail: michael.wall@bauer.com
Attention: Michael Wall, VP and General Counsel

Section 8.03 Headings. The insertion of headings in this Agreement are for convenient reference only and shall not affect the interpretation of this Agreement.

Section 8.04 Severability. If any term or provision of this Agreement is determined to be invalid, illegal or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement in that jurisdiction and such invalidity, illegality or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

Section 8.05 Entire Agreement. This Agreement and the documents to be delivered hereunder constitute the sole and entire agreement of the Parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, negotiations and discussions both written and oral, with respect to such subject matter. In the event of any inconsistency between the statements in the body of this Agreement and the documents to be delivered hereunder, the Exhibits and Schedules (other than an exception expressly set forth as such in the Schedules), the statements in the body of this Agreement will control.

Section 8.06 Successors and Assigns. This Agreement becomes effective only when executed by the Sellers and the Buyer and approved by the Sale Orders as provided in Section 5.01 hereof. After that time, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors and permitted assigns, including any trustee (or similar) in a bankruptcy or insolvency proceeding. Neither party may assign this Agreement nor any of its rights or obligations hereunder without the prior written consent of the other party, which consent shall not be unreasonably withheld or delayed; provided however, that the Buyer consents to the assignment of this Agreement and any rights thereunder to a Purchaser. No assignment shall relieve the assigning party of any of its obligations hereunder.

Section 8.07 No Third-party Beneficiaries. Except as provided in **Article V**, this Agreement is for the sole benefit of the Parties hereto and their respective successors and permitted assigns and nothing herein, express or implied, is intended to or shall confer upon any other person or entity any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

Section 8.08 Amendment and Modification. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each party hereto.

Section 8.09 Waiver. No waiver by any party of any of the provisions hereof shall be effective unless explicitly set forth in writing and signed by the party so waiving. No waiver by any party shall operate or be construed as a waiver in respect of any failure, breach or default not expressly identified by such written waiver, whether of a similar or different character, and whether occurring before or after that waiver. No failure to exercise, or delay in exercising, any right, remedy, power or privilege arising from this Agreement shall operate or be construed as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege.

Section 8.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario without giving effect to any choice or conflict of law provision or rule (whether of the Province of Ontario or any other jurisdiction).

Section 8.11 Submission to Jurisdiction. Any legal suit, action or proceeding arising out of or based upon this Agreement or the transactions contemplated hereby may be instituted in the federal courts of Canada or the provincial courts in the Province of Ontario, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

Section 8.12 Waiver of Jury Trial. Each party acknowledges and agrees that any controversy which may arise under this Agreement is likely to involve complicated and difficult issues and, therefore, each such party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any legal action arising out of or relating to this Agreement or the transactions contemplated hereby.

Section 8.13 Specific Performance. The Parties agree that irreparable damage would occur if any provision of this Agreement were not performed in accordance with the terms hereof and that the Parties shall be entitled to specific performance of the terms hereof, in addition to any other remedy to which they are entitled at law or in equity.

Section 8.14 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

BAUER PERFORMANCE SPORTS
UNIFORMS CORP.

By_____________________
Name: Brian J Fox
Title: Chief Restructuring Officer

BAUER PERFORMANCE SPORTS
UNIFORMS INC.

By_____________________
Name: Brian J Fox
Title: Chief Restructuring Officer

BUYER

By_____________________
Name:
Title:

OWNER OF BUYER

____
Saverio Michielli

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

BAUER PERFORMANCE SPORTS UNIFORMS CORP.

By____________________
Name:
Title:

BAUER PERFORMANCE SPORTS UNIFORMS INC.

By____________________
Name:
Title:

BUYER

By____________________
Name: SAVERIO MICHIELLI
Title: OWNER

OWNER OF BUYER

____
Saverio Michielli

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Schedule 1.01(d) Excluded Fixed Assets

3 Bauer fit forms

- Men's large
- Youth size 12
- Women's fit form

6 heat press machines:

- 1 Hotronix clam 6"X6" Auto Mag Digital – 110V
- 5 Hotronix Auto Clam Heat Press 16"X16" – 110V

4 sewing machines:

- Juki DDL-555ON-7 Single Needle
- Juki LZ-39 IN ZIG ZAG
- Pegasus W600 cover seam
- Brother EF4-B511 serger

All computers, monitors, keyboards and related equipment used by the employees whom Sellers transfer to a different sport segment

BusinessVision PRD Server

BusinessVision DEV/TST Server

Sage Customer Relationship Manager

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Schedule 1.01(e) Trademarks

Canada:

CHEVRON DESIGN, Opposed, 1530921
INARIA & CHEVRON DESIGN, Registered, 1530915, TMA880560
INARIA, Registered, 1136804, TMA610607
INARIA & DESIGN, Registered, 1530914, TMA880446
I Design, Registered, 1136803, TMA610731

US:

Serial Number	Reg. Number	Word Mark	Check Status
85362863	5052078	INARIA	TSDR
85362860	5052077	INARIA	TSDR
85362856			TSDR
76456367	3003190	INARIA	TSDR

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Schedule 1.01(g) Assumed Contracts

ADECCO EMPLOYMENT SERVICE LIMITED	Staffing Supplier Agreement Dated 02/25/2016	$1,921.00
AMAZON.COM	Freight & Buying Agreement Dated 10/01/2014	$0.00
AURORA YOUTH SOCCER CLUB	Exclusive Uniform and Equipment Agreement Dated 01/04/2016	$0.00
BELLE RIVER SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
BOWMANVILLE UNITED SC	Exclusive Uniform and Equipment Supply Agreement Dated 12/01/2014	$0.00
BRAMS UNITED GIRLS SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
COBOURG SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
D'AMICO, ANDREA	Athlete Endorsement Agreement	$0.00
D'AMICO, ANDREA	Consulting Agreement Dated 08/01/2015	$0.00
DUNDAS YOUTH SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
EAST GWILLIMBURY SC	Exclusive Uniform and Equipment Supply Agreement Dated 12/16/2014	$0.00
EAST LONDON SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
EAST YORK SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
ERIN MILLS SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 11/01/2014	$0.00
FLORIDA GULF COAST UNIVERSITY	Product Supply and Sponsorship Agreement Dated 6/20/2015	$0.00
GIOVINCO, SEBASTIAN	Athlete Endorsement Contract Dated 08/01/2015	$0.00
GIOVINCO, SEBASTIAN	Consulting Agreement Dated 08/01/2015	$0.00
GLEN SHIELDS FUTBOL CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2016	$0.00
HALDIMAND SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
INNISFIL SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
LIPSCOMB UNIVERSITY	Product Supply and Sponsorship Agreement Dated 4/1/2016	$0.00
MEO HOLDINGS, INC.	Lease Agreement Dated 01/07/2012 plus Amendments	$0.00
MUSLIM YSL	Exclusive Uniform and Equipment Supply Agreement Dated 02/10/2016	$0.00
NORTH DURHAM UNITED FC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
OAKVILLE SOCCER CLUB INC.	Supply Agreement Dated 09/01/2014	$0.00
ORO-MEDONTE SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2014	$0.00
PASQUALIN D'AMICO PARTNERS	Executed Consulting Agreement with attached Stock Option agreement Dated 08/01/2015	$0.00
PICKERING SOCCER CLUB	Supply Agreement Dated 10/28/2013	$0.00
QUINTE WEST SOCCER CLUB	Supply Agreement Dated 10/01/2014	$0.00
SAULT YOUTH SOCCER LEAGUE	House League Supply Agreement Dated 01/25/2012	$0.00
SF DELTAS	Sponsorship Agreement Dated 6/30/2016	$0.00
SOUTH CALEDON SOCCER CLUB	Supply Agreement Dated 01/06/2015	$0.00
ST CATHARINES JETS GIRLS SOCCER CLUB	Supply Agreement Dated 02/28/2013	$0.00
STONEY CREEK MSA	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
THAMES CENTRE MSA	Exclusive Uniform and Equipment Supply Agreement Dated 03/14/2016	$0.00
THE DOFASCO MINOR SOCCER ASSOCIATION	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
TILLSONBURG MINORSOCCER ASSOC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2016	$0.00
TORONTO HIGH PARK FOOTBALL CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/29/2014	$0.00
UNC CHARLOTTE	Product Supply and Sponsorship Agreement Dated 7/1/2015	$0.00
UXBRIDGE SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00

