PLEASE NOTE THAT THIS DISCLOSURE STATEMENT HAS NOT YET BEEN APPROVED BY THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE UNDER SECTION 1125 OF THE BANKRUPTCY CODE OR THE ONTARIO SUPERIOR COURT OF JUSTICE UNDER THE *COMPANIES' CREDITORS ARRANGEMENT ACT*. FOR USE IN THE SOLICITATION OF ACCEPTANCES OF THE CHAPTER 11 PLAN DESCRIBED HEREIN. ACCORDINGLY, THE FILING AND DISTRIBUTION OF THIS DISCLOSURE STATEMENT IS NOT, IS NOT INTENDED AS, AND SHOULD NOT BE CONSTRUED, AS, A SOLICITATION OF ACCEPTANCES OF SUCH PLAN. THE INFORMATION CONTAINED HEREIN SHOULD NOT BE RELIED UPON FOR ANY PURPOSE BEFORE A DETERMINATION BY THE BANKRUPTCY COURT THAT THIS DISCLOSURE STATEMENT CONTAINS "ADEQUATE INFORMATION" WITHIN THE MEANING OF SECTION 1125 OF THE BANKRUPTCY CODE.

In re:	)	Chapter 11
	)	
OLD BPSUSH INC., *et al*.,	)	Case No. 16-12373 (KJC)
	)	
Debtors.[1]	)	(Jointly Administered)
	)	

DISCLOSURE STATEMENT WITH RESPECT TO JOINT CHAPTER 11 PLAN OF LIQUIDATION OF OLD BPSUSH INC. AND ITS AFFILIATED DEBTORS

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Dated: August 25, 2017

[1] The Debtors in these cases, along with the last four digits of each Debtor's federal tax identification number, are: Old BPSUSH Inc. (f/k/a BPS US Holdings Inc.) (8341); Old BH Inc. (f/k/a Bauer Hockey, Inc.) (3094); Old EBS Inc. (f/k/a Easton Baseball / Softball Inc.) (5670); Old BHR Inc. (f/k/a Bauer Hockey Retail Inc.) (6663); Old BPSU Inc. (f/k/a Bauer Performance Sports Uniforms Inc.) (1095); Old PLG Inc. (f/k/a Performance Lacrosse Group Inc.) (4200); Old BPSCI Inc. (f/k/a BPS Diamond Sports Inc.) (5909); Old PSGI Inc. (f/k/a PSG Innovation Inc.) (9408); Old BHR Wind-down Corp. (f/k/a Bauer Hockey Retail Corp.) (1899); Old EBS Wind-down Corp. (f/k/a Easton Baseball / Softball Corp.) (4068); Old PSGI Wind-down Corp. (f/k/a PSG Innovation Corp.) (2165); Old BPSDS Wind-down Corp. (f/k/a BPS Diamond Sports Corp.) (8049); Old BPSU Wind-down Corp. (f/k/a Bauer Performance Sports Uniforms Corp.) (2203); Old PLG Wind-down Corp. (f/k/a Performance Lacrosse Group Corp.) (1249); and Old PSG Wind-down Ltd. (f/k/a Performance Sports Group Ltd. (1514), and also representing the estates of the Debtors formerly known as KBAU Holdings Canada, Inc., Bauer Hockey Corp., and BPS Canada Intermediate Corp., respectively). The Debtors' mailing address is 666 Burrard Street, Suite 1700, Vancouver, British Columbia, Canada, V6C 2X8.

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EXHIBITS TO DISCLOSURE STATEMENT	
Exhibit 1	List of Debtors

Exhibit 2	Plan
Exhibit 3	Prepetition Corporate Organizational Chart
Exhibit 4	Liquidation Analysis
Exhibit 5	Disclosure Statement Order (without exhibits)

RECOMMENDATION BY DEBTORS, OFFICIAL CREDITORS COMMITTEE AND OFFICIAL EQUITY COMMITTEE; SUPPORT OF THE MONITOR

THE DEBTORS RECOMMEND THAT ALL HOLDERS OF GENERAL UNSECURED CLAIMS AND PARENT EQUITY INTERESTS RECEIVING A BALLOT VOTE IN FAVOR OF THE PLAN.

THE CREDITORS COMMITTEE AND THE EQUITY COMMITTEE SUPPORT THE PLAN AND ALSO RECOMMEND THAT ALL HOLDERS OF GENERAL UNSECURED CLAIMS AND PARENT EQUITY INTERESTS RECEIVING A BALLOT VOTE IN FAVOR OF THE PLAN.

THE MONITOR WILL PREPARE A REPORT TO THE CANADIAN COURT OUTLINING ITS SUPPORT OF THE PLAN BASED ON THE MONITOR'S OWN ANALYSIS AND CONCLUSIONS, SUBJECT TO THE DISCLAIMERS THAT WILL BE OUTLINED THEREIN.

DISCLAIMER

THE DEBTORS ARE PROVIDING THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR THE JOINT CHAPTER 11 PLAN OF LIQUIDATION OF OLD BPSUSH INC. AND ITS AFFILIATED DEBTORS TO HOLDERS OF CLAIMS AND EQUITY INTERESTS FOR PURPOSES OF SOLICITING VOTES TO ACCEPT OR REJECT THE PLAN. YOU SHOULD NOT RELY UPON OR USE THE INFORMATION IN THIS DISCLOSURE STATEMENT FOR ANY OTHER PURPOSE. THIS DISCLOSURE STATEMENT HAS BEEN PREPARED PURSUANT TO SECTION 1125 OF THE BANKRUPTCY CODE AND BANKRUPTCY RULE 3016(B) AND IS NOT NECESSARILY IN ACCORDANCE WITH FEDERAL, STATE OR PROVINCIAL SECURITIES LAWS OR OTHER SIMILAR LAWS, INCLUDING SECURITIES LAWS APPLICABLE IN CANADA AND THE UNITED STATES.

THIS DISCLOSURE STATEMENT WAS NOT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN EACH OF THE PROVINCES AND TERRITORIES OF CANADA (THE "CANADIAN SECURITIES REGULATORS") OR ANY STATE OR PROVINCIAL AUTHORITY AND NONE OF THE SECURITIES AND EXCHANGE COMMISSION, THE CANADIAN SECURITIES REGULATORS, OR ANY, FEDERAL, STATE OR PROVINCIAL AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS DISCLOSURE STATEMENT OR UPON THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT INCLUDES FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF APPLICABLE SECURITIES LAWS INCLUDING WITH RESPECT TO IMPLEMENTATION AND CONSUMMATION OF THE PLAN, APPROVAL OF THE INITIAL CCAA APPROVAL ORDER BY THE CANADIAN COURT, RECOVERY AND DISTRIBUTION ESTIMATES, TIMING AND AMOUNT OF

ACTUAL RECOVERIES AND DISTRIBUTIONS, ANTICIPATED TAX CONSEQUENCES, TIMING OF CONSUMMATION OF THE PLAN AND THE CCAA APPROVAL ORDER, MATTERS CONTEMPLATED IN THE GLOBAL SETTLEMENT, TREATMENT OF THE SEC CLAIM, TREATMENT OF CERTAIN CLAIMS RELATED TO THE PARENT EQUITY INTERESTS (INCLUDING THE SECURITIES LAW CLAIMS) AND THE CREATION, OBLIGATIONS, POWERS AND FUNDING OF THE LIQUIDATION TRUST. THE WORDS "MAY,", "WILL", "WOULD", "SHOULD", "COULD", "EXPECTS," "PLANS", "INTENDS", "ANTICIPATES,", "TRENDS", "INDICATIONS", "ESTIMATES", "BELIEVES", "PREDICTS", "CONTINUES", "LIKELY" OR "POTENTIAL" OR THE NEGATIVE OR OTHER VARIATIONS OF THESE WORDS, OR OTHER COMPARABLE WORDS OR PHRASES, ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS.

FORWARD-LOOKING STATEMENTS, BY THEIR NATURE, ARE BASED ON ASSUMPTIONS, EXPECTATIONS, ESTIMATES AND PROJECTIONS, WHICH, ALTHOUGH, CONSIDERED REASONABLE BY THE DEBTORS AT THE TIME OF PREPARATION OF SUCH DISCLOSURE, MAY PROVE TO BE INCORRECT, AND ARE SUBJECT TO IMPORTANT RISKS AND UNCERTAINTIES. THE MATERIAL RISK FACTORS INCLUDE, BUT ARE NOT LIMITED TO:

- ACCURACY OF FINANCIAL INFORMATION;
- CONFIRMATION OF THE PLAN OR THE CCAA APPROVAL ORDER;
- THE PLAN IS SUBJECT TO CONDITIONS PRECEDENT;
- NOT ALL VOTING CLASSES MAY ACCEPT THE PLAN AND THE DEBTORS' ABILITY TO CONFIRM THE PLAN WILL DEPEND ON MEETING THE "CRAMDOWN" STANDARD UNDER THE BANKRUPTCY CODE;
- IF THE PLAN OR AN ALTERNATIVE PLAN IS NOT CONFIRMED OR THE CCAA APPROVAL ORDER IS NOT GRANTED, THE DEBTORS COULD BE FORCED TO LIQUIDATE;
- UNDUE DELAY IN CONFIRMATION OR FAILURE TO CONFIRM THE PLAN OR TO OBTAIN CCAA APPROVAL MAY RESULT IN SUBSTANTIAL EXPENSES;
- THE BANKRUPTCY COURT MAY NOT DISALLOW THE PURPORTED SECURITIES CLASS ACTION CLAIM;
- ACTUAL RECOVERY OR DISTRIBUTION MAY DIFFER FROM ESTIMATED RECOVERY AND DISTRIBUTION;
- THE TREATMENT OF THE INDIVIDUAL SECURITIES DAMAGES CLAIM;
- TREATMENT OF THE SEC CLAIM;

- DELAYS OF CONFIRMATION OR EFFECTIVE DATE;
- THE CANADIAN COURT MAY NOT ISSUE THE CCAA APPROVAL ORDER NOTWITHSTANDING CONFIRMATION OF THE PLAN BY THE BANKRUPTCY COURT;
- BANKRUPTCY RELATED CONSIDERATIONS;
- RETAINED CAUSES OF ACTION MAY HAVE NO VALUE;
- NO DUTY TO UPDATE THIS DISCLOSURE STATEMENT;
- THE LIQUIDATION TRUST BENEFICIAL INTERESTS MAY NOT BE EXEMPT FROM CERTAIN U.S. AND CANADIAN SECURITIES LAWS;
- NO REPRESENTATIONS OUTSIDE THIS DISCLOSURE STATEMENT ARE AUTHORIZED;
- NO LEGAL, BUSINESS, FINANCIAL OR TAX ADVICE IS BEING PROVIDED BY THIS DISCLOSURE STATEMENT TO ANY CREDITORS OR HOLDERS OF EQUITY INTERESTS;
- REGULATORY COMPLIANCE MATTERS;
- NEITHER OPTION FOR RECEIVING PLAN DISTRIBUTIONS MAY FAVORABLY AFFECT THE TAX OBLIGATIONS OF HOLDERS OF PARENT EQUITY INTERESTS;
- LIQUIDATION TRUST BENEFICIARIES MAY INCUR INCOME TAX LIABILITY REGARDLESS OF WHETHER CASH DISTRIBUTIONS ARE MADE BY THE LIQUIDATION TRUST;
- CLEARANCE CERTIFICATES AND COMFORT LETTER MATTERS;
- THE PLAN TRANSACTIONS MAY RESULT IN MATERIAL TAX LIABILITIES; AND
- TAX CONSEQUENCES FOR CANADIAN HOLDERS WHO ELECT OPTION 1 AND RECEIVE BENEFICIAL TRUST INTERESTS.

FURTHERMORE, UNLESS OTHERWISE STATED, THE FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DISCLOSURE STATEMENT ARE MADE AS OF THE DATE HEREOF, AND THE DEBTORS DO NOT INTEND AND UNDERTAKE NO OBLIGATION TO UPDATE OR REVISE ANY FORWARD-LOOKING STATEMENT, WHETHER AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE, EXCEPT AS REQUIRED BY APPLICABLE LAW.