WELLAND SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 12/01/2015	$0.00
WHITBY IROQUOIS SOCCER CLUB	Supply Agreement Dated 09/26/2013	$0.00

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Schedule 1.01(j) Domain Names/Phone Numbers

List of Domains

inaria.ca
inariabaseball.com
inariabasketball.com
inariafootball.com
inariahockey.com
inarialacrosse.com
inariasoccer.com
inariausa.com

Mobile Phone Numbers

416-731-2468
647-624-4589
416-558-4666
647-205-5108
647-802-1452

VoIP Numbers

Direct Dial #
437-836-2006
437-836-2072
437-836-2024
437-836-2038
437-836-2048
437-836-2074
437-836-2019
437-836-2026
437-836-2022
437-836-2007
437-836-2008
437-836-2035
437-836-2018
437-836-2073
437-836-2017
437-836-2003
437-836-2025
437-836-2012
437-836-2015

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437-836-2099
437-836-2030
437-836-2004
437-836-2041
437-836-2040
437-836-2034
437-836-2037
437-836-2032
437-836-2014
437-836-2071
437-836-2060
437-836-2067
437-836-2002
437-836-2078
437-836-2045
437-836-2023
437-836-2033
437-836-2011
437-836-2021
437-836-2039
437-836-2090
437-836-2068
437-836-1999
437-836-2066
437-836-2020
437-836-2029
437-836-2009
437-836-2001
437-836-2047
437-836-2050
437-836-2028
437-836-2031
437-836-2027
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437-836-2051
437-836-2046
437-836-2065
437-836-2061

437-836-2062
437-836-2063
437-836-2064

Main Land Lines

Telephone	416-766-8825
Fax	416-762-6248
Toll Free	1-877-346-2742
Toll Free Fax	1-877-962-6248

Schedule 1.03 Release

See attached.

FULL AND FINAL RELEASE

WHEREAS Bauer Performance Sports Uniforms Corp. (formerly known as Bauer Sweep Acquisition Canada Inc.) (the "**Purchaser**"), Inaria International Inc. ("**Inaria**" or the "**Vendor**"), Massimo Dente and Saverio Michielli (together, the "**Shareholders**") are parties to an Asset Purchase Agreement dated October 9, 2012 (the "**Asset Purchase Agreement**") and related agreements, including an Indemnity Holdback Agreement dated October 12, 2012 (the "**Holdback Agreement**") (collectively, the "**Agreements**");

WHEREAS pursuant to the Holdback Agreement the Purchaser was entitled to and did retain CAD $750,000 from the Purchase Price at the Closing Date (both terms as defined in the Agreements) (the "**Holdback**");

WHEREAS on October 14, 2014, the Purchaser served on the Vendor and the Shareholders a Notice of Claim for Indemnity pursuant to section 10 of the Asset Purchase Agreement (the "**Indemnity Claim Notice**");

WHEREAS in the Indemnity Claim Notice the Purchaser claimed entitlement to retain CAD $366,929.55 of the Holdback (the "**Disputed Funds**") because of damages suffered from alleged breaches of the Asset Purchase Agreement (the "**Indemnity Claim**");

WHEREAS on December 15, 2012, the Purchaser returned to the Vendor and/or Shareholders the amount of the Holdback less the Disputed Funds, with interest, by wire transfer;

WHEREAS the Purchaser, Vendor, and Shareholders wish to fully and finally resolve the matter of the ownership of the Disputed Funds without incurring the costs of disputed litigation;

NOW, THEREFORE, IN CONSIDERATION for the payment of $2 (TWO) CAD, the avoidance of litigation costs concerning the Disputed Funds, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the **Vendor** and the **Shareholders,** and their respective present and former officers, directors, members, shareholders, employees, agents, beneficiaries, trustees, predecessors, successors, corporate parents, affiliates, associated and related corporations, heirs, executors, administrators, assigns, and representatives, if any, **DO HEREBY IRREVOCABLY RELEASE, REMISE, AND FOREVER DISCHARGE** the Purchaser from and against any and all manner of actions, causes of action, suits, applications, complaints, proceedings, obligations, liabilities, duties, dues, debts, sums of money, accounts, interests, bonds, covenants, contracts, claims, damages and demands ("**Claims**") which they, or any of them, may heretofore have had, may now have or may hereinafter have against the Purchaser by reason of any matter existing up to the present time arising from or relating to the Agreements, including, for greater certainty and without limiting the generality of the foregoing, all Claims relating to the Holdback or the Disputed Funds.

AND FOR THE SAID CONSIDERATION, for greater certainty, the Vendor and the Shareholders hereby relinquish any and all rights they or any of them have, had, or may have had to the Disputed Funds.

AND FOR THE SAME CONSIDERATION, the Vendor and the Shareholders agree not to make any claims or take any proceedings in connection with the Claims released herein against any party that might claim contribution and indemnity from the Purchaser hereto by virtue of the said Claim.

AND FOR THE SAME CONSIDERATION, the Vendor and the Shareholders represent and warrant that each has not assigned any of the matters released herein nor any of the matters as to which each has agreed not to make any Claims or take any proceedings.

IT IS UNDERSTOOD AND AGREED that if Vendor and the Shareholders, or any of them, hereafter make or publish any Claims or take or threaten to take any action or other proceeding against the Purchaser on the basis of the Claims discharged by this Release, then this Release may be raised as an estoppel to any such Claim.

IT IS FURTHER UNDERSTOOD AND AGREED that all of the terms of this Release shall be kept confidential and shall not be disclosed by the Vendor and/or the Shareholders, including their counsel, to anyone, except to the extent such disclosure is required by law or is necessary to allow them to receive legal advice, advice from its accountants or other professional advice.

THIS RELEASE shall be binding on each of the Vendor and the Shareholders, and shall enure to the benefit of the Purchaser, and all of their respective directors, officers, employees, members, shareholders, corporate parents, subsidiaries, affiliates, agents, heirs, executors, administrators, representatives, successors and assigns, if any, as the case may be.

IT IS UNDERSTOOD AND AGREED that, by the execution of this Release, none of the Vendor, Shareholders or Purchaser admits liability in any respect, and that any such liability is expressly denied.

THE UNDERSIGNED hereby warrant that the terms of this Release are fully understood by them and that this Release is made and the release herein is given after having sufficient time and opportunity to seek independent legal and other professional advice with respect to the terms of this Release. The Undersigned confirm and acknowledge that they are executing this Release freely, voluntarily and without duress.

THIS RELEASE is to be governed by and interpreted in accordance with the laws of Ontario and the Undersigned submit to the exclusive jurisdiction of the courts of Ontario in connection with any dispute or interpretation regarding this Release.

THIS RELEASE may be executed by the Vendor and Shareholders in any number of counterparts, each of which shall be deemed to be an original when executed, notwithstanding that all of them are not signatory to the same counterparts, but all counterparts shall for all purposes together constitute one and the same agreement binding on the Vendor and Shareholders, provided each of them has executed at least one counterpart.

THIS RELEASE may be executed in whole or in part by way of facsimile or electronic document transmission and such facsimile or electronic document may be relied upon as if it contained original signatures and such facsimile or electronic release shall have the same force and effect as an original document.

DATED at TORONTO, this _______ day of _____________, 2016.

Inaria International Inc.

____

Name:

Title:

I have authority to bind the corporation.

DATED at TORONTO, this _______ day of _____________, 2016.

Witness:

____

Saverio Michielli

DATED at TORONTO, this _______ day of _____________, 2016.

Witness:

Massimo Dente

Schedule 2.01(a) Employees

Bossio, Joanna
Del Nibletto, Michael
Ellacer, Celso
Fernandez, Sharon
Fernando, Florante
Gilchrist, Scott
Gohm, Kristian
Henderson, Trevor
Lupinacci, Tony
Malandrino, Corrado
Marco, Sheila
Martincek, Alexandra
Michielli, Frank
Michielli, Saverio
Montgomery, Emily
Nunes, Henrique
Rafael, Reynald
Resendes, Connie
Sandhu, Ginny Gurvarinder
Sasikumaran, Carshan
Tardif, Dustin
Topolovec, Sonja
Tricoff, Angelo
Woo, Joey
Zaman, Muhammad
Zhu, Jin Fei

EXHIBIT "C"

Exhibit "C" to the Affidavit

Of Brian J. Fox, sworn

January 3, 2017

Commissioner for taking affidavits

KATHLEEN A. JEWKES, Notary Public
My Commission Expires April 6, 2021

Court File No. CV-16-562015

ONTARIO
SUPERIOR COURT OF JUSTICE

BETWEEN:

BAUER PERFORMANCE SPORTS UNIFORMS CORP.

Plaintiff

- and -

INARIA INTERNATIONAL INC., SAVERIO MICHIELLI and MASSIMO DENTE

Defendants

STATEMENT OF CLAIM

TO THE DEFENDANTS

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the plaintiff. The claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a statement of defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the plaintiff's lawyer or, where the plaintiff does not have a lawyer, serve it on the plaintiff, and file it, with proof of service, in this court office, WITHIN TWENTY DAYS after this statement of claim is served on you, if you are served in Ontario.

If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your statement of defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.

Instead of serving and filing a statement of defence, you may serve and file a notice of intent to defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your statement of defence.

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.

Date October 11, 2016

Issued by Y. Grant

Local registrar
Y. Grant
Registrar

Address of court office: 393 University Avenue, 10th floor
Toronto, Ontario M5G 1E6

TO: **INARIA INTERNATIONAL INC.**
61 Industry Street
Upper Level, Suite #B
Toronto, Ontario
M6M 4L5

AND TO: SAVERIO MICHIELLI
1380 Hollyrood Avenue
Mississauga, Ontario
L4G 3J4

AND TO: MASSIMO DENTE
55 Sweet Anna Court
Vaughan, Ontario
L6A 4E4

CLAIM

1. The Plaintiff claims:

   (a) a declaration that the Defendants breached Section 5.1 of the Asset Purchase Agreement dated October 9, 2012 by and among the parties to the within action (the "**Purchase Agreement**");

   (b) a declaration that pursuant to Section 10.3 of the Purchase Agreement the Plaintiff is entitled to indemnification from the Defendants, jointly and severally, for all damages suffered by the Plaintiff as a result of the breaches of Section 5.1 of the Purchase Agreement;

   (c) a declaration that the Plaintiff owns the sum of $366,929.55 (the "**Disputed Funds**") which the Plaintiff has retained pursuant to the terms of an Indemnity Holdback Agreement dated October 12, 2012 (the "**Holdback Agreement**");

   (d) a declaration that no Defendant has any claim to or interest in the Disputed Funds;

   (e) pre-judgment and post-judgment interest;

   (f) costs of this action on a basis to be determined, plus any or all applicable taxes; and

   (g) such further or other relief as counsel may request and this Honourable Court deem just.

The Parties

2. The Plaintiff, Bauer Performance Sports Uniforms Corp. (the "**Purchaser**") is a corporation incorporated under the *Canada Business Corporations Act* with its registered office in Toronto, Ontario. At the time of the Purchase Agreement, the Plaintiff's corporate name was Bauer Sweep Acquisition Canada Inc.

3. The Defendant, Inaria International Inc. ("**Inaria**" or the "**Vendor**") is an Ontario business corporation with its registered office in Toronto, Ontario.

4. The Defendant, Saverio Michielli, resides in Mississauga, Ontario. Mr. Michielli, as a "Shareholder", is a party to the Purchase Agreement and the designated Vendor Representative under that agreement. Mr. Michielli is a director and officer of Inaria.

5. The Defendant, Massimo Dente, resides in Vaughan, Ontario. Mr. Dente, as a "Shareholder", is a party to the Purchase Agreement. Mr. Dente is also a director and officer of Inaria.

The Purchase Agreement

6. The parties entered into the Purchase Agreement in October 2012, pursuant to which the Purchaser agreed to purchase all of the property and assets of the sport apparel business carried on by Inaria (other than certain specifically excluded assets), including, for example, Inaria's machinery, equipment and supplies, inventories, accounts receivable, intellectual property and goodwill (the "**Inaria Acquisition**").

7. Subject to certain adjustments specifically provided for in the Purchase Agreement, the Purchase Price payable by the Purchaser to Inaria was $7,000,000, to be allocated at closing of the Inaria Acquisition as follows:

(a) $5,750,000 was payable to the Vendor immediately at closing;

(b) $500,000 was retained by the Purchaser as the Working Capital Escrow Amount, pursuant to the terms of subsection 3.5(8) of the Purchase Agreement; and

(c) $750,000 was retained by the Purchaser pursuant to the terms of the Holdback Agreement, described below.

8. As part of the transaction, the Defendants made various representations and warranties in favour of the Purchaser which are set out in Section 5.1 of the Purchase Agreement. As set out in Section 5.1, the representations were made jointly and severally by the Vendor and the Shareholders, who confirmed that the Purchaser was relying upon the representations made and warranties given in connection with purchasing Inaria's assets.

9. The representations and warranties given by the Vendor and the Shareholders in the Purchase Agreement included:

ss. 5.1(o) all accounts receivable are bona fide and, subject to an allowance for doubtful accounts that has been reflected on the books of the Vendor in accordance with GAAP, collectible without set-off or counterclaim;

ss. 5.1(w) the Inventories included in the Purchased Assets are good, usable and saleable and are capable of being processed and sold in the ordinary course at normal profit margins, subject to a reasonable allowance for obsolete Inventories consistent with past practice, existing accounting policies and the allowances reflected in the Financial Statements[...]; and

ss. 5.1(y) the Financial Statements have been prepared in accordance with GAPP applied on a basis consistent with those of previous fiscal years and each presents fairly:

(i) the assets, liabilities (whether accrued, absolute, contingent or otherwise) and the financial position of the Vendor as at the respective dates of the relevant Financial Statements[...].

10. Section 10.3 of the Purchase Agreement creates a right of indemnification for the Purchaser in respect of breaches of the representations and warranties in Section 5.1 of the Agreement. The Purchase Agreement provides that "the Vendor and the Shareholders will jointly and severally indemnify and save the Purchaser and its affiliates and other shareholders, directors, officers, employees, agents and representatives harmless of and from, and will pay for, any Damages suffered by, imposed upon or asserted against it or any of them as a result of, in respect of, connected with, or arising out of, under, or pursuant to":

> any breach or inaccuracy of any representation or warranty given by the Vendor and/or Shareholders contained in this Agreement or any Ancillary Agreement for which a notice of claim under Section 10.5 has been provided to the Vendor Representative within the applicable period specified in Section 10.1.

11. The Inaria Acquisition closed on October 16, 2012 (the "**Closing Date**").

The Holdback Agreement

12. The Holdback Agreement governs the retention by the Purchaser of $750,000 of the Purchase Price at closing, as provided for by subsection 3.3(1) (c) of the Purchase Agreement (the "**Retained Funds**").