NO LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVICE IS PROVIDED TO YOU BY THIS DISCLOSURE STATEMENT. THE DEBTORS URGE HOLDERS OF CLAIMS AND/OR EQUITY INTERESTS TO CONSULT WITH THEIR OWN LEGAL, FINANCIAL, SECURITIES, TAX OR BUSINESS ADVISORS IN REVIEWING THIS DISCLOSURE STATEMENT, THE PLAN, AND EACH OF THE PROPOSED TRANSACTIONS CONTEMPLATED THEREBY. FURTHERMORE, THE BANKRUPTCY COURT'S APPROVAL OF THE ADEQUACY OF DISCLOSURE CONTAINED IN THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE THE BANKRUPTCY COURT'S APPROVAL OF THE MERITS OF THE PLAN.

THIS DISCLOSURE STATEMENT DOES NOT CONSTITUTE, AND MAY NOT BE CONSTRUED AS, AN ADMISSION OF FACT, LIABILITY, STIPULATION OR WAIVER. RATHER, HOLDERS OF CLAIMS AND EQUITY INTERESTS AND OTHER ENTITIES SHOULD CONSTRUE THIS DISCLOSURE STATEMENT AS A STATEMENT MADE IN SETTLEMENT NEGOTIATIONS RELATED TO PENDING OR THREATENED LITIGATION OR ACTIONS.

NO RELIANCE SHOULD BE PLACED ON THE FACT THAT A PARTICULAR LITIGATION CLAIM OR PROJECTED OBJECTION TO A PARTICULAR CLAIM IS, OR IS NOT, IDENTIFIED IN THIS DISCLOSURE STATEMENT. THE LIQUIDATION TRUSTEE, THE REORGANIZED DEBTOR OR THE MONITOR MAY SEEK TO INVESTIGATE, FILE AND PROSECUTE CLAIMS AND MAY OBJECT TO CLAIMS AFTER THE EFFECTIVE DATE OF THE PLAN IRRESPECTIVE OF WHETHER THIS DISCLOSURE STATEMENT IDENTIFIES ANY SUCH CLAIMS OR OBJECTIONS TO CLAIMS. THE PLAN RESERVES FOR THE LIQUIDATION TRUSTEE AND THE REORGANIZED DEBTOR THE DISCRETION TO BRING RETAINED CAUSES OF ACTION (DEFINED IN THE PLAN) AGAINST ANY ENTITY OR PARTY IN INTEREST EXCEPT THOSE SPECIFICALLY RELEASED, ENJOINED, PREVIOUSLY RELEASED OR SOLD BY THE DEBTORS.

THE DEBTORS HAVE NOT ANALYZED THE VALUE OF OR MERITS OF ANY OF THE RETAINED CAUSES OF ACTION THAT MAY BE TRANSFERRED IN WHOLE OR IN PART TO THE LIQUIDATION TRUST. MOREOVER, UNDER ONTARIO, BRITISH COLUMBIA OR OTHER CANADIAN LAW, THE TRANSFER OF SUCH RETAINED CAUSES OF ACTION MIGHT ARGUABLY PROVIDE THE PUTATIVE DEFENDANTS WITH POTENTIAL DEFENSES OR POSITIONS THEY COULD NOT OTHERWISE HAVE ASSERTED.

THIS DISCLOSURE STATEMENT CONTAINS, AMONG OTHER THINGS, SUMMARIES OF THE PLAN, CERTAIN STATUTORY PROVISIONS, CERTAIN EVENTS IN THE DEBTORS' CHAPTER 11 CASES AND CCAA PROCEEDINGS AND CERTAIN DOCUMENTS RELATED TO THE PLAN THAT ARE ATTACHED HERETO AND INCORPORATED HEREIN BY REFERENCE. ALTHOUGH THE DEBTORS BELIEVE THAT THESE SUMMARIES ARE FAIR AND ACCURATE, THESE SUMMARIES ARE QUALIFIED IN THEIR ENTIRETY TO THE EXTENT THAT THE SUMMARIES DO NOT SET FORTH THE ENTIRE TEXT OF SUCH DOCUMENTS OR STATUTORY PROVISIONS OR EVERY DETAIL OF SUCH EVENTS. IN THE EVENT OF ANY

INCONSISTENCY OR DISCREPANCY BETWEEN A DESCRIPTION IN THIS DISCLOSURE STATEMENT AND THE TERMS AND PROVISIONS OF THE PLAN OR ANY OTHER DOCUMENTS INCORPORATED HEREIN BY REFERENCE, THE PLAN OR SUCH OTHER DOCUMENTS WILL GOVERN FOR ALL PURPOSES.

PRIOR TO DECIDING WHETHER AND HOW TO VOTE ON THE PLAN, EACH HOLDER OF A CLAIM OR EQUITY INTEREST IN A VOTING CLASS SHOULD REVIEW AND CONSIDER CAREFULLY ALL OF THE INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT, INCLUDING THE RISK FACTORS DESCRIBED IN GREATER DETAIL HEREIN, THE PLAN AND THE PLAN SUPPLEMENT. THIS DISCLOSURE STATEMENT IS NOT INTENDED TO REPLACE A CAREFUL AND DETAILED REVIEW AND ANALYSIS OF THE PLAN. THIS DISCLOSURE STATEMENT IS INTENDED TO AID AND SUPPLEMENT THAT REVIEW.

THE DEBTORS' MANAGEMENT, BOARD OF DIRECTORS, THE MONITOR AND FINANCIAL ADVISORS HAVE REVIEWED THE FINANCIAL INFORMATION PROVIDED IN THIS DISCLOSURE STATEMENT. ALTHOUGH THE DEBTORS HAVE USED THEIR REASONABLE BUSINESS JUDGMENT TO ENSURE THE ACCURACY OF THIS FINANCIAL INFORMATION, NO ENTITY HAS AUDITED THE FINANCIAL INFORMATION CONTAINED IN, OR INCORPORATED BY REFERENCE INTO, THIS DISCLOSURE STATEMENT.

THE DEBTORS ARE MAKING THE STATEMENTS AND PROVIDING THE FINANCIAL INFORMATION CONTAINED IN THIS DISCLOSURE STATEMENT AS OF THE DATE HEREOF, UNLESS OTHERWISE SPECIFICALLY NOTED. ALTHOUGH THE DEBTORS MAY SUBSEQUENTLY UPDATE THE INFORMATION IN THIS DISCLOSURE STATEMENT, THE DEBTORS HAVE NO AFFIRMATIVE DUTY OR OBLIGATION TO AND DO NOT UNDERTAKE TO OR ACCEPT ANY OBLIGATION TO DO SO EXCEPT AS REQUIRED BY APPLICABLE LAW. HOLDERS OF CLAIMS AND EQUITY INTERESTS REVIEWING THIS DISCLOSURE STATEMENT SHOULD NOT INFER THAT, AT THE TIME OF THEIR REVIEW, THE FACTS SET FORTH HEREIN HAVE NOT CHANGED SINCE THE FILING OF THIS DISCLOSURE STATEMENT. HOLDERS OF CLAIMS AND EQUITY INTERESTS ENTITLED TO VOTE TO ACCEPT OR REJECT THE PLAN MUST RELY ON THEIR OWN EVALUATION OF THE DEBTORS AND THEIR OWN ANALYSIS OF THE TERMS OF THE PLAN, INCLUDING ANY RISK FACTORS CITED HEREIN, IN DECIDING WHETHER TO VOTE TO ACCEPT OR REJECT THE PLAN.

THE DEBTORS HAVE NOT AUTHORIZED ANY ENTITY TO GIVE ANY INFORMATION ABOUT OR CONCERNING THE PLAN OTHER THAN THAT WHICH IS CONTAINED IN THIS DISCLOSURE STATEMENT. THE DEBTORS HAVE NOT AUTHORIZED ANY REPRESENTATIONS CONCERNING THE DEBTORS OR THE VALUE OF THEIR ASSETS OTHER THAN AS SET FORTH IN THIS DISCLOSURE STATEMENT.

VOTING DEADLINE

THE VOTING DEADLINE TO ACCEPT OR REJECT THE PLAN IS 5:00 P.M. (PREVAILING EASTERN TIME) ON [_____]. TO BE COUNTED, THE CLAIMS AND SOLICITATION AGENT MUST ACTUALLY RECEIVE YOUR BALLOT ON OR BEFORE THE VOTING DEADLINE.

CONFIRMATION HEARING AND DEADLINE TO OBJECT TO THE PLAN

THE HEARING TO CONSIDER CONFIRMATION OF THE PLAN HAS BEEN SCHEDULED FOR [_____] AT _____ (PREVAILING EASTERN TIME). OBJECTIONS TO CONFIRMATION OF THE PLAN MUST BE FILED (I) ON OR BEFORE [_____] AT 4:00 P.M. (PREVAILING EASTERN TIME), AND (II) IN ACCORDANCE WITH PARAGRAPH [_____] OF THE DISCLOSURE STATEMENT ORDER.

I. INTRODUCTION

Old BPSUSH Inc. and the other debtors and debtors in possession in the above-captioned cases and set forth on Exhibit 1 hereby transmit this Disclosure Statement pursuant to section 1125 of the Bankruptcy Code in connection with the Debtors' solicitation of votes (the "Solicitation") to confirm the *Joint Chapter 11 Plan of Liquidation of Old BPSUSH Inc. and Its Affiliated Debtors*, dated as of [_____] attached as Exhibit 2. The Debtors are the plan proponents within the meaning of section 1129 of the Bankruptcy Code.

All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan. To the extent that a definition of a term in this Disclosure Statement and the definition of such term in the Plan are inconsistent, the definition included in the Plan shall control and govern. **All references to currency or "$" in this Disclosure Statement are to U.S. dollars unless otherwise stated.**

Although referred to as a "joint" plan, the Plan comprises eighteen (18) separate Plans (one for each of the Debtors' Chapter 11 Cases). For purposes of this Disclosure Statement, the Debtors distinguish between the Plan as it relates to the Debtors' ultimate parent company, Old PSG Wind-down Ltd. (f/k/a Performance Sports Group Ltd.) (the "Parent Debtor" and the Parent Debtor's Plan, the "Parent Plan"), on the one hand, and the Plan as it relates to the remaining Debtors, all of which are direct or indirect subsidiaries of the Parent Debtor (collectively, the "Subsidiary Debtors" and the Subsidiary Debtors' Plans, the "Subsidiary Debtor Plans"), on the other.

The Plan rests on the Global Settlement of all disputes among the Debtors, the Creditors' Committee and the Equity Committee, a settlement that the Monitor is prepared to recommend to the Canadian Court for approval. The Global Settlement provides for, among other things: (a) the Payment in Full of all Allowed General Unsecured Claims without Post-Petition Interest (to the extent it would have been allowable); (b) the resolution of all disputes regarding the treatment of Intercompany Claims and Equity Interests; (c) the resolution of all disputes regarding allocation of value and the allocation of the Sale Proceeds among the Estates; and (d) the resolution of all disputes regarding potential substantive consolidation of the Debtors. The Monitor is prepared to recommend approving the Global Settlement in the CCAA Proceedings.

The Plan, along with the Global Settlement, if confirmed, provides for the successful completion of the Debtors' liquidation and distribution of approximately $[_____] million in remaining Sale Proceeds. Together with the contemplated CCAA Approval Order, the Plan treats Allowed Claims and Equity Interests as follows:

- Secured Claims. Full amount of Allowed Claim paid in Cash.
- Priority Claims. Full amount of Allowed Claim paid in Cash.
- General Unsecured Claims. Full amount of Allowed Claim paid in Cash.

- Intercompany Claims. Reinstated for purposes of facilitating intercompany transactions in accordance with the Global Settlement.

- Intercompany Equity Interests. Reinstated for purposes of facilitating intercompany dividends and distributions in accordance with the Global Settlement.

- Securities Law Claims. Will be disallowed prior to Confirmation (with respect to the Purported Securities Class Action Claim), reserved for under the Plan (with respect to the Individual Securities Damages Claim), and/or to the extent Allowed, subordinated pursuant to section 510(b) of the Bankruptcy Code.

- Parent Equity Interests. Will receive substantially all of the assets remaining in the Estates after satisfaction of Creditor Claims and Wind-Down Expenses, including remaining Cash and Retained Causes of Action.

To provide Holders of Parent Equity Interests with options to address the differential tax treatment of receiving Plan distributions in the United States and Canada, the Plan gives the Holders of Parent Equity Interests two options. As described in more detail below, Holders of Parent Equity Interests can either (i) exchange their Parent Equity Interests into beneficial trust interests (and the right to receive their Pro Rata share of any other Shareholder Distributable Assets) and receive distributions from the Liquidation Trust on account of such interests ("Option 1"), or (ii) retain their Parent Equity Interests, and receive distributions from the Reorganized Parent Debtor on account of such interests ("Option 2"). *See* "Risk Factors" section of this Disclosure Statement.

Throughout the Chapter 11 Cases, the Debtors have worked cooperatively with their regulators, including the SEC. At this time, there is no resolution of the SEC Claim and the treatment of the SEC Claim remains to be determined. There can be no certainty as to the results of the discussions with the SEC and the Plan and this Disclosure Statement may need to be revised, as appropriate, to reflect the status of discussions with the SEC or any resolution, or lack thereof, of the SEC Claim.

On [_____], 2017 the Bankruptcy Court (i) entered an order approving this Disclosure Statement (the "Disclosure Statement Order") as containing "adequate information" under section 1125 of the Bankruptcy Code to enable a hypothetical, reasonable investor typical of the Holders of Claims against and Equity Interests in the Debtors to make an informed judgment as to whether to accept or reject the Plan, and (ii) authorized the Debtors to use this Disclosure Statement in connection with the Solicitation.

APPROVAL OF THIS DISCLOSURE STATEMENT DOES NOT, HOWEVER, CONSTITUTE A DETERMINATION BY THE BANKRUPTCY COURT OR THE CANADIAN COURT AS TO THE FAIRNESS OR MERITS OF THE PLAN.

The Disclosure Statement Order sets forth in detail the deadlines, procedures and instructions for voting to accept or reject the Plan and for filing objections to confirmation of the

Plan, the record date for voting purposes, and the applicable standards for tabulating Ballots. In addition, detailed voting instructions accompany each Ballot. Each Holder of a Claim or Equity Interest entitled to vote on the Plan should read this Disclosure Statement (including the Exhibits hereto), the Plan, the Disclosure Statement Order and the instructions accompanying their Ballot in their entirety before voting on the Plan. No solicitation of votes may be made except pursuant to the Disclosure Statement Order, this Disclosure Statement and section 1125 of the Bankruptcy Code. In voting on the Plan, Holders of Claims entitled to vote should not rely on any information relating to the Debtors and their businesses other than the information contained in or incorporated by reference into this Disclosure Statement, the Plan and all exhibits hereto and thereto.

Additional copies of this Disclosure Statement can be accessed free of charge at https://cases.primeclerk.com/PSG. Additional copies of this Disclosure Statement are also available free of charge upon request made to counsel for the Debtors, Young Conaway Stargatt & Taylor, LLP, Rodney Square, 1000 North King Street, Wilmington, Delaware 19801, Attention: Justin H. Rucki, Esq. and Shane M. Reil, Esq., (302) 571-6600 (phone) or (302) 571-1253 (facsimile).

II. VOTING REQUIREMENTS, ACCEPTANCE AND CONFIRMATION OF THE PLAN, AND OPT-OUT RELEASES

A. Parties in Interest Entitled to Vote

Pursuant to the Bankruptcy Code, only Classes of Claims and Equity Interests that are "impaired" (as defined in section 1124 of the Bankruptcy Code) under the Plan are entitled to vote to accept or reject the Plan. A Class is impaired if the legal, equitable or contractual rights to which the Claims or Equity Interests of that Class are modified by the Plan, other than by curing defaults and reinstating the debt. Classes of Claims and Equity Interests that are not impaired are not entitled to vote on the Plan and are conclusively presumed to have accepted the Plan. In addition, Classes of Claims and Equity Interests that receive no distributions under the Plan are not entitled to vote on the Plan and are deemed to not have accepted the Plan.

B. Classes Impaired Under the Plan

The following Classes of Claims are or may be impaired under the Plan and are entitled to vote on the Plan (the "Voting Classes"):

CREDITORS AND EQUITY INTEREST HOLDERS ENTITLED TO VOTE	
Class	**Designation**
Subsidiary Debtors Class 3	General Unsecured Claims
Parent Debtor Class 4	General Unsecured Claims
Parent Debtor Class 7	Parent Equity Interests

Acceptances of the Plan are being solicited only from those Holders of Claims and Equity Interests in impaired Classes that will or may receive a distribution under the Plan. Accordingly,

the Debtors are soliciting acceptances from Holders of Claims in Subsidiary Debtors' Class 3, Parent Debtor Class 4, and Parent Equity Interests in Parent Debtor Class 7.

C. Voting Procedures and Requirements

IT IS IMPORTANT THAT HOLDERS OF IMPAIRED CLAIMS OR EQUITY INTERESTS ENTITLED TO VOTE ON THE PLAN VOTE TO ACCEPT OR REJECT THE PLAN. IF YOU HOLD CLAIMS IN MORE THAN ONE CLASS, YOU MAY RECEIVE MORE THAN ONE BALLOT. YOU SHOULD COMPLETE, SIGN AND RETURN EACH BALLOT YOU RECEIVE.

1. Ballots

In voting to accept or reject the Plan, please use only the Ballot or Ballots sent to you with this Disclosure Statement. If you are a member of a Voting Class and did not receive a Ballot, if your Ballot is damaged or lost or if you have any questions concerning voting procedures, please contact the Claims and Solicitation Agent, Prime Clerk LLC, **by phone at: (855)-631-5352, or by email at: psgballots@primeclerk.com**. Each Ballot enclosed with this Disclosure Statement has been encoded with the amount of your Claim for voting purposes and the Class in which your Claim has been classified. If your Claim is a Disputed Claim this amount may not be the amount ultimately allowed for purposes of distributions under the Plan. **PLEASE FOLLOW THE DIRECTIONS CONTAINED ON THE ENCLOSED BALLOT CAREFULLY.**

2. Returning Ballots

IF YOU ARE A HOLDER OF A SUBSIDIARY DEBTOR CLASS 3 CLAIM, A PARENT DEBTOR CLASS 4 CLAIM, OR OF PARENT DEBTOR CLASS 7 EQUITY INTERESTS, AND THUS ENTITLED TO VOTE, YOU SHOULD COMPLETE AND SIGN YOUR BALLOT AND RETURN IT IN THE ENCLOSED ENVELOPE VIA FIRST CLASS MAIL, OVERNIGHT COURIER OR HAND DELIVERY TO:

PSG Ballot Processing
c/o Prime Clerk, LLC
830 Third Avenue, 3rd Floor
New York, NY 10022

IF YOU HAVE ANY QUESTIONS ON THE PROCEDURES FOR VOTING ON THE PLAN, PLEASE CONTACT THE CLAIMS AND SOLICITATION AGENT BY PHONE AT: (855)-631-5352, OR BY EMAIL AT: psgballots@primeclerk.com

TO BE COUNTED, YOUR ORIGINAL BALLOT INDICATING ACCEPTANCE OR REJECTION OF THE PLAN MUST BE ACTUALLY RECEIVED BY THE CLAIMS AND SOLICITATION AGENT NO LATER THAN **5:00 P.M. (PREVAILING EASTERN TIME) ON [_____],** UNLESS EXTENDED BY THE DEBTORS. ALL BALLOTS MUST BE SIGNED AND MAY BE SENT VIA U.S. FIRST CLASS MAIL, OVERNIGHT COURIER OR HAND DELIVERY.

BALLOTS DELIVERED BY EMAIL OR FACSIMILE WILL NOT BE ACCEPTED.

Prior to deciding whether and how to vote on the Plan, and whether to make an election under the Plan, each Holder in a Voting Class should consider carefully all of the information in this Disclosure Statement. Parties should also consider the Plan Supplement, a supplemental appendix to the Plan to be filed by the Debtors at least five days prior to the Voting Deadline, which will contain, among other things and to the extent applicable under the Plan as of the Confirmation Date, draft forms or signed copies, or the material terms, as applicable, of the following: (a) the names of the Director(s) that will serve on the Board of Directors of each of the Debtors after the Effective Date; (b) the name of the Chief Wind-Down Officer selected as of the Effective Date; (c) the name of the Liquidation Trustee selected as of the Effective Date; (d) the names of the members of the Liquidation Trust Advisory Board; (e) the proposed form of the Liquidation Trust Agreement; (f) the vested restricted share units and deferred share units, including those identified in the Plan Supplement which are owing to the Debtors' directors but were not granted due to the stay of proceedings in the Chapter 11 Cases and the CCAA Proceedings; and (g) amendments, if any, to the Reorganized Parent Debtor's organizational documents to be made on the Effective Date to the extent necessary to implement the Plan. The documents contained in the Plan Supplement shall be approved by the Bankruptcy Court pursuant to the Confirmation Order. The CCAA Approval Order may also approve certain documents contained in the Plan Supplement. Holders of Claims and Equity Interests may inspect a copy of the Plan Supplement, once filed, in the Office of the Clerk of the Bankruptcy Court during normal business hours, or free of charge at https://cases.primeclerk.com/PSG/ and www.ey.com/ca/psg.

D. Opt-Out Releases

Holders of Claims in Subsidiary Debtors' Class 3 and Parent Debtor Class 4 who wish to opt-out of granting the releases provided in Article X.B of the Plan should check the appropriate box on their Ballot and return the Ballot to the Claims Agent so that it is received on or before the Voting Deadline.

Each Holder of an Unimpaired Claim who wishes to opt-out of granting the releases provided for in Article X.B of the Plan should check the appropriate box on the Opt-Out Notice to do so, and return the Ballot to the Claims Agent so that it is received on or before the Voting Deadline.

In both cases, the failure to do so timely will result in the Holders of the above referenced Claims granting the releases set forth in Article X.B of the Plan. Holders of Parent Equity Interests are not Releasing Parties and as a result are not providing any releases under the Plan.

E. Confirmation Hearing

Section 1128 of the Bankruptcy Code requires that the Bankruptcy Court, after notice, conduct a hearing with respect to whether the Plan and the Debtors have fulfilled the confirmation requirements of section 1129 of the Bankruptcy Code. The Confirmation Hearing has been scheduled for **[_____] at [_____] (prevailing Eastern Time)** before the

Honorable Kevin J. Carey, United States Bankruptcy Judge, United States Bankruptcy Court, 824 N. Market Street, 5th Floor, Courtroom No. 5, Wilmington, Delaware 19801. Objections, if any, to confirmation of the Plan must be served and filed so that they are received on or before **[_____], at 4:00 p.m. (prevailing Eastern Time)**, in the manner set forth in the Disclosure Statement Order. The Confirmation Hearing may be adjourned from time to time by the Bankruptcy Court without further notice.

F. **Canadian Approval Hearing**

The Plan requires that the Canadian Court conduct a joint hearing with the Confirmation Hearing to consider granting the CCAA Approval Order. The Canadian Approval Hearing has been scheduled for **[_____] at [_____] (prevailing Eastern Time)** before the Honorable the Honorable Justice Hainey on the 8th Floor of the Ontario Superior Court of Justice (Commercial List), 330 University Avenue, Toronto, Ontario M5G 1R7. The Canadian Approval Hearing may be postponed or adjourned from time to time by the Canadian Court without further notice.

G. **Acceptance or Rejection of the Plan**

1. Elimination of Vacant Classes

Any Class of Claims that does not have a Holder of an Allowed Claim or a Claim temporarily Allowed by the Court for voting purposes as of the date of the Confirmation Hearing shall be deemed eliminated from the Plan for purposes of voting to accept or reject the Plan and for purposes of determining acceptance or rejection of the Plan by such Class pursuant to section 1129(a)(8) of the Bankruptcy Code.

2. Special Provision Governing Unimpaired Claims

Nothing under the Plan shall affect the Debtors', Monitor's or Liquidation Trust's rights in respect of any Unimpaired Claims, including all rights in respect of legal and equitable defenses to or setoffs or recoupment against any such Unimpaired Claims.

3. Acceptance by an Impaired Class

In accordance with section 1126(c) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, Impaired Classes of Claims entitled to vote shall have accepted the Plan as to a Debtor if the Plan is accepted by the Holders of at least two-thirds (2/3) in dollar amount and more than one-half (1/2) in number of the Claims that have timely and properly voted to accept or reject the Plan.

In accordance with section 1126(d) of the Bankruptcy Code and except as provided in section 1126(e) of the Bankruptcy Code, Impaired Classes of Equity Interests entitled to vote under the Plan shall have accepted the Plan as to a Debtor if Holders of at least two-thirds (2/3) in number of the shares of Allowed Equity Interests that have timely and properly voted to accept or reject the Plan vote such shares to accept the Plan.