13. The Holdback Agreement entitles the Purchaser to hold the Retained Funds "as a non-exclusive source of payment to the Indemnified Party of amounts owed pursuant to Section 10.3" of the Purchase Agreement.

14. The Holdback Agreement further provides that, if there are outstanding claims by an Indemnified Party at the second anniversary of the Closing Date, and the Purchaser has delivered a notice setting out the aggregate face value of all such claims, the Purchaser shall be entitled to retain such portion of the Retained Funds, pending resolution of the claims.

The Defendants' Breaches of the Purchase Agreement

15. The Defendants breached the representations and warranties in Subsections 5.1(o), 5.1(w) and/or 5.1(y) of the Purchase Agreement in respect of the Vendor's accounts receivable and inventories.

Accounts Receivable

16. Contrary to the representations and warranties in Subsection 5.1(o) and 5.1(y)(i) of the Purchase Agreement, the Vendor's accounts receivable included a sale to a bankrupt customer and other disputed invoices with customers which were not collectible, nor was allowance for doubtful accounts receivable properly made in accordance with GAAP on the Vendor's financial statements dated as of October 16, 2012.

Inventory

17. Contrary to the representations and warranties in subsections 5.1(w) and 5.1(y)(i) of the Purchase Agreement, the Inventories included in the Purchased Assets were not all "good, useable and saleable", nor could obsolete, damaged inventories included in the Purchased Assets be sold in the ordinary course by the Purchaser at normal profit margins, nor were proper allowances in accordance with GAAP made for such inventories on the Vendor's financial statements dated as of October 16, 2012.

The Purchaser's Notice of Indemnification Claim in accordance with Article 10 of the Purchase Agreement

18. The Plaintiff provided written notice of its indemnification claims to the Defendants by way of letter to Mr. Michielli (the Vendor Representative under the Agreement) dated October 14, 2014 (the "**Claim Notice**").

19. The Claim Notice asserted the Purchaser's right to indemnification pursuant to subsection 10.3(1) (a) of the Purchase Agreement in respect of the breaches of representations and warranties in Section 5.1 of the Purchase Agreement, described above.

20. The Claim Notice set out the Purchaser's damages for purposes of the indemnification claim at $336,929.55, being $99,431.20 in respect of the acquired accounts receivable and $267,498.35 in respect of the inventories.

21. No written response to the Claim Notice was received by the Purchaser.

Retention of the Disputed Funds

22. Pursuant to the Holdback Agreement, the Purchaser was entitled to, and did retain that portion of the Retained Funds equal to the aggregate face value of its outstanding indemnification claims, as set out in the Claim Notice, being the $336,929.55 in Disputed Funds.

23. The Purchaser returned the balance of the Retained Funds, plus interest, to the Vendor in December 2014, in accordance with the Holdback Agreement.

24. The Plaintiff proposes that this action be tried at Toronto.

October 11, 2016

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Mark Walli LSUC# 53266L
mwalli@stikeman.com
Tel: (416) 869-5277
Fax: (416) 947-0866

Lawyers for the Plaintiff,
Bauer Performance Sports Uniforms Corp.

Bauer Performance Sports Uniforms Corp. Plaintiff and Inaria International Inc., et al Defendants

Court File No: CV-16-562015

ONTARIO
SUPERIOR COURT OF JUSTICE

Proceeding commenced at Toronto

STATEMENT OF CLAIM

STIKEMAN ELLIOTT LLP
Barristers & Solicitors
5300 Commerce Court West
199 Bay Street
Toronto, Canada M5L 1B9

Mark Walli LSUC# 53266L
mwalli@stikeman.com
Tel: (416) 869-5277
Fax: (416) 947-0866

Lawyers for the Plaintiff,
Bauer Performance Sports Uniforms Corp.

TAB 3

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE MR.	)	●, THE ●
	)	
JUSTICE NEWBOULD	)	DAY OF JANUARY, 2017

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD., 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.

(Applicants)

INARIA APPROVAL AND VESTING ORDER

THIS MOTION, made by the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order approving the sale transaction (the "**Transaction**") contemplated by the Asset Purchase Agreement (the "**Inaria APA**") between Bauer Performance Sports Uniforms Corp. and Bauer Performance Sports Uniforms Inc. (the "**Sellers**"), Saverio Michielli (the "**Owner**") and a corporation to be incorporated by the Owner (the "**Buyer**") made as of December 30, 2016, and vesting in the Buyer, the Sellers' right, title and interest in and to the Purchased Assets (as defined in the Inaria APA), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Brian J. Fox sworn January 3, 2016 and the Exhibits thereto, the Fifth Report of Ernst & Young Inc. ("**EY**") in its capacity as monitor (the "**Monitor**") to the Applicants dated January ●, 2017 and on hearing the submissions of counsel for the

Applicants, the Monitor, on hearing the submissions of counsel for the Applicants, the Monitor, Sagard Capital Ltd., Fairfax Financial Holdings Limited, ABL DIP lenders and the Official Committee of Unsecured Creditors, the Official Committee of Equityholders of Performance Sports Group Ltd., no one appearing for any other party although duly served as appears from the affidavit of service of ●, filed.

DEFINITIONS

1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the Inaria APA.

SALE TRANSACTION

2. **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved, and the execution of the Inaria APA by the Sellers is hereby authorized and approved, with such minor amendments as the Sellers and the Buyer, with the approval of the Monitor, may agree upon. The Sellers are hereby authorized and directed, and the Monitor is authorized and empowered, to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the Buyer.

3. **THIS COURT ORDERS** that the Sellers are authorized and directed to perform their obligations under the Inaria APA and any ancillary documents related thereto.

4. **THIS COURT ORDERS AND DECLARES** that upon the delivery of a Monitor's certificate to the Buyer substantially in the form attached as Schedule A hereto (the "**Monitor's Certificate**"), all of the Sellers' right, title and interest in and to the Purchased Assets shall vest absolutely in the Buyer, free and clear of and from any and all ownership claims, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, pledges, trusts, constructive trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the "**Claims**") including, without limiting the generality of the foregoing:

(a) any encumbrances or charges created by the Initial Order of the Honourable Justice Newbould dated October 31, 2016 (as amended and restated), and any subsequent charges created by the Court;

(b) all security interests, hypothecs, mortgages, pledges, encumbrances, liens and charges, including those evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry in any provinces or territories in Canada, the United States or the Civil code of Québec (all of which are collectively referred to as the "**Encumbrances**"); and

(c) all Excluded Liabilities as defined under the Inaria APA;

and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

5. **THIS COURT ORDERS** that the Applicants shall be entitled to retain and use the funds making up the Purchase Price in the ordinary course or make payments, distributions, and disbursements from such funds, all in accordance with the Initial Order of this Court dated October 31, 2016, as amended and restated.

6. **THIS COURT ORDERS AND DIRECTS** the Monitor to file with the Court a copy of the Monitor's Certificate, forthwith after delivery thereof.

7. **THIS COURT ORDERS** that the Buyer or the Monitor shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances after completion of the Transaction.

8. **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the *Personal Information Protection and Electronic Documents Act* (Canada), the Sellers and the Monitor are authorized and permitted to disclose and transfer to the Buyer all human resources and payroll information in the Sellers' records pertaining to the Sellers' past and current employees. The Buyer shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the Sellers.

9. **THIS COURT ORDERS** that for seven (7) years following the Closing Date, the Owner and Buyer shall, and shall cause the Buyer's employees to, retain all books, records and other documents pertaining to the Business in existence on the Closing Date, unless an extension is required by applicable law, and shall make the same available for inspection and copying by

the Applicants and their successors and assigns (including any regulatory agency designated by the Applicants or a trustee-in-bankruptcy or another liquidating trustee overseeing the liquidation of the Applicants or any part of them) for any reasonable business purpose during normal business hours upon reasonable request and upon reasonable notice, in each case at such party's own expense. For purposes hereof, a reasonable business purpose includes, among other things, investigations by the United States Securities and Exchange Commission or the Ontario Securities Commission and the defense or prosecution of claims by the Applicants after the Closing Date. In addition, the Buyer shall, and shall cause its employees to, retain all books, records and other documents within the scope of the document hold dated June 3, 2016 instituted by the Applicants for as long as necessary to carry out the purpose of such document hold.