4. Nonconsensual Confirmation

The Debtors request confirmation under section 1129(b) of the Bankruptcy Code with respect to (a) any Impaired Class of Claims and Equity Interests that have not accepted the Plan in accordance with sections 1126 and 1129(a)(8) of the Bankruptcy Code, (b) any Class that is deemed to reject the Plan pursuant to section 1126(g) of the Bankruptcy Code, or that has voted to reject the Plan pursuant to sections 1126(c) or (d) of the Bankruptcy Code, and (c) who has not accepted or who has rejected the Plan under the terms of the Plan or otherwise. The Debtors reserve the right to amend or modify the Plan in accordance with Article XI.A of the Plan to the extent, if any, that Confirmation of the Plan pursuant to section 1129(b) of the Bankruptcy Code requires such amendment or modification.

5. Voting Classes; Presumed Acceptance by Non-Voting Classes

If a Class contains Claims eligible to vote and no Holders of Claims eligible to vote in such Class vote to accept or reject the Plan, the Plan shall be presumed accepted by the Holders of such Claims in such Class.

6. Intercompany Equity Interests

To the extent they are deemed Reinstated under the Plan, distributions on account of Intercompany Equity Interests are being Reinstated solely for the purpose of maintaining the existing corporate structure of the Debtors pending dissolution. For the avoidance of doubt, any interest in non-Debtor subsidiaries owned by a Debtor shall continue to be owned by the applicable Debtor pending dissolution.

III. THE GLOBAL SETTLEMENT

A. The Plan and CCAA Approval Order Effect a Global Settlement by and Among the Debtors and the Committees

Pursuant to sections 363 and 1123 of the Bankruptcy Code and Bankruptcy Rule 9019, in consideration of the classification, distributions, releases, and other benefits provided under the Plan and in accordance with the CCAA Approval Order, upon the Effective Date, the provisions of the Plan constitute a good faith compromise and settlement of all issues and controversies among the Debtors and the Committees. The Global Settlement provides for, among other things: (a) the Payment in Full of all Allowed General Unsecured Claims without Post-Petition Interest (to the extent it would have been allowable); (b) the resolution of all disputes regarding the treatment of Intercompany Claims and Equity Interests; (c) the resolution of all disputes regarding allocation of value among the Debtors and the allocation of the Sale Proceeds; and (d) the resolution of all disputes regarding substantive consolidation of the Debtors. The Monitor is prepared to recommend approving the Global Settlement in the CCAA Proceedings.

In accordance with the Global Settlement, none of the Debtors, Monitor or either of the Committees will dispute or object to the allocation of Sale Proceeds under the Plan or other Assets or the CCAA Approval Order, nor seek the substantive consolidation of any or all of the Debtors.

This Disclosure Statement and the Plan constitute a motion requesting that the Bankruptcy Court approve the Global Settlement provided for in the Plan. The Debtors also intend to bring a motion for the CCAA Approval Order which will request the Canadian Court to approve the Global Settlement. Unless an objection to the proposed Global Settlement is made in writing by any party adversely affected by the Global Settlement on or before the deadline to object to Confirmation of the Plan, the Global Settlement may be approved by the Bankruptcy Court at the Confirmation Hearing and the Canadian Court at the Canadian Approval Hearing. The entry of the Confirmation Order and CCAA Approval Order will constitute the Bankruptcy Court's and Canadian Court's approval of the compromise and settlement of all such Claims, Equity Interests, and controversies, as well as a finding by the Bankruptcy Court that the Global Settlement is in the best interests of the Debtors, their Estates, and holders of Claims and Equity Interests and that it is fair, equitable and within the range of reasonableness.

For the avoidance of doubt, to the extent that the Plan is not Confirmed, the Global Settlement is not approved by order of the Canadian Court, or the Effective Date does not occur, then the Global Settlement will be void *ab initio* in all respects, and the rights of the Debtors, Monitor and the Committees with respect to the subject matter of the Global Settlement will be preserved, including the right to seek confirmation of a Chapter 11 plan pursuant to Bankruptcy Code Section 1129(b) and right to seek sanctioning of a plan of compromise and arrangement under the CCAA. The following discusses some of the individual disputes that the Global Settlement resolves.

B. The Treatment of Intercompany Claims and Equity Interests

As noted above, the Global Settlement resolves all disputes about the treatment of Intercompany Claims and Equity Interests. Prior to the Petition Date, the Debtors engaged in numerous intercompany transactions including: (a) intercompany trade transactions; and (b) intercompany debt transactions.

More specifically, in the ordinary course of business, the Debtors regularly participated in ordinary course trade transactions between and among each other (the "Intercompany Trade Transactions"). The Intercompany Trade Transactions involved either shared services performed by one Debtor for the benefit of another which were billed on a "cost plus" basis using transfer pricing, or goods which were sold from one Debtor to another using "cost plus" transfer pricing. In the case of the Debtors' non-U.S. and non-Canadian subsidiaries (the "Foreign Affiliates"), the Intercompany Trade Transactions were made between the Foreign Affiliates and Bauer Hockey Corp. (which is referred to herein as "Bauer Canada" and which has since been amalgamated with Old PSG Wind-down Ltd., f/k/a Performance Sports Group Ltd., through the Corporate Restructuring as discussed further below). Bauer Canada sold its branded product globally through Bauer Hockey AB and Bauer Hockey GmbH, both of which acted as sales and marketing service providers by facilitating the sale of Bauer product to customers throughout Europe. These Foreign Affiliates charged on a "cost plus" basis for their sales and marketing services. The Intercompany Trade Transactions gave rise to numerous intercompany balances by and among the Debtors.

Similarly, prior to the Petition Date, the Debtors entered into a variety of intercompany loans by and among themselves, and with certain of the Foreign Affiliates (the "Intercompany

Debt Transactions" and together with the Intercompany Trade Transactions, the "Intercompany Transactions"). The Intercompany Debt Transactions were generally of two kinds: (a) intercompany notes entered into in connection with the Debtors' acquisition of the Easton Baseball/Softball Business from Easton-Bell Sports, Inc. in April 2014, for $330 million in cash, plus a net working capital adjustment of $21.7 million (the "Easton Baseball/Softball Acquisition"); and (b) notes reflecting borrowings by Bauer Canada or Bauer Hockey, Inc. (now known as Old BH Inc.) under the Debtors' prepetition secured ABL facility that were advanced to other Debtors. From time to time, the Debtors also entered into intermittent or ad-hoc Intercompany Debt Transactions related to intercompany asset transfers, inventory movement or similar ordinary course business transactions.

The Easton Baseball/Softball Acquisition generated material Intercompany Debt Transactions. The Debtors initially financed the Easton Baseball/Softball Acquisition, as well as refinanced certain existing indebtedness, with a $200 million secured asset-based revolving credit facility (the **"**Prepetition ABL Facility") and a $450 million secured term loan credit facility (the "Prepetition Term Loan Facility"). The Parent Debtor effected the Easton Baseball/Softball Acquisition through a U.S. incorporated acquisition vehicle. A portion of the proceeds from the Prepetition Term Loan Facility were advanced to the acquisition vehicle through a series of intercompany transfers documented with intercompany notes (the "Easton Notes"). As of the Petition Date, various Easton Notes in amounts up to $250 million were outstanding.

On June 25, 2014, the Debtors completed an underwritten initial public offering on the New York Stock Exchange ("NYSE") and a new issue of common shares of the Parent Debtor in Canada for net proceeds of approximately $119.5 million (the "U.S. IPO"), including the exercise in full of the over-allotment option. The Debtors used the net proceeds of the U.S. IPO to reduce leverage and repay approximately $119.5 million of the Term Loan Facility then outstanding, but did not, at the time, repay the Easton Notes.

In connection with the Sale, the Debtors, the Monitor and the Committees reserved all their rights to challenge the extent, validity and amount of the Intercompany Transactions, including the Easton Notes. *See* U.S. Sale Order at ¶ 12 ("Nothing in this Order, the Motion, the Purchase Agreement, the Seller Disclosure Letter, Transaction Documents, or related documents, agreements, instruments, schedules, or exhibits to the contrary shall impair the rights of any party in interest to seek to recharacterize, subordinate, or otherwise challenge the extent, validity and amount of Intercompany Indebtedness[.]").

The Global Settlement resolves any potential dispute by and among the Debtors, the Monitor and the Committees about these Intercompany Transactions including: (a) whether such transactions constitute true debt on the one hand, or equity contributions on the other; (b) whether payments made on account of such transactions are repayments of debt on the one hand, or dividends on equity on the other hand; (c) whether such transactions should be subordinated on equitable grounds or otherwise; and (d) whether any of the transactions were subject to avoidance as constructive fraudulent transfers or preferential payments under Chapter 5 of the Bankruptcy Code or applicable non-bankruptcy or Canadian law.

C. The Corporate Restructuring

To achieve tax efficiencies, the Canadian Debtors amalgamated certain of their legal entities and completed certain other intercompany transactions prior to closing of the Sale (collectively, the "Corporate Restructuring"). The amalgamation eliminated certain corporate distinctions between various of the Canadian Debtors. Although the amalgamation was not intended to have any negative effect on any Debtor's value, the ultimate effect of the Corporate Restructuring on tax savings was uncertain, and the allocation of tax savings, if any, to which Debtor was subject to dispute.

In connection with the Sale and the Corporate Restructuring, the Debtors, the Monitor and both of the Committees reserved all of their rights with respect to the impact of the Sale or Corporate Restructuring on allocation of value or Sale Proceeds to and among the Debtors' Estates. *See* U.S. Sale Order at ¶ 51 ("The Debtors agree that notwithstanding anything in the Motion, the Purchase Agreement, Transaction Documents, or related documents, agreements, instruments, schedules, or exhibits to the contrary, any allocation pursuant to the Transaction Documents of the net cash proceeds actually received by the Debtors at the closing of the Sale.. .will not be binding for purposes of distributions of the Sale Proceeds made to creditors or interest holders . . . in connection with the confirmation, approval or consummation of a plan of reorganization, a plan of liquidation, restructuring plans or a distribution motion . . . or for any related purposes, which Distribution Apportionment will be determined in accordance with such Plan or another order of either Court or other settlement agreement or stipulation."); Restructuring Transactions Order ¶ 12 ("All stakeholders (including creditors or holders of equity security interests) explicitly reserve and preserve their rights . . . with respect to the allocation or distribution of proceeds available for distribution pursuant to the Pre-Closing Reorganization, Pre-Reorganization Distribution Model, or other methodology, as the case may be[.]").

As discussed below, the Global Settlement resolves these reservations and any potential dispute by and among the Debtors, the Monitor and the Committees concerning the allocation of value among the Debtors, the appropriate distribution model to employ for Plan purposes, and the distributable value from any of the Debtors' Estates available for Creditors and Holders of a Parent Equity Interest (such Holders, collectively, the "Shareholders").

D. Substantive Consolidation

The Global Settlement resolves all disputes about whether the Debtors' Estates should be substantively consolidated. To satisfy the policies of reorganization, equality of distribution and equitable treatment of creditors, bankruptcy courts historically have sometimes exercised their equitable powers, in appropriate circumstances and subject to appropriate exceptions, to treat separate and distinct entities as a single entity for bankruptcy purposes, i.e., to "substantively consolidate" the entities. By treating separate entities as a single entity for bankruptcy purposes, substantive consolidation eliminates structural priority among stakeholders with claims at different or multiple entities within a corporate group. All of the corporate group's assets and liabilities are pooled, from which all creditors and shareholders receive distributions according to their legal priorities.

The Bankruptcy Court enjoys broad equitable powers. In the U.S. Third Circuit, in ordering substantive consolidation, courts must either find, with respect to the entities in question, that (a) prepetition, they disregarded their separateness "so significantly their creditors relied on the breakdown of entity borders and treated them as one legal entity," or (b) postpetition, "their assets and liabilities are so scrambled that separating them is prohibitive and hurts all creditors." *In re Owens Corning*, 419 F.3d 195 (3d Cir. 2005), *amended by* 2005 U.S. App. Lexis 18043 (Aug. 23, 2005), *rev'g*, 316 B.R. 168 (Bankr. D. Del. 2004), *cert. denied*, 547 U.S. 1123 (2006).

The Global Settlement resolves any potential dispute by and among the Debtors, the Monitor and the Committees about whether the Debtors' Estates should be substantively consolidated under the Plan.

E. Impact of the Global Settlement on Distributions to Creditors and Shareholders

As discussed above, the Global Settlement consensually resolves disputes regarding numerous complex, fact-dependent issues. Litigating these issues would require discovery and extended evidentiary hearings which would significantly escalate professional fees and expenses in the Chapter 11 Cases and the CCAA Proceedings. If the Global Settlement is not approved, the Committees and other parties in interest would be able to challenge the Debtors' proposed allocation, the treatment of Intercompany Transactions, the impact of the Corporate Restructuring and the other related matters discussed in this Disclosure Statement, such as substantive consolidation. The cost of litigating these issues would be significant, and the outcome of such litigation is uncertain.

Without the Global Settlement, Shareholders might be able to receive some distributions before all General Unsecured Claims are Paid in Full (assuming all Intercompany Claims are valid and enforceable), or alternatively, the cost of litigating the settled issues could deplete the Sale Proceeds such that some Creditors and all Shareholders would not receive any distribution at all. The table below estimates recoveries that Holders of General Unsecured Claims are expected to receive assuming the Global Settlement is approved compared to estimated recoveries that Creditors would receive in a Chapter 7 liquidation. The comparison demonstrates that Creditors at eleven (11) out of fifteen (15) of the Debtors at which Claims exist would receive 7% or less recovery on account of their Claims, significantly less than the 100% recovery provided for under the Global Settlement.

Holders of Parent Equity Interests are also expected to receive greater distributions if the Global Settlement is approved. Specifically, in the absence of the Global Settlement, litigation would be expected to consume a significant amount of the Estates' Cash at the expense of Holders of General Unsecured Claims and Parent Equity Interests. In addition, if the Global Settlement or an alternative agreement with the Committees and Monitor could not be achieved, the Chapter 11 Cases may be converted to Chapter 7 liquidations. No assurances could be made that Holders of Parent Equity Interests would receive any distributions in a Chapter 7 liquidation. In exchange for the benefits of the Global Settlement – which include reduced Cash burn and a clear exit strategy – the Equity Committee agreed to a re-allocation from the Parent Debtor's Estate to the other Debtors' Estates of approximately $2 million to $4 million in value. Notably,

this estimated reallocation of value assumes that the Bankruptcy Court and Canadian Court will enforce the validity of all Intercompany Claims as they currently exist, an outcome that is uncertain.

For these reasons, among others, the Debtors believe that the Global Settlement maximizes value for all stakeholders, minimizes the accrual of professional fees and administrative expenses, is fair and equitable, falls well within the range of reasonableness and should be approved by the Bankruptcy Court and Canadian Court.

	Chapter 7 Liquidation		**Global Settlement under Plan**	
DEBTOR ESTATE (Using Pre-Petition Names)	**Low**	**High**	**Low**	**High**
Performance Sports Group Ltd.	100%	100%	100%	100%
Bauer Hockey Corp.	3%	3%	100%	100%
Bauer Hockey, Inc.	100%	100%	100%	100%
BPS Diamond Sports Corp.	2%	3%	100%	100%
BPS Diamond Sports Inc.	3%	3%	100%	100%
BPS Uniforms Corp.	4%	4%	100%	100%
BPS Uniforms Inc.	0%	0%	100%	100%
Bauer Performance Lacrosse Inc.	21%	23%	100%	100%
Bauer Performance Lacrosse Corp.	7%	7%	100%	100%
Bauer Hockey Retail Inc.	4%	4%	100%	100%
Bauer Hockey Retail Corp.	N/A	N/A	N/A	N/A
PSG Innovation Inc.	0%	0%	100%	100%
PSG Innovation Corp.	6%	6%	100%	100%
Easton Baseball / Softball Inc.	5%	5%	100%	100%
Easton Baseball / Softball Corp.	4%	4%	100%	100%
BPS US Holdings Inc.	100%	100%	100%	100%
KBAU Holdings Canada, Inc.	N/A	N/A	N/A	N/A
BPS Canada Intermediate Corp.	N/A	N/A	N/A	N/A

IV. BUSINESS OVERVIEW; CORPORATE STRUCTURE; PREPETITION INDEBTEDNESS

A. Overview of the Debtors' Businesses and History

The Debtors formerly designed, developed, manufactured, marketed and sold performance sports equipment and accessories for ice hockey, roller hockey, lacrosse, baseball and softball, as well as related apparel, under the brand names of BAUER, EASTON, MISSION, MAVERIK, CASCADE, INARIA and COMBAT. Prepetition, the Debtors' global operations were headquartered in Exeter, New Hampshire.

The Debtors' customers included over 4,000 retailers across the globe and more than 60 international distributors. The Debtors sold 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; and (v) directly to hockey consumers through their owned and operated Own The Moment - Hockey Experience retail stores in the U.S.

B. **Corporate Structure**

As detailed in the organizational chart attached hereto as Exhibit 3, Old PSG Wind-down Ltd. (formerly known as Performance Sports Group Ltd.) is a holding company and the direct or indirect sole shareholder of each of the other Debtors. Prior to seeking bankruptcy protection, the common shares, of then-Performance Sports Group Ltd. was publicly listed for trading on the Toronto Stock Exchange and, following the U.S. IPO discussed above, the NYSE, in each case under the symbol "PSG." An initial public offering was completed in Canada on March 10, 2011 and the U.S. IPO was completed on June 25, 2014. The authorized share capital of Old PSG Wind-down Ltd. (formerly known as Performance Sports Group Ltd.) consists of an unlimited number of common shares without par value. As of October 28, 2016, 45,861,205 common shares were issued and outstanding. The Debtors understand that the common shares of Old PSG Wind-down Ltd. continue to trade in over-the-counter markets.

Prior to seeking bankruptcy protection, the Debtors operated their businesses through two primary subsidiaries of then-Performance Sports Group Ltd., one incorporated in Canada and one incorporated in the United States, respectively: KBAU Holdings Canada, Inc. (now amalgamated into Old PSG Wind-down Ltd. through the Corporate Restructuring) and BPS US Holdings Inc. (now Old BPSUSH Inc.). These two entities, in turn, functioned as holding companies for the Debtors' respective businesses in Canada and the United States. More specifically, KBAU Holdings Canada, Inc. was a holding company that held, directly or indirectly, the shares of the other Canadian Debtors and Foreign Affiliates, along with indirect interests in two U.S. entities: (i) an indirect 22.07% ownership interest in then-BPS US Holdings Inc. and (ii) a 100% indirect interest in then-PSG Innovation Inc. (now Old PSGI Inc.). Old BPSUSH Inc. (formerly known as BPS US Holdings Inc.) is a Delaware holding company that holds, directly or indirectly, the shares of the other U.S. Debtor subsidiaries.

The Debtors operated their businesses on an internationally coordinated basis, and were generally structured so that there was a Canadian and U.S. subsidiary for each major business line (*i.e.*, Hockey, Baseball/Softball, Lacrosse and Apparel). Each entity performed specific functions, many of which benefited other Debtors.

C. **Prepetition Indebtedness**

At the time they sought bankruptcy protection, the Debtors' primary funded debt obligations consisted of the $450 million Prepetition Term Loan Facility with approximately $332 million outstanding and the maximum $200 million revolving Prepetition ABL Facility with approximately $158.9 million outstanding, which, as discussed above, were entered into in

connection with the Easton Baseball/Softball Acquisition. As discussed below, the Prepetition Term Loan Facility and Prepetition ABL Facility have both since been repaid in full.

In addition to the Prepetition ABL Facility and Prepetition Term Loan Facility, the Debtors had entered into discrete equipment financings with certain parties, which parties retained a secured interest in such collateral, or were subject to other miscellaneous Secured Claims incurred in the ordinary course of business.

With respect to unsecured indebtedness, in the ordinary course of operating their business, the Debtors purchased goods and services from a large number of trade creditors, and owed in excess of $40 million to third-party trade creditors at the time they sought bankruptcy protection. Additionally, various Debtors were obligated to each other on account of the Intercompany Transactions discussed above. Further, certain Debtors were subject to litigation Claims related to the operation of their business.

V. EVENTS LEADING UP TO THE BANKRUPTCY PROCEEDINGS

The Debtors had been carrying a heavy debt load since the Easton Baseball/Softball Acquisition. The performance of the Debtors' business in fiscal 2016 to the Petition Date was significantly impacted by adverse market and economic conditions and related customer credit issues. The baseball/softball market experienced a significant downturn in retail sales across all product categories, but particularly in the Debtors' important bat category. This weakening of consumer demand, coupled with the Chapter 11 filing by one of the largest U.S. national sporting goods retailers and the bankruptcy of an internet baseball retailer, reduced the Debtors' sales with respect to baseball and softball products. The consolidation of hockey retailers in the U.S., and the bankruptcy of a key U.S. hockey customer, reduced customer demand for products as the Debtors' customers continued to reduce their inventory levels. The Debtors' results throughout fiscal 2016 to the Petition Date continued to be impacted negatively by foreign currency exchange rates, specifically, the depreciation of the Canadian dollar and other world currencies relative to the U.S. dollar.

On August 15, 2016, the Debtors announced that they would not file their Annual Report, including their annual audited financial statements for the fiscal year ended May 31, 2016, by the required filing date, and that the audit committee of the board of directors of Performance Sports Group Ltd. (the "Audit Committee") engaged independent legal counsel to conduct an internal investigation of Performance Sports Group Ltd.'s finalization of its financial statements and the related certification process. On August 17, 2016, Performance Sports Group Ltd. announced that it was the subject of inquiries by the SEC and Canadian Securities Regulators, including an investigation by the SEC. Previously, in May 2016, certain of the Debtors' shareholders commenced a class-action securities lawsuit against Performance Sports Group Ltd., alleging, among other things, that Performance Sports Group Ltd. made false or misleading statements and engaged in accounting manipulations, which lawsuit is discussed in greater detail below. Subsequently, on March 27, 2017, the Debtors' independent auditors, KPMG LLP, sent the Debtors a letter stating that KPMG was resigning as the Debtors' independent auditors effective immediately.

The Debtors' failure to file timely audited financial statements by August 28, 2016 resulted in a covenant default under their secured debt facilities. With no other source of liquidity, the Debtors negotiated an amendment to their secured credit facilities which provided an extension of time by which to file audited financials until October 28, 2016. The Debtors also commenced in a thorough review of strategic alternatives with the advice and guidance of experienced financial and legal advisors. Based upon that review and the consideration of the alternatives available to them, the Debtors concluded that entering into the Purchase Agreement for the going-concern sale of substantially all of the assets of the Debtors (the "Sale") to a group of investors led by Sagard Capital Partners, L.P. and Fairfax Financial Holdings Limited (collectively, the "Purchaser"), subject to a sales and auction process, was in the best interests of Performance Sports Group Ltd. and was the optimal course to maximize the value of the Debtors' assets for its stakeholders when compared to other available alternatives.

Accordingly, facing the expiration of the extension of their debt facility amendment on October 28, 2016, on October 31, 2016 (the "Petition Date") the Debtors filed voluntary petitions (collectively, the "Chapter 11 Cases") for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") and each also made an application for protection from their creditors under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA") with the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court,") commencing the Debtors' proceedings under the CCAA (the "CCAA Proceedings" and collectively with the Chapter 11 Cases, the "Bankruptcy Proceedings"). The Debtors commenced the Bankruptcy Proceedings to pursue a sale of their businesses at the highest and best value, as the status of the Debtors' debt facilities made an out-of-court sale impractical and such approach was determined not to be one that was in the best interests of Performance Sports Group Ltd. as it would not maximize the value of the Debtors' business.

For a more detailed description of the Debtors' prepetition operations and the events leading up to the commencement of the Chapter 11 Cases, please consult the Declaration of Brian J. Fox In Support of Debtors' Chapter 11 Petitions and First-Day Motions [Docket No. 15] which is incorporated herein by reference.

VI. ADMINISTRATION OF THE BANKRUPTCY PROCEEDINGS

A. Overview of Chapter 11

Chapter 11 is the principal business reorganization chapter of the Bankruptcy Code. In addition to permitting debtor rehabilitation, chapter 11 promotes equality of treatment for similarly situated holders of claims and equity interests, subject to the priority of distributions prescribed by the Bankruptcy Code.

The commencement of a chapter 11 case creates an estate that is comprised of all of the legal and equitable interests of the debtor as of the filing of a chapter 11 petition. The Bankruptcy Code provides that the debtor may continue to operate its business and remain in possession of its property as a "debtor in possession."