10. **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the Sellers and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the Sellers;

the vesting of the Purchased Assets in the Buyer and payments, distributions, and disbursements made pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the Sellers and shall not be void or voidable by creditors of the Sellers, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

11. **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

ASSIGNMENT OF AGREEMENTS

12. **THIS COURT ORDERS** that upon delivery of the Monitor's Certificate all of the rights and obligations of the Sellers under the Assumed Contracts which are set out in Schedule "B" hereto shall be assigned to the Buyer pursuant to section 1.01(g) of the Inaria APA and pursuant to section 11.3 of the CCAA.

13. **THIS COURT ORDERS** that, with respect to the Lease, upon delivery of the Monitor's Certificate, the Buyer shall be entitled to all of the rights and benefits and subject to all of the obligations as tenant pursuant to the terms of the Lease for the period commencing from and after the delivery of such Monitor's Certificate and may enter into and upon and hold and have quiet enjoyment of the premise that is the subject of the Lease and, if applicable, any renewals thereof, for its own use and benefit, all in accordance with the terms of the Lease, without any interruption from the Sellers, the landlord under the Lease or any person whomsoever claiming through or under any of the Sellers or the landlords under the Lease.

14. **THIS COURT ORDERS** that the assignment to the Buyer of the rights and obligations of the Sellers under the Assumed Contracts to the Buyer, pursuant to the CCAA and this Order is valid and binding upon all of the counterparties to the Assumed Contracts notwithstanding any restriction or prohibition contained in any such Assumed Contracts relating to the assignment thereof, including any provision requiring the consent of any party to the assignment.

15. **THIS COURT ORDERS** that the Sellers' right, title and interest in the Assumed Contracts shall vest absolutely in the Buyer free and clear of all Encumbrances.

16. **THIS COURT ORDERS** that each counterparty to the Assumed Contracts is prohibited from exercising any right or remedy under the Assumed Contracts by reason of any defaults thereunder arising from the assignment of the Assumed Contracts, the insolvency of the Sellers, the commencement of these CCAA proceedings, or any failure of the Sellers to perform a non-monetary obligation under the Assumed Contracts.

17. **THIS COURT ORDERS** that the cure costs of the Assumed Contracts ("**Cure Costs**") shall be in amounts set out in Schedule "B" hereto and that upon Closing, the Buyer shall assume the obligation to pay Cure Costs in accordance with the Inaria APA, and shall pay such

Cure Costs in full and final satisfaction of Cure Costs owing to the counterparty to the applicable Assumed Contract, by no later than the Closing Date provided the Buyer receives wire remittance instructions or other payment instructions from such counterparty by that date.

18. **THIS COURT DIRECTS** the Sellers to send a copy of this Order to all of the counterparties of the Assumed Contracts as soon as practicable.

GENERAL

19. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicants and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

Schedule A – Form of Monitor's Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 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.

MONITOR CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable Justice Newbould of the Ontario Superior Court of Justice (the "**Court**") dated October 31, 2016, Ernst & Young Inc. was appointed as the Monitor (the "**Monitor**") of the undertaking, property and assets of Applicants.

B. Pursuant to an Order of the Court dated January 23, 2017 (the "**Inaria Approval and Vesting Order**"), the Court approved the asset purchase agreement dated December 30, 2016 (the "**Inaria APA**") between Bauer Performance Sports Uniforms Corp. and Bauer Performance Sports Uniforms Inc. (collectively, the "**Sellers**"), Saverio Michielli (the "**Owner**") and a corporation to be incorporated by the Owner (the "**Buyer**"), approved the sale transaction contemplated therein (the "**Transaction**") and provided for the vesting in the Buyer of the Sellers' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Buyer of a certificate confirming (i) the payment by the Buyer of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section 2.01 of the Inaria APA have been satisfied or waived by the Sellers and the Buyer; and (iii) the Transaction has been completed to the satisfaction of the Monitor.

C. Pursuant to the Inaria Approval and Vesting Order, the Monitor may rely on written notice from the Sellers and the Buyer regarding fulfillment of conditions to closing under the Inaria APA.

D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Inaria APA.

THE MONITOR CERTIFIES the following:

1. The Sellers and the Buyer have each delivered written notice to the Monitor that all applicable conditions under the Inaria APA have been satisfied and/or waived, as applicable;

2. The Buyer has paid and the Sellers have received the Purchase Price for the Purchased Assets payable on or prior to the Closing Date pursuant to the Inaria APA;

3. The Transaction has been completed to the satisfaction of the Monitor; and

4. This Certificate was delivered by the Monitor at ________ [TIME] on _______ [DATE].

Ernst & Young Inc., in its capacity as Monitor of the Applicants, and not in its personal or corporate capacity

Per: ______________________________

Name:

Title:

Schedule B – Assumed Contracts

Counter Party	Contract Name	Cure Costs
ADECCO EMPLOYMENT SERVICE LIMITED	Staffing Supplier Agreement Dated 02/25/2016	$1,921.00
AMAZON.COM	Freight & Buying Agreement Dated 10/01/2014	$0.00
AURORA YOUTH SOCCER CLUB	Exclusive Uniform and Equipment Agreement Dated 01/04/2016	$0.00
BELLE RIVER SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
BOWMANVILLE UNITED SC	Exclusive Uniform and Equipment Supply Agreement Dated 12/01/2014	$0.00
BRAMS UNITED GIRLS SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
COBOURG SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
D'AMICO, ANDREA	Athlete Endorsement Agreement	$0.00
D'AMICO, ANDREA	Consulting Agreement Dated 08/01/2015	$0.00
DUNDAS YOUTH SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
EAST GWILLIMBURY SC	Exclusive Uniform and Equipment Supply Agreement Dated 12/16/2014	$0.00
EAST LONDON SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
EAST YORK SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
ERIN MILLS SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 11/01/2014	$0.00
FLORIDA GULF COAST UNIVERSITY	Product Supply and Sponsorship Agreement Dated 6/20/2015	$0.00
GIOVINCO, SEBASTIAN	Athlete Endorsement Contract Dated 08/01/2015	$0.00
GIOVINCO, SEBASTIAN	Consulting Agreement Dated 08/01/2015	$0.00
GLEN SHIELDS FUTBOL CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2016	$0.00
HALDIMAND SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00

INNISFIL SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
LIPSCOMB UNIVERSITY	Product Supply and Sponsorship Agreement Dated 4/1/2016	$0.00
MEO HOLDINGS, INC.	Lease Agreement Dated 01/07/2012 plus Amendments	$0.00
MUSLIM YSL	Exclusive Uniform and Equipment Supply Agreement Dated 02/10/2016	$0.00
NORTH DURHAM UNITED FC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
OAKVILLE SOCCER CLUB INC.	Supply Agreement Dated 09/01/2014	$0.00
ORO-MEDONTE SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2014	$0.00
PASQUALIN D'AMICO PARTNERS	Executed Consulting Agreement with attached Stock Option agreement Dated 08/01/2015	$0.00
PICKERING SOCCER CLUB	Supply Agreement Dated 10/28/2013	$0.00
QUINTE WEST SOCCER CLUB	Supply Agreement Dated 10/01/2014	$0.00
SAULT YOUTH SOCCER LEAGUE	House League Supply Agreement Dated 01/25/2012	$0.00
SF DELTAS	Sponsorship Agreement Dated 6/30/2016	$0.00
SOUTH CALEDON SOCCER CLUB	Supply Agreement Dated 01/06/2015	$0.00
ST CATHARINES JETS GIRLS SOCCER CLUB	Supply Agreement Dated 02/28/2013	$0.00
STONEY CREEK MSA	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
THAMES CENTRE MSA	Exclusive Uniform and Equipment Supply Agreement Dated 03/14/2016	$0.00
THE DOFASCO MINOR SOCCER ASSOCIATION	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
TILLSONBURG MINORSOCCER ASSOC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2016	$0.00
TORONTO HIGH PARK FOOTBALL CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/29/2014	$0.00
UNC CHARLOTTE	Product Supply and Sponsorship Agreement Dated 7/1/2015	$0.00