The consummation of a plan is the principal objective of a chapter 11 case. A plan sets forth the means for satisfying claims against and equity interests in a debtor. Confirmation of a

plan by the Bankruptcy Court makes the plan binding upon the debtor, any entity acquiring property under the plan, any holder of a claim against or equity interest in a debtor and all other entities as may be ordered by the Bankruptcy Court in accordance with the applicable provisions of the Bankruptcy Code. The order approving confirmation of a plan prohibits creditors and equity holders of a debtor from seeking to pursue claims and equity interests against or in a debtor except as provided for in the confirmed plan.

Pursuant to section 1125 of the Bankruptcy Code, acceptance or rejection of a plan may not be solicited after the commencement of a chapter 11 case until such time as a bankruptcy court has approved a disclosure statement as containing adequate information. Pursuant to section 1125(a) of the Bankruptcy Code, "adequate information" is information of a kind, and in sufficient detail, to enable a hypothetical reasonable investor to make an informed judgment regarding the plan. The Debtors are submitting this Disclosure Statement in satisfaction of the applicable disclosure requirements under section 1125 of the Bankruptcy Code.

B. Overview of CCAA

The *Companies' Creditors Arrangement Act* (commonly referred to as the "CCAA" or the "CC, double A") is one of the Federal statutes that allows a financially troubled company, or a group of affiliated companies, the opportunity to restructure their affairs. By allowing the company to restructure its financial affairs through a formal plan of compromise or arrangement and in certain cases through a sale of its business, the CCAA presents an opportunity for the company to avoid bankruptcy and settle with its creditors.

The CCAA is restricted to larger companies, as the company or affiliated group of companies must have liabilities in excess of CAD$5 million to be eligible to use the CCAA. The CCAA also allows a company to address its shareholders in addition to its creditors, if necessary. If a plan of compromise or arrangement is proposed to the company's shareholders, the CCAA court may give shareholders of a company an opportunity to vote on the plan.

The process begins in the court system when the company applies to the court for protection under the CCAA. The CCAA court may grant an order ordering a stay of proceedings, which provides the company the breathing room it needs to restructure its affairs (the "Stay of Proceedings"). The CCAA court may extend the Stay of Proceedings upon application to the CCAA court by the company. Typically, the CCAA court will extend the Stay of Proceedings if the Court considers it is appropriate to do so and if the company can demonstrate that it is acting in good faith and is diligently pursuing its restructuring efforts. There is no restriction on the number of times the Stay of Proceedings can be extended by, and with the approval of, the CCAA court. During the Stay of Proceedings, the company will often continue operating in the ordinary course and may also carryout restructuring activities.

A Monitor is an independent third party who is appointed by the CCAA court to monitor the company's ongoing operations and report to the CCAA court on the restructuring process and key developments. The Monitor's duties are set out in the CCAA and the Order appointing it and typically include reporting to the CCAA court and stakeholders on the company's activities and financial affairs, reporting to the Court on certain significant restructuring initiatives, assisting the company in its restructuring efforts and preparation of a plan of compromise or arrangement,

reviewing and resolving claims, notifying the creditors (and shareholders) of any meetings in respect of a plan of compromise or arrangement and tabulating the votes at these meetings.

C. **Cross-Border Implications**

The Bankruptcy Proceedings involve both Canadian and U.S. Debtors. Stays were sought and obtained under the Bankruptcy Code and the CCAA. There was a protocol approved given the cross-border nature of the Bankruptcy Proceedings and there were and are stakeholders in Canada, the U.S. and elsewhere. The proceedings under Chapter 11 and those under the CCAA are intended to be coordinated to the fullest possible extent. As a result, there is often a motion and an order in the CCAA Proceedings that is similar or equivalent to a motion and an order made in the Chapter 11 Proceedings.

There are both similarities and differences between the CCAA and Chapter 11 of the U.S. Bankruptcy Code. One important difference is the statutory requirement under the CCAA for a Monitor, as set out above. The developed law with respect to the Monitor results in there being an independent, experienced and professional voice to aid both the stakeholders and the supervising court, in this case the Ontario Superior Court of Justice (Commercial List). Over the years, CCAA courts have entrusted Monitors with widely varied roles and responsibilities as dictated by the circumstances of the particular case.

Additionally, an important hallmark of the CCAA and the developed law with respect to it is the flexibility it provides to allow the supervising court to direct and approve the most cost effective and efficient way to achieve the purposes of the CCAA.

If a debtor's business is not going to emerge from CCAA protection as a restructured going concern, but rather the business and assets are sold, the CCAA provides the flexibility to allow for the distribution of the proceeds to stakeholders following a Court and Monitor supervised claims process in accordance with the stakeholders' respective priorities. Such distribution of proceeds can proceed without the necessity or formality of a plan of compromise or arrangement under the CCAA. In an unusual circumstance where all the creditors other than the equity class are paid, in a Canadian situation, one of the options would be to let the CCAA Proceedings lapse and let the shareholders recover normally from the solvent company under applicable corporate law.

As noted above, the Canadian Court has broad jurisdiction and flexibility under the CCAA to fashion an appropriate way forward in each proceeding. For example, if the Bankruptcy Proceedings did not involve the concurrent Chapter 11 Cases, there would be no requirement to incur the additional expense of filing a plan of arrangement and related disclosure statement and soliciting votes of stakeholders on the plan.

What the Debtors, supported by the Monitor, propose to do in the CCAA Proceedings is inform and advise the Canadian Court of the process being followed in the U.S. and seek the Canadian Court's direction with respect of the U.S. confirmation process and abide by such direction. If the result of the vote on the Plan is favorable and confirmation is sought in the U.S., the Debtors, supported by the Monitor, will seek the CCAA Approval Order from the Canadian Court to implement in Canada the distributions and transactions contemplated by Plan and grant

ancillary relief to fully give full effect to the substance of the Plan, including empowering the Debtors and the Monitor to perform the actions contemplated by the Plan. The granting of the CCAA Approval Order is, of course, in the discretion of the Canadian Court and while the Debtors believe that such an order will be issued, there can be no assurance that it will be made.

D. First Day Pleadings and Certain Related Relief

1. Operational First Day Motions and Orders

Concurrently with the commencement of the Chapter 11 Cases, the Debtors filed various motions requesting typical chapter 11 relief to assist the Company's transition into bankruptcy. On November 1, 2016, the Bankruptcy Court authorized the Debtors to, among other things, (i) continue to utilize their centralized cash management system on an interim basis pending a final hearing [Docket No. 60],[2] (ii) pay certain employee wages, payroll taxes and other employee benefits on an interim basis [Docket No. 63],[3] (iii) continue existing workers' compensation and other insurance coverage [Docket No. 62], (iv) pay pre-petition sales, use and other taxes [Docket No. 64], (v) pay the pre-petition claims of certain foreign, section 503(b)(9), and critical trade vendors on an interim basis [Docket No. 66],[4] (vi) pay pre-petition claims of certain shippers and warehousemen [Docket No. 65], (vii) honor certain pre-petition customer obligations and customary trade practices [Docket No. 61], (viii) establish interim procedures to resolve adequate assurance requests for their utility accounts [Docket No. 58],[5] (ix) establish interim procedures governing trading of the Debtors' equity securities [Docket No. 59],[6] and (x) appoint Prime Clerk LLC as the claims and noticing agent for the Bankruptcy Court [Docket No. 67] (the "Claims and Solicitation Agent"). The Debtors sought and obtained similar relief from the Canadian Court in the CCAA Proceedings through the CCAA Initial Order.

2. Post-Petition Financing

The Debtors also obtained interim and final approval of two separate but coordinated debtor-in-possession financing facilities (collectively, the "DIP Facilities") provided by two distinct groups of lenders, as well as the right to use cash collateral [Docket Nos. 69 & 229]. More specifically, the Debtors secured a $200 million ABL Facility (the "ABL DIP Facility") from their prepetition secured ABL lenders, under which collections were used to pay down the prepetition ABL facility, which in turn created availability for the Debtors to borrow under the ABL DIP Facility. The structure of the ABL DIP Facility created approximately $15 million of additional availability for the Debtors. The Debtors also obtained a $361 million term loan facility provided by the Purchaser, the proceeds of which were used to repay the Debtors'

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[2] The Debtors obtained final authority to utilize their centralized cash management system on November 28, 2016 [Docket No. 199].

[3] The Debtors obtained further interim approval on November 30, 2016 [Docket No. 231].

[4] The Debtors obtained final relief by Order dated November 28, 2016 [Docket No. 200].

[5] Final procedures were approved by Order dated November 28, 2016 [Docket No. 197].

[6] Final procedures were approved by Order dated November 28, 2016 [Docket No. 198].

outstanding prepetition term facility in full and provide approximately $29 million of additional working capital for the Debtors. Although the Creditors' Committee and the Equity Committee objected to final approval of the DIP Facilities [see Docket Nos. 134, 136, 178 and 180], the parties were able to consensually resolve those objections and address key issues raised by the Committees' objections.

Obtaining approval of the DIP Facilities was critical to the Debtors' ability to operate successfully while working to maximize the value of their Estates through the sale process. The Debtors' obligations under the DIP Facilities were satisfied in full through the closing of the Sale.

3. **Retention and Employment of Professionals**

To assist the Debtors in carrying out their duties as debtors and debtors in possession and to obtain legal representation in their Chapter 11 Cases and in the CCAA Proceedings, on November 29, 2016 the Debtors obtained orders approving their retention and employment of certain legal, financial and other professional advisors [Docket Nos. 221 (Prime Clerk as administrative advisor, in addition to its role as claims agent of the Bankruptcy Court), 222 (Alvarez & Marsal North America, LLC to provide CRO and related personnel), and 224 (Young Conaway Stargatt & Taylor, LLP as U.S. bankruptcy co-counsel)]. On December 6, 2016 and December 13, 2016, respectively, the Debtors obtained orders approving the retention of Centerview Partners LLC as their investment banker [Docket No. 244] and Paul, Weiss, Rifkind, Wharton & Garrison LLP as lead U.S. bankruptcy counsel [Docket No. 258].

For additional information with respect to the first day pleadings and related relief sought by the Debtors at the beginning of the Chapter 11 Cases, please consult the *Declaration of Brian J. Fox in Support of Debtors' Chapter 11 Petitions and First-Day Motions* [Docket No. 15], which is incorporated herein by reference.

E. **Creditors' Committee and Equity Committee**

On November 10, 2016, the Office of the United States Trustee for the District of Delaware (the "U.S. Trustee") appointed the Creditors' Committee, a statutory committee of unsecured creditors pursuant to section 1102 of the Bankruptcy Code. On November 28, 2016, the U.S. Trustee appointed the Equity Committee, a statutory committee of equity security holders pursuant to section 1102 of the Bankruptcy Code. Like the Debtors, the Creditors' Committee and the Equity Committee are fiduciaries tasked with maximizing the value of the Debtors' Estates, and both have retained attorneys and other advisors to assist them.

Following the appointment of the Committees, the Committees' professionals engaged in an investigation of the Debtors and their businesses. In an effort to facilitate these investigations, with a view towards streamlining the administration of the Chapter 11 Cases and obtaining as much relief on a consensual basis as possible, the Debtors devoted significant resources to assisting the Committees in this process. Specifically, the Debtors engaged in informal discovery with each Committee including informational conference calls, document production, and the continued updating and maintenance of a data room. This informal discovery process

required investments of time and resources by the Debtors, including by members of the Debtors' senior management and the Debtors' advisors.

F. Filing of Schedules of Assets and Liabilities and Statements of Financial Affairs

On December 16, 2016, the Debtors filed the Schedules of Assets and Liabilities and Statements of Financial Affairs for each of the 18 individual Debtors in the Chapter 11 Cases [Docket Nos. 280-315].