UXBRIDGE SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
WELLAND SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 12/01/2015	$0.00
WHITBY IROQUOIS SOCCER CLUB	Supply Agreement Dated 09/26/2013	$0.00

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD ET. AL.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

INARIA APPROVAL AND VESTING ORDER

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Lawyers for the Applicants

TAB 4

~~Revised: January 21, 2014~~

Court File No. ~~——~~CV-16-11582-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

~~SUPERIOR COURT OF JUSTICE~~

~~COMMERCIAL LIST~~

THE HONOURABLE ~~——~~MR.	)	~~WEEKDAY~~●, THE ~~#~~●
	)	
JUSTICE ~~——~~NEWBOULD	)	DAY OF ~~MONTH~~JANUARY, ~~20YR~~2017

~~B E T W E E N:~~

~~PLAINTIFF~~

~~Plaintiff~~

~~- and -~~

~~DEFENDANT~~

~~Defendant~~

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD., 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.

(Applicants)

INARIA APPROVAL AND VESTING ORDER

THIS MOTION, made by ~~[RECEIVER'S NAME] in its capacity as the Court-appointed receiver (the "Receiver") of the undertaking, property and assets of [DEBTOR] (the "Debtor"~~the Applicants pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") for an order approving the sale transaction (the ~~"~~"**Transaction**~~"~~") contemplated by ~~an agreement of purchase and sale (the "Sale Agreement") between the Receiver and [NAME OF PURCHASER] (the "Purchaser") dated [DATE] and appended to the Report of the Receiver dated [DATE] (the "Report"), and vesting in the Purchaser~~the Asset Purchase Agreement (the "**Inaria APA**") between Bauer Performance Sports Uniforms Corp. and Bauer Performance Sports Uniforms Inc. (the "**Sellers**"), Saverio Michielli (the "**Owner**") and a corporation to be incorporated by the Owner (the "**Buyer**") made as of December 30, 2016, and vesting in the Buyer, the ~~Debtor's~~Sellers' right, title and interest in and to the ~~assets described in the Sale Agreement (the "~~Purchased Assets~~"~~ (as defined in the Inaria APA), was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the Affidavit of Brian J. Fox sworn January 3, 2016 and the Exhibits thereto, the Fifth Report of Ernst & Young Inc. ("**EY**") in its capacity as monitor (the "**Monitor**") to the Applicants dated January ●, 2017 and on hearing the submissions of counsel for the ~~Receiver, [NAMES OF OTHER PARTIES APPEARING]~~Applicants, the Monitor, on hearing the submissions of counsel for the Applicants, the Monitor, Sagard Capital Ltd., Fairfax Financial Holdings Limited, ABL DIP lenders and the Official Committee of Unsecured Creditors, the Official Committee of Equityholders of Performance Sports Group Ltd., no one appearing for any other ~~person on the service list,~~party although ~~properly~~duly served as appears from the affidavit of ~~[NAME] sworn [DATE]~~service of ●, filed~~[1]:~~.

DEFINITIONS

1. **THIS COURT ORDERS** that all capitalized terms not otherwise defined in this Order shall have the meaning ascribed to them in the Inaria APA.

SALE TRANSACTION

~~[1] This model order assumes that the time for service does not need to be abridged. The motion seeking a vesting order should be served on all persons having an economic interest in the Purchased Assets, unless circumstances warrant a different approach. Counsel should consider attaching the affidavit of service to this Order.~~

2. ~~1.~~ **THIS COURT ORDERS AND DECLARES** that the Transaction is hereby approved,~~[2]~~ and the execution of the ~~Sale Agreement~~Inaria APA by the ~~Receiver[3]~~Sellers is hereby authorized and approved, with such minor amendments as the ~~Receiver may deem necessary. The Receiver is~~Sellers and the Buyer, with the approval of the Monitor, may agree upon. The Sellers are hereby authorized and directed, and the Monitor is authorized and empowered, to take such additional steps and execute such additional documents as may be necessary or desirable for the completion of the Transaction and for the conveyance of the Purchased Assets to the ~~Purchaser.~~Buyer.

3. **THIS COURT ORDERS** that the Sellers are authorized and directed to perform their obligations under the Inaria APA and any ancillary documents related thereto.

4. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that upon the delivery of a ~~Receiver~~Monitor's certificate to the ~~Purchaser~~Buyer substantially in the form attached as Schedule A hereto (the ~~"Receiver'~~“**Monitor’s Certificate**~~"~~”), all of the ~~Debtor's~~Sellers’ right, title and interest in and to the Purchased Assets ~~described in the Sale Agreement [and listed on Schedule B hereto]~~[4] shall vest absolutely in the ~~Purchaser~~Buyer, free and clear of and from any and all ownership claims, security interests (whether contractual, statutory, or otherwise), hypothecs, mortgages, pledges, trusts, constructive trusts or deemed trusts (whether contractual, statutory, or otherwise), liens, executions, levies, charges, or other financial or monetary claims, whether or not they have attached or been perfected, registered or filed and whether secured, unsecured or otherwise (collectively, the ~~"~~“**Claims**~~"[5]~~”) including, without limiting the generality

---

~~[2] In some cases, notably where this Order may be relied upon for proceedings in the United States, a finding that the Transaction is commercially reasonable and in the best interests of the Debtor and its stakeholders may be necessary. Evidence should be filed to support such a finding, which finding may then be included in the Court's endorsement.~~

~~[3] In some cases, the Debtor will be the vendor under the Sale Agreement, or otherwise actively involved in the Transaction. In those cases, care should be taken to ensure that this Order authorizes either or both of the Debtor and the Receiver to execute and deliver documents, and take other steps.~~

~~[4] To allow this Order to be free standing (and not require reference to the Court record and/or the Sale Agreement), it may be preferable that the Purchased Assets be specifically described in a Schedule.~~

~~[5] The "Claims" being vested out may, in some cases, include ownership claims, where ownership is disputed and the dispute is brought to the attention of the Court. Such ownership claims would, in that case, still continue as against the net proceeds from the sale of the claimed asset. Similarly, other rights, titles or interests could also be vested out, if the Court is advised what rights are being affected, and the appropriate persons are served. It is the Subcommittee's view that a non-specific vesting out of "rights, titles and interests" is vague and therefore undesirable.~~

of the foregoing: ~~(i) any encumbrances or charges created by the Order of the Honourable Justice [NAME] dated [DATE]; (ii) all charges, security interests or claims evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system; and (iii) those Claims listed on Schedule C hereto (all of which are collectively referred to as the "Encumbrances", which term shall not include the permitted encumbrances, easements and restrictive covenants listed on Schedule D) and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.~~

~~3. THIS COURT ORDERS that upon the registration in the Land Registry Office for the [Registry Division of {LOCATION} of a Transfer/Deed of Land in the form prescribed by the *Land Registration Reform Act* duly executed by the Receiver][Land Titles Division of {LOCATION} of an Application for Vesting Order in the form prescribed by the *Land Titles Act* and/or the *Land Registration Reform Act*][6], the Land Registrar is hereby directed to enter the Purchaser as the owner of the subject real property identified in Schedule B hereto (the "Real Property") in fee simple, and is hereby directed to delete and expunge from title to the Real Property all of the Claims listed in Schedule C hereto.~~

(a) any encumbrances or charges created by the Initial Order of the Honourable Justice Newbould dated October 31, 2016 (as amended and restated), and any subsequent charges created by the Court;

(b) all security interests, hypothecs, mortgages, pledges, encumbrances, liens and charges, including those evidenced by registrations pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry in any provinces or territories in Canada, the United States or the Civil code of Québec (all of which are collectively referred to as the **"Encumbrances"**); and

(c) all Excluded Liabilities as defined under the Inaria APA;

and, for greater certainty, this Court orders that all of the Encumbrances affecting or relating to the Purchased Assets are hereby expunged and discharged as against the Purchased Assets.