G. Setting of Bar Dates

On December 19, 2016 [Docket No. 327] (the "General Bar Date Order") and April 10, 2017 [Docket No. 1005] (the "Employee Bar Date Order" and, together with the General Bar Order, the "Bar Date Orders"), respectively, the Bankruptcy Court entered the Bar Date Orders, which established the following dates by which proofs of claim on account of a Claim were to be received by the Claims and Solicitation Agent:

BAR DATES	
General Bar Date	February 6, 2017 at 5:00 p.m. (ET)
Governmental Unit Bar Date	May 1, 2017 at 5:00 p.m. (ET)
Employee Claims Bar Date	May 17, 2017 at 5:00 p.m. (ET)
Lease/Contract Rejection Bar Date	30 days after entry of an order approving the rejection of any particular contract or lease, or in the case of a contract or lease rejected in the CCAA Proceedings, 30 days after the effective date of the disclaimer of such contract or lease

The Canadian Court also established these Bar Dates in the CCAA Proceedings. Subject to certain limited exceptions contained in the Bankruptcy Code and the Bar Date Orders, Holders of Claims were required to submit all proofs of claim by the applicable bar dates set forth above; otherwise, the Bar Date Orders provide that parties failing to do so are foreclosed from receiving any distribution from the Debtors or their Assets distributed under the Plan. Unless a later bar date applies, all proofs of claim for Claims arising against the Debtors before the Petition Date were required to be filed by the General Bar Date, regardless of claim priority.

H. The Sale of the Inaria (Soccer Uniform) Assets

On December 30, 2016, the Debtors filed the *Debtors' Motion for an Order, Pursuant to Sections 105, 363, and 365 of the Bankruptcy Code, (I) Approving the Asset Purchase Agreement for the Sale of the Soccer Uniforms Business and Authorizing the Sale Contemplated Therein; and (II) Granting Related Relief* [Docket No. 470] (the "Inaria Sale Motion") seeking approval of the sale of their soccer uniforms division for a purchase price of approximately CDN$2.07 million, subject to certain adjustments, and the assumption of related operating liabilities (the "Inaria Sale"). The Debtors received informal responses to the Inaria Sale Motion from the Committees and other parties, and worked with those parties on a revised form of order approving the Inaria Sale, which consensually resolved all of the issues raised by these parties. On January 23, 2017, the Debtors obtained entry of an order approving the Inaria Sale [Docket No. 615] from the Bankruptcy Court, and also obtained similar approval from the Canadian Court. The Inaria Sale subsequently closed on February 16, 2017. As described more fully in the Inaria Sale Motion, the soccer uniforms business generated negative EBITDA and occupied the Debtors' resources. Successfully selling the soccer uniforms division provided additional proceeds to the Debtors' Estates for the benefit of stakeholders.

I. Corporate Restructuring Motion

On January 17, 2017, the Debtors filed their *Motion for an Order, Pursuant to Sections 105 and 363 of the Bankruptcy Code and Rules 2002, 6004, and 6006 of the Federal Rules of Bankruptcy Procedure (i) Approving Certain Corporate Restructuring Transactions In Connection With The Debtors' Going-Concern Sale; and (ii) Granting Related Relief* [Docket No. 574] (the "Corporate Restructuring Motion"). The Corporate Restructuring Motion sought authority to execute the Corporate Restructuring discussed above, which consisted of certain corporate transactions in advance of the closing of the Sale to maximize tax efficiencies. These transactions contemplated, among other things: (i) the amalgamation of certain of the Canadian Debtors into a single legal entity, thereby consolidating the Tax Assets and tax liabilities to maximize tax efficiencies across the Canadian corporate group in connection with the Sale; (ii) the resolution of various intercompany loans and variable trade balances that existed by and among certain of the Canadian Debtors and the non-Debtors, and by and among certain of the non-Debtors; and (iii) the elimination of certain intercompany receivables and, repatriation of cash to the Debtors.

The Debtors engaged in lengthy, in-depth discussions and negotiations with the Committees, the Purchaser, and the Monitor regarding the restructuring transactions contemplated by the Corporate Restructuring Motion. As a result of these discussions, the parties determined that fewer entities could be amalgamated and still effect the same result. Thus, the Debtors submitted a revised order that contemplated a modified set of Reorganization Steps (as defined in the Corporate Restructuring Motion), which was supported by the Committees, the Purchaser, and the Monitor. The Bankruptcy Court and Canadian Court entered orders on February 6, 2017 approving the Corporate Restructuring, and the Debtors subsequently effectuated the Reorganization Steps approved therein prior to the closing of the Sale.

J. **Sale of the Debtors' Primary Assets to the Purchaser**

As noted above, the Debtors commenced the Chapter 11 Cases and the CCAA Proceedings to maximize the value of their assets for the benefit of their Estates through one or more sales of substantially all of their assets to one or more purchasers at a public auction pursuant to section 363 of the Bankruptcy Code and section 36 of the CCAA.

Toward that end, on October 31, 2016, the Debtors filed that certain *Motion for (I) an Order (A) Establishing Bidding Procedures for the Sale of All, or Substantially All, of the Debtors' Assets; (B) Approving Bid Protections; (C) Establishing Procedures Relating to the Assumption and Assignment of Executory Contracts and Unexpired Leases; (D) Approving Form and Manner of the Sale, Cure and Other Notices; and (E) Scheduling an Auction and a Hearing to Consider the Approval of the Sale; (II) an Order (A) Approving the Sale of the Debtors' Assets Free and Clear of Claims, Liens and Encumbrances; (B) Approving the Assumption and Assignment of Executory Contracts and Unexpired Leases; and (III) Granting Related Relief* (the "Sale and Bidding Procedures Motion") [Docket No. 16] seeking, among other things, approval of the bidding procedures proposed therein to effectuate the sale of substantially all of their assets through a going concern sale, scheduling a sale hearing, and approval of the Sale of substantially all of the Debtors' assets to the Purchaser pursuant to the Purchase Agreement **(**or an alternative asset purchase agreement negotiated with a higher or better "winning" bidder). Objections to entry of an order approving the bidding procedures were filed by the U.S. Trustee, the Committees, and Q30 Sports, LLC and Q30 Sports Science, LLC. The Debtors worked with each of the objecting parties to resolve their respective objections prior to, or in the case of the Equity Committee, during the joint hearing to approve the bidding procedures held on November 30, 2016 before the Bankruptcy Court and Canadian Court, at the conclusion of which both courts entered orders approving the bidding procedures [Docket No. 233].

Thereafter, the Debtors continued to diligently market their assets to potential bidders. Despite the Debtors' and their advisors' extensive efforts, the Debtors received no timely, conforming qualified bids (other than the qualified bid submitted by the Purchaser through the Purchase Agreement) prior to the deadline for submitting bids. Therefore, pursuant to the bidding procedures, the Debtors filed a notice of cancellation of the auction on January 26, 2017 [Docket No. 667] and proceeded to seek approval of the Sale to the Purchaser.

The Debtors consensually resolved approximately 40 formal and informal objections or responses to the Sale and to the assumption and assignment of certain of the Debtors' executory contracts and unexpired leases prior to the hearing to approve the Sale. The only unresolved objection at the commencement of the hearing to approve the Sale was a contract assignment objection (the "Q30 Objection") [Docket No. 651] of the Q30 Sports Parties (as defined in the Q30 Objection), which itself was settled consensually, with the support of the Monitor and the Creditors' Committee, several days later after the commencement of a contested evidentiary hearing.

On February 28, 2017, effective as of February 27, 2017, the Debtors consummated the Sale. The Sale Proceeds were used to repay the DIP Facilities in full. In addition, under the Purchase Agreement, the Purchaser agreed to pay the Debtors' open trade accounts to the extent transferred in connection with the Sale.

Following the Sale closing, the Debtors no longer conduct any business. They survive solely for the purpose of winding down the Estates, including through the reconciliation of Claims against the Estates and the formulation and prosecution of the Plan for the distribution of the remaining Sale Proceeds and other Assets to the Debtors' stakeholders. The Estates' remaining Assets, other than Cash, consist primarily of Retained Causes of Action, the value of which are estimated in the Liquidation Analysis, attached hereto as Exhibit 4..

VII. SUMMARY OF CLAIMS AGAINST THE DEBTORS; TREATMENT OF CERTAIN UNLIQUIDATED CLAIMS

A. Summary of Claims Against the Debtors

Following entry of the Bar Date Orders, approximately 713 Proofs of Claim asserting more than $150 million in Claims were filed against the Debtors. Including Claims scheduled on the Debtors' schedules of assets and liabilities (collectively, the "Scheduled Claims"), approximately $8.3 billion in claims were asserted against the Debtors. This amount does not reflect the actual liabilities owed by the Debtors, as several of the claims are for the same amount asserted against several of the Debtors, and as such these claims are counted more than once in the above total even though creditors cannot recover more than 100% of their claim against all of the Debtors. In particular, thirty-two Scheduled Claims totaling approximately $7.84 billion were attributable to the prepetition secured lenders. As noted above, the amount due to the prepetition secured lenders, totaling approximately $456.3 million, was repaid in full in connection with the Sale.

Pursuant to the Purchase Agreement and the Sale Order, the Purchaser agreed to pay open trade balances transferred in connection with the Sale, as well as up to $1 million in cure costs related to contracts and leases that the Purchaser assumed in connection with the Sale. As a result, the Purchaser satisfied approximately $59 million in Claims asserted against the Debtors. In addition, as the Debtors were required to do under the Purchase Agreement, the Debtors paid approximately $3.3 million in other cure costs.

As a result of this and other satisfactions of open accounts, on May 15, 2017, the Debtors filed their *Notice (First) of Claims Previously Satisfied* (the "First Notice of Satisfaction") [Docket No. 1073]. The First Notice of Satisfaction listed 983 filed or scheduled Claims against the Debtors that have been satisfied in full after the Petition Date, providing the corresponding creditors with notice of such satisfaction and an opportunity to respond prior to adjustment of the official claims register by the Claims and Solicitation Agent. Following the filing of the First Notice of Satisfaction, the Debtors received informal responses or formal objections from a few creditors relating to the same, and consensually resolved each of these responses and objections, or temporarily withdrew the First Notice of Satisfaction as to such Claims, through an amended First Notice of Satisfaction (the "Amended First Notice of Satisfaction") [Docket No. 1277] filed on August 23, 2017. As provided in the Amended First Notice of Satisfaction, 966 of the 983 Claims listed on the First Notice of Satisfaction were deemed satisfied on a final basis through the Amended First Notice of Satisfaction.

On August 23, 2017, the Debtors filed their *Notice (Second) of Claims Previously Satisfied* (the "Second Notice of Satisfaction") [Docket No. 1278]. The Second Notice of

Satisfaction contains an additional 208 filed or scheduled Claims against the Debtors that have been satisfied in full after the Petition Date.

The Claims that remain pending and unsatisfied against each Debtor as of the date hereof are included in the Liquidation Analysis attached hereto. As explained therein, the analysis reflects certain assumptions regarding Proofs of Claim that were filed against more than one Debtor, certain Proofs of Claim that are contingent and/or disputed, and certain Proofs of Claim that have been filed in partially or wholly unliquidated amounts. Because of these issues, the amount of Claims against the Debtors that will ultimately become Allowed Claims remains uncertain, but the Liquidation Analysis represents the best estimate of the Debtors at this time. After accounting for the Claims that have been satisfied, approximately 415 Claims against the Debtors remain, the majority of which are Claims filed by former employees of the Debtors, or unliquidated personal injury Claims. The Debtors estimate that, after accounting for the treatment of unliquidated litigation Claims for which the Debtors believe insurance coverage may exist, the aggregate amount of Claims to be paid under the Plan in accordance with the Global Settlement totals approximately [$15 million to $20 million].

B. Treatment of Certain Claims Related to the Parent Equity Interests

Three proofs of claim were filed against the Parent Debtor for damages or other liabilities associated with the Parent Equity Interests: (i) the Purported Securities Class Action Claim; (ii) the Individual Securities Damages Claim (the Claims in (i) and (ii) hereof, collectively, the "Securities Claims"); and (iii) the SEC Claim.

1. The Securities Claims – Overview

On May 16, 2016, a putative class action complaint (the "Class Action Complaint") was filed alleging that Performance Sports Group Ltd. and certain of its former officers, Kevin Davis, Amir Rosenthal and Mark Vendetti, committed securities fraud. Juan Francisco Gonzalez Nieves, as Trustee of the Gonzalez Coronado Trust ("Nieves"), an investor in the Parent Debtor was the named plaintiff of the class action, filed the Class Action Complaint on behalf of itself and purportedly on behalf of a putative plaintiff class of plaintiffs defined as all investors who purchased Parent Debtor securities on the New York Stock Exchange between January 15, 2015 and March 14, 2016 (the "Putative Class"). The Class Action Complaint was filed in the United States District Court for the Southern District of New York and was captioned *Juan Francisco Gonzalez Nieves, as Trustee of the Gonzalez Coronado Trust* v. *Performance Sports Group Ltd., Kevin Davis, Mark Vendetti, and Amir Rosenthal*, Case No. 1:16-cv-03591 (SDNY May 16, 2016).