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[6] ~~Elect the language appropriate to the land registry system (Registry vs. Land Titles).~~

5. ~~4.~~ **THIS COURT ORDERS** that ~~for the purposes of determining the nature and priority of Claims, the net proceeds[7] from the sale of the Purchased Assets shall stand in the place and stead of the Purchased Assets, and that from and after the delivery of the Receiver's Certificate all Claims and Encumbrances shall attach to the net proceeds from the sale of the Purchased Assets with the same priority as they had with respect to the Purchased Assets immediately prior to the sale[8], as if the Purchased Assets had not been sold and remained in the possession or control of the person having that possession or control immediately prior to the sale.~~ the Applicants shall be entitled to retain and use the funds making up the Purchase Price in the ordinary course or make payments, distributions, and disbursements from such funds, all in accordance with the Initial Order of this Court dated October 31, 2016, as amended and restated.

6. ~~5.~~ **THIS COURT ORDERS AND DIRECTS** the ~~Receiver~~Monitor to file with the Court a copy of the ~~Receiver'~~Monitor's Certificate, forthwith after delivery thereof.

7. **THIS COURT ORDERS** that the Buyer or the Monitor shall be authorized to take all steps as may be necessary to effect the discharge of the Claims and Encumbrances after completion of the Transaction.

8. ~~6.~~ **THIS COURT ORDERS** that, pursuant to clause 7(3)(c) of the ~~Canada~~ *Personal Information Protection and Electronic Documents Act* (Canada), the ~~Receiver is~~Sellers and the Monitor are authorized and permitted to disclose and transfer to the ~~Purchaser~~Buyer all human resources and payroll information in the ~~Company's~~Sellers' records pertaining to the ~~Debtor's~~Sellers' past and current employees~~, including personal information of those employees listed on Schedule "●" to the Sale Agreement.~~. The ~~Purchaser~~Buyer shall maintain and protect the privacy of such information and shall be entitled to use the personal information provided to it in a manner which is in all material respects identical to the prior use of such information by the ~~Debtor~~Sellers.

~~[7] The Report should identify the disposition costs and any other costs which should be paid from the gross sale proceeds, to arrive at "net proceeds".~~

~~[8] This provision crystallizes the date as of which the Claims will be determined. If a sale occurs early in the insolvency process, or potentially secured claimants may not have had the time or the ability to register or perfect proper claims prior to the sale, this provision may not be appropriate, and should be amended to remove this crystallization concept.~~

9. **THIS COURT ORDERS** that for seven (7) years following the Closing Date, the Owner and Buyer shall, and shall cause the Buyer's employees to, retain all books, records and other documents pertaining to the Business in existence on the Closing Date, unless an extension is required by applicable law, and shall make the same available for inspection and copying by the Applicants and their successors and assigns (including any regulatory agency designated by the Applicants or a trustee-in-bankruptcy or another liquidating trustee overseeing the liquidation of the Applicants or any part of them) for any reasonable business purpose during normal business hours upon reasonable request and upon reasonable notice, in each case at such party's own expense. For purposes hereof, a reasonable business purpose includes, among other things, investigations by the United States Securities and Exchange Commission or the Ontario Securities Commission and the defense or prosecution of claims by the Applicants after the Closing Date. In addition, the Buyer shall, and shall cause its employees to, retain all books, records and other documents within the scope of the document hold dated June 3, 2016 instituted by the Applicants for as long as necessary to carry out the purpose of such document hold.

10. ~~7.~~ **THIS COURT ORDERS** that, notwithstanding:

(a) the pendency of these proceedings;

(b) any applications for a bankruptcy order now or hereafter issued pursuant to the *Bankruptcy and Insolvency Act* (Canada) in respect of the ~~Debtor~~Sellers and any bankruptcy order issued pursuant to any such applications; and

(c) any assignment in bankruptcy made in respect of the ~~Debtor~~Sellers;

the vesting of the Purchased Assets in the ~~Purchaser~~Buyer and payments, distributions, and disbursements made pursuant to this Order shall be binding on any trustee in bankruptcy that may be appointed in respect of the ~~Debtor~~Sellers and shall not be void or voidable by creditors of the ~~Debtor~~Sellers, nor shall it constitute nor be deemed to be a fraudulent preference, assignment, fraudulent conveyance, transfer at undervalue, or other reviewable transaction under the *Bankruptcy and Insolvency Act* (Canada) or any other applicable federal or provincial legislation, nor shall it constitute oppressive or unfairly prejudicial conduct pursuant to any applicable federal or provincial legislation.

11. ~~8.~~ **THIS COURT ORDERS AND DECLARES** that the Transaction is exempt from the application of the *Bulk Sales Act* (Ontario).

ASSIGNMENT OF AGREEMENTS

12. **THIS COURT ORDERS** that upon delivery of the Monitor's Certificate all of the rights and obligations of the Sellers under the Assumed Contracts which are set out in Schedule "B" hereto shall be assigned to the Buyer pursuant to section 1.01(g) of the Inaria APA and pursuant to section 11.3 of the CCAA.

13. **THIS COURT ORDERS** that, with respect to the Lease, upon delivery of the Monitor's Certificate, the Buyer shall be entitled to all of the rights and benefits and subject to all of the obligations as tenant pursuant to the terms of the Lease for the period commencing from and after the delivery of such Monitor's Certificate and may enter into and upon and hold and have quiet enjoyment of the premise that is the subject of the Lease and, if applicable, any renewals thereof, for its own use and benefit, all in accordance with the terms of the Lease, without any interruption from the Sellers, the landlord under the Lease or any person whomsoever claiming through or under any of the Sellers or the landlords under the Lease.

14. **THIS COURT ORDERS** that the assignment to the Buyer of the rights and obligations of the Sellers under the Assumed Contracts to the Buyer, pursuant to the CCAA and this Order is valid and binding upon all of the counterparties to the Assumed Contracts notwithstanding any restriction or prohibition contained in any such Assumed Contracts relating to the assignment thereof, including any provision requiring the consent of any party to the assignment.

15. **THIS COURT ORDERS** that the Sellers' right, title and interest in the Assumed Contracts shall vest absolutely in the Buyer free and clear of all Encumbrances.

16. **THIS COURT ORDERS** that each counterparty to the Assumed Contracts is prohibited from exercising any right or remedy under the Assumed Contracts by reason of any defaults thereunder arising from the assignment of the Assumed Contracts, the insolvency of the Sellers, the commencement of these CCAA proceedings, or any failure of the Sellers to perform a non-monetary obligation under the Assumed Contracts.

17. **THIS COURT ORDERS** that the cure costs of the Assumed Contracts ("**Cure Costs**") shall be in amounts set out in Schedule "B" hereto and that upon Closing, the Buyer shall assume the obligation to pay Cure Costs in accordance with the Inaria APA, and shall pay such Cure Costs in full and final satisfaction of Cure Costs owing to the counterparty to the applicable Assumed Contract, by no later than the Closing Date provided the Buyer receives wire remittance instructions or other payment instructions from such counterparty by that date.

18. **THIS COURT DIRECTS** the Sellers to send a copy of this Order to all of the counterparties of the Assumed Contracts as soon as practicable.

GENERAL

19. ~~9.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the ~~Receiver and its~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Receiver~~Applicants and the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the ~~Receiver and its~~Applicants and the Monitor and their respective agents in carrying out the terms of this Order.

____

Schedule A – Form of ~~Receiver~~Monitor's Certificate

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

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF 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.

~~B E T W E E N:~~

~~**PLAINTIFF**~~

~~Plaintiff~~

~~and~~

~~**DEFENDANT**~~

~~Defendant~~

~~RECEIVER'S~~MONITOR CERTIFICATE

RECITALS

A. Pursuant to an Order of the Honourable ~~[NAME OF JUDGE]~~Justice Newbould of the Ontario Superior Court of Justice (the ~~"~~"**Court**~~"~~") dated ~~[DATE OF ORDER], [NAME OF RECEIVER]~~October 31, 2016, Ernst & Young Inc. was appointed as the ~~receiver~~Monitor (the ~~"Receiver"~~"**Monitor**") of the undertaking, property and assets of ~~[DEBTOR] (the "Debtor")~~Applicants.

B. Pursuant to an Order of the Court dated ~~[DATE]~~January 23, 2017 (the "**Inaria Approval and Vesting Order**"), the Court approved the ~~agreement of purchase and sale made as of [DATE OF AGREEMENT] (the "Sale Agreement") between the Receiver [Debtor] and [NAME OF PURCHASER] (the "Purchaser"~~asset purchase agreement dated December 30, 2016 (the "**Inaria APA**") between Bauer Performance Sports Uniforms Corp. and Bauer Performance Sports Uniforms Inc. (collectively, the "**Sellers**"), Saverio Michielli (the "**Owner**") and a corporation to be incorporated by the Owner (the "**Buyer**"), approved the sale transaction contemplated therein (the "**Transaction**") and provided for the vesting in the ~~Purchaser~~Buyer of the ~~Debtor's~~Sellers' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the ~~Receiver~~Monitor to the ~~Purchaser~~Buyer of a certificate confirming (i) the payment by the ~~Purchaser~~Buyer of the Purchase Price for the Purchased Assets; (ii) that the conditions to Closing as set out in section ~~•~~2.01 of the ~~Sale Agreement~~Inaria APA have been satisfied or waived by the ~~Receiver~~Sellers and the ~~Purchaser~~Buyer; and (iii) the Transaction has been completed to the satisfaction of the ~~Receiver~~Monitor.

C. Pursuant to the Inaria Approval and Vesting Order, the Monitor may rely on written notice from the Sellers and the Buyer regarding fulfillment of conditions to closing under the Inaria APA.

D. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the ~~Sale Agreement~~Inaria APA.

THE ~~RECEIVER~~MONITOR CERTIFIES the following:

1. The ~~Purchaser~~Sellers and the Buyer have each delivered written notice to the Monitor that all applicable conditions under the Inaria APA have been satisfied and/or waived, as applicable;

2. The Buyer has paid and the ~~Receiver has~~Sellers have received the Purchase Price for the Purchased Assets payable on or prior to the Closing Date pursuant to the ~~Sale Agreement~~Inaria APA;

~~2. The conditions to Closing as set out in section ● of the Sale Agreement have been satisfied or waived by the Receiver and the Purchaser; and~~

3. The Transaction has been completed to the satisfaction of the ~~Receiver.~~Monitor; and

4. This Certificate was delivered by the ~~Receiver~~Monitor at ________ [TIME] on _______ [DATE].

~~[NAME OF RECEIVER]~~Ernst & Young Inc., in its capacity as ~~Receiver~~Monitor of the ~~undertaking, property and assets of [DEBTOR]~~Applicants, and not in its personal or corporate capacity

Per: ________________________________

Name:

Title:

Schedule B – ~~Purchased Assets~~Assumed Contracts

~~Schedule C – Claims to be deleted and expunged from title to Real Property~~

~~**Schedule D – Permitted Encumbrances, Easements and Restrictive Covenants related to the Real Property**~~

~~**(unaffected by the Vesting Order)**~~

Counter Party	**Contract Name**	**Cure Costs**
ADECCO EMPLOYMENT SERVICE LIMITED	Staffing Supplier Agreement Dated 02/25/2016	$1,921.00
AMAZON.COM	Freight & Buying Agreement Dated 10/01/2014	$0.00
AURORA YOUTH SOCCER CLUB	Exclusive Uniform and Equipment Agreement Dated 01/04/2016	$0.00
BELLE RIVER SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
BOWMANVILLE UNITED SC	Exclusive Uniform and Equipment Supply Agreement Dated 12/01/2014	$0.00
BRAMS UNITED GIRLS SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
COBOURG SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
D'AMICO, ANDREA	Athlete Endorsement Agreement	$0.00
D'AMICO, ANDREA	Consulting Agreement Dated 08/01/2015	$0.00
DUNDAS YOUTH SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
EAST GWILLIMBURY SC	Exclusive Uniform and Equipment Supply Agreement Dated 12/16/2014	$0.00
EAST LONDON SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
EAST YORK SC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
ERIN MILLS SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 11/01/2014	$0.00
FLORIDA GULF COAST UNIVERSITY	Product Supply and Sponsorship Agreement Dated 6/20/2015	$0.00
GIOVINCO, SEBASTIAN	Athlete Endorsement Contract Dated 08/01/2015	$0.00
GIOVINCO, SEBASTIAN	Consulting Agreement Dated 08/01/2015	$0.00

GLEN SHIELDS FUTBOL CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2016	$0.00
HALDIMAND SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
INNISFIL SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
LIPSCOMB UNIVERSITY	Product Supply and Sponsorship Agreement Dated 4/1/2016	$0.00
MEO HOLDINGS, INC.	Lease Agreement Dated 01/07/2012 plus Amendments	$0.00
MUSLIM YSL	Exclusive Uniform and Equipment Supply Agreement Dated 02/10/2016	$0.00
NORTH DURHAM UNITED FC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
OAKVILLE SOCCER CLUB INC.	Supply Agreement Dated 09/01/2014	$0.00
ORO-MEDONTE SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2014	$0.00
PASQUALIN D'AMICO PARTNERS	Executed Consulting Agreement with attached Stock Option agreement Dated 08/01/2015	$0.00
PICKERING SOCCER CLUB	Supply Agreement Dated 10/28/2013	$0.00
QUINTE WEST SOCCER CLUB	Supply Agreement Dated 10/01/2014	$0.00
SAULT YOUTH SOCCER LEAGUE	House League Supply Agreement Dated 01/25/2012	$0.00
SF DELTAS	Sponsorship Agreement Dated 6/30/2016	$0.00
SOUTH CALEDON SOCCER CLUB	Supply Agreement Dated 01/06/2015	$0.00
ST CATHARINES JETS GIRLS SOCCER CLUB	Supply Agreement Dated 02/28/2013	$0.00
STONEY CREEK MSA	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
THAMES CENTRE MSA	Exclusive Uniform and Equipment Supply Agreement Dated 03/14/2016	$0.00
THE DOFASCO MINOR SOCCER ASSOCIATION	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
TILLSONBURG MINORSOCCER ASSOC	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2016	$0.00

TORONTO HIGH PARK FOOTBALL CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/29/2014	$0.00
UNC CHARLOTTE	Product Supply and Sponsorship Agreement Dated 7/1/2015	$0.00
UXBRIDGE SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 01/01/2015	$0.00
WELLAND SOCCER CLUB	Exclusive Uniform and Equipment Supply Agreement Dated 12/01/2015	$0.00
WHITBY IROQUOIS SOCCER CLUB	Supply Agreement Dated 09/26/2013	$0.00

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

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF PERFORMANCE SPORTS GROUP LTD. ET. AL.

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERICAL LIST

Proceeding commenced at Toronto

MOTION RECORD
(Returnable January 26, 2017)
(Re: Inaria Sale Approval)

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