On May 17, 2016, the Plumbers & Pipefitters National Pension Fund ("Plumbers & Pipefitters") filed a motion to appoint itself as lead plaintiff and a motion to appoint Cohen Milstein Sellers & Toll PLLC ("Cohen Milstein") as lead counsel of the Class Action Complaint. On May 27, 2016, Nieves filed a notice of non-opposition to the Plumbers & Pipefitters' motion, recognizing that Nieves "[did] not appear to have the largest financial interest [in the Action]." On June 7, 2016, the presiding District Court issued an order appointing the Plumbers & Pipefitters as lead plaintiff and Cohen Milstein as lead counsel.

On August 15, 2016, in accordance with the District Court's June 29, 2016 stipulated scheduling order, the Plumbers & Pipefitters filed an amended complaint naming the Parent Debtor, Kevin Davis and Amir Rosenthal as defendants, and removing Mark Vendetti from the amended complaint. The presiding District Court has not certified the Class, no motion seeking Class certification has been filed with the District Court or any other court, and the Debtors dispute all allegations asserted in the Class Action Complaint. On October 13, 2016, Performance Sports Group Ltd. filed a motion to dismiss the amended complaint. Plaintiffs responded on November 3, 2016, by filing a second amended complaint. In light of Performance Sports Group Ltd.'s bankruptcy, the district court issued a stay on November 9, 2016, which remains in place as to the Parent Debtor.

On or before the General Bar Date, the Plumbers & Pipefitters National Pension Fund filed a putative class action proof of claim, on behalf of itself and purportedly on behalf of the Putative Class, based on the allegations set forth in the Class Action Complaint (the "Purported Securities Class Action Claim") [Proof of Claim No. 444].

On or before the General Bar Date, the Plumbers & Pipefitters National Pension Fund, in its individual capacity, filed an individual proof of claim based on the allegations set forth in the Class Action Complaint (the "Individual Securities Damages Claim") [Proof of Claim No. 494].

2. **The Securities Claims – Treatment**

Prior to the Confirmation Hearing, the Debtors and the Equity Committee will object to the Purported Securities Class Action Claim. The Debtors and the Equity Committee believe that the Purported Securities Class Action Claim should be disallowed and expunged in its entirety pursuant to both U.S. bankruptcy law and Canadian law. The entry of an order disallowing the Purported Securities Class Action Claim is a condition precedent to confirmation of the Plan. Prior to the Confirmation Hearing, the Equity Committee shall file an objection to the Purported Securities Class Action Claim seeking entry of an Order disallowing and expunging the Purported Securities Class Action Claim in its entirety.

In addition, the Debtors will reserve $928,077 in Cash on or before the Confirmation Date for the Individual Securities Damages Claim, representing the amount of the damages alleged in the Individual Securities Damages Claim. To the extent that the Individual Securities Damages Claim is Allowed by a Final Order, as soon as reasonably practicable thereafter, the Distribution Agent shall pay such Allowed Claim in Cash and solely from and up to the amount of the Individual Securities Damages Claim Reserve. For the avoidance of doubt, the Individual Securities Damages Claim shall not receive any distribution on account of any Allowed Individual Securities Damages Claim in excess of the Individual Securities Damages Claim Reserve, and such Claim shall not be treated as a Parent Equity Interest notwithstanding section 510(b) of the Bankruptcy Code and the applicable provisions of the CCAA. The Debtors, their Estates and the Equity Committee (and, after the Effective Date, the Liquidation Trust and the Reorganized Parent Debtor) reserve all rights to object to the Individual Securities Damages Claim at any time.

If Allowed, and absent the proposed treatment set forth in the Plan, the Securities Claims would be subordinated to General Unsecured Claims and would have the same priority as the

Parent Equity Interests under section 510(b) of the Bankruptcy Code and, arguably, under the CCAA.

Section 510(b) of the Bankruptcy Code provides:

> For the purpose of distribution under this title, a claim arising from rescission of a purchase or sale of a security of the debtor or of an affiliate of the debtor, for damages arising from the purchase or sale of such a security, or for reimbursement or contribution allowed under section 502 on account of such a claim, shall be subordinated to all claims or interests that are senior to or equal the claim or interest represented by such security, except that if such security is common stock, such claim has the same priority as common stock.
>
> 11 U.S.C. § 510(b).

Similarly, the section 6(8) of the CCAA provides:

> 6. (8) No compromise or arrangement that provides for the payment of an equity claim is to be sanctioned by the court unless it provides that all claims that are not equity claims are to be paid in full before the equity claim is to be paid.
>
> …
>
> *equity claim* means a claim that is in respect of an equity interest, including a claim for, among others,
>
> …
>
> (d) a monetary loss resulting from the ownership, purchase or sale of an equity interest or from the rescission, or, in Quebec, the annulment, of a purchase or sale of an equity interest, or
>
> …

Notwithstanding the foregoing, under the Plan, to the extent Allowed, the Allowed Individual Securities Damages Claim would not have the same priority as the Parent Equity Interests, but rather, would be paid ahead of such Parent Equity Interests from the Individual Securities Damages Claim Reserve, up to the amount of such Reserve. Accordingly, the proposed treatment of any Allowed Individual Securities Damages Claim under the Plan is better than what such Allowed Individual Securities Damages Claim is entitled to under the Bankruptcy Code and applicable U.S. case law and arguably Canadian case law. For the avoidance of doubt, the Debtors, with the consent of the Equity Committee, reserve the right to modify the Plan at any time prior to the Confirmation Hearing with respect to the proposed treatment of the Individual Securities Damages Claim thereunder, including, without limitation, providing that the Individual Securities Damages Claim, to the extent Allowed, will be subordinated to the level of Parent Equity Interests under the Plan.

3. The SEC Claim

On May 10, 2016, the SEC's Enforcement Division in Boston orally notified the Parent Debtor that it was opening a non-public inquiry with respect to the Parent Debtor. The Parent Debtor, through its advisors, has been responding, and continues to respond, to the SEC's inquiries and subsequent questions and requests for information and documentation.

On or before the Government Unit Bar Date, the SEC filed the SEC Claim based on the issues above. The SEC Claim is unliquidated and disputed. Pursuant to the Plan, treatment of the SEC Claim, and voting rights in respect of the SEC Claim, remain to be determined. At this time, there is no agreement with the SEC about the treatment of the SEC Claim.

VIII. SIGNIFICANT SETTLEMENTS; PRESERVATION OF CERTAIN TAX ASSETS

A. Settlement of Purchase Price Dispute

Shortly before the closing of the Sale, a dispute about the total Closing Purchase Price (as defined in the Purchase Agreement) payable under the Purchase Agreement arose. The Purchase Agreement provided that Cash was payable at closing in an amount equal to $575 million (a) *plus* or *minus*, as applicable, the amount of certain property tax adjustments, (b) *minus* the "Specified Assumed Liability Deduction Amount" (as defined therein) and (c) *minus* the PCR AE Holdback Amount (as defined therein). *See* Purchase Agreement § 2.6. The dispute concerned whether the "Specified Assumed Liability Deduction Amount" included the capitalized amount of a certain non-residential real property lease located in Thousand Oaks, California (the "California Lease") as a deduction from the Closing Purchase Price. The Purchaser argued that the California Lease was a capital lease, the capitalized amount of which – approximately $12 million – should be deducted from the Closing Purchase Price. The Debtors, on the other hand, asserted that the California Lease was an ordinary operating lease, for which no deduction from the Closing Purchase Price was required.

To facilitate the closing of the Sale, the Debtors and the Purchaser agreed to hold the disputed amount in an escrow pending resolution of the California lease dispute. Following negotiations between the Purchaser and the Debtors, and with the Committees' consent, the Debtors entered into a stipulation with the Purchaser that resolved the dispute. Pursuant to the stipulation, the Debtors and Purchaser received approximately $8 million and $4 million of the escrowed funds, respectively. The stipulation also provided certain mutual releases.

On July 13, 2017, the Debtors filed a Certification of Counsel requesting that the Court enter an order approving the stipulation [Docket No. 1194], which order the Bankruptcy Court entered on July 17, 2017 [Docket No. 1197]. The Canadian Court approved the stipulation on the same date. For more information regarding the terms of the stipulation, please consult the governing documents [Docket Nos. 1194 and 1197], the terms of which are incorporated herein by reference.

B. Preservation of Certain Tax Assets

As noted above, at the First Day Hearing and thereafter, the Debtors obtained entry of orders establishing procedures governing the trading of Parent Equity Interests (the "Equity Trading Procedures"). The Debtors established the Equity Trading Procedures to preserve the potential value of their net operating loss carryforwards, any capital losses, unrealized built-in losses, and certain other tax and business credits and other tax assets (collectively, the "Tax Assets"). The Tax Assets could be impaired if a "change in control" was deemed to occur under section 382 of the Internal Revenue Code on account of certain trades in the Parent Equity Interests (a "Section 382 Ownership Change"). Importantly, the existence of the Tax Assets protected the Debtors from incurring potentially significant income tax liabilities in the U.S. that would have otherwise been payable upon closing of the Sale.

1. Stornoway Recovery Fund Transfer

On March 16, 2017, Ravensource Fund and Stornoway Recovery Fund LP, funds managed by Stornoway Portfolio Management Inc., each provided the Debtors with notice of intent to initiate the purchase of a certain number of Parent Equity Interests. The Debtors believed that, if allowed to occur as originally proposed, the proposed transactions would have resulted in a change of control that could have diminished the value of the Debtors' Tax Assets. [*See* Docket Nos. 917 and 918]. In consultation with their legal and financial advisors, the Debtors determined that it was necessary to object to the proposed acquisitions in order to preserve the Tax Assets. Accordingly, on April 17, 2017, the Debtors filed their *Objection to Notices of Intent to Purchase, Acquire, or Otherwise Accumulate an Equity Interests Filed by Stornoway Portfolio Management Inc.* [Docket No. 1014]. Thereafter, the Debtors, the Equity Committee, Ravensource Fund and Stornoway Recovery Fund LP negotiated a resolution of the trade requests and consensually reduced the number of Parent Equity Interests Stornoway Recovery Fund LP would acquire so as to preserve the Debtors' Tax Assets. *See Debtors' Notice of Allowance of Stock Trades by Stornoway Recovery Fund LP and Ravensource Fund* [Docket No. 1089] filed on May 19, 2017.

2. Preservation of Tax Assets

As of the closing of the Sale, the Debtors retained Tax Assets. The Debtors, along with the Equity Committee, focused throughout the Chapter 11 Cases on maximizing tax efficiencies and the value of the Tax Assets. Towards that end, the Debtors, at the request of the Equity Committee and in consultation with the Monitor, explored various alternate plan structures, including structures pursuant to which some or all of the Tax Assets potentially could be monetized for the benefit of stakeholders. In the end, the Debtors and the Equity Committee determined that the alternate plan structures that were devised to potentially monetize the Tax Assets were not reasonably practicable under the circumstances of the Debtors' cases, or cost effective under applicable law.

3. The Bybrook Purchases

Bybrook Capital LLP or the funds it advised (collectively, "Bybrook") traded Parent Equity Interests in a manner that could have materially impaired the Tax Assets. More

specifically, Bybrook executed transactions that potentially caused a Section 382 Ownership Change if left unremedied. On July 12, 2017, the Parent Debtor and Bybrook entered into a stipulation (the "Bybrook Stipulation") pursuant to which Bybrook agreed to dispose of certain of the Parent Equity Interests that it had acquired. The Bybrook Stipulation also acknowledged that such trades were void *ab initio*, [Docket No. 1187]. The Bankruptcy Court approved the Bybrook Stipulation on July 13, 2017 [Docket No. 1192].

Had the U.S. Debtor undergone a Section 382 Ownership Change because of Bybrook's purchases, or for any other reason, the U.S. Debtors could have faced significant cash tax liabilities in connection with the Sale. The Reorganized Parent Debtor intends to take the position that the implementation of the transactions described in the Bybrook Stipulation eliminates any potential adverse tax consequences arising from a potential Section 382 Ownership change resulting from the Bybrook stock acquisitions, consistent with private rulings that the Service has given other taxpayers in similar circumstances. However, private rulings may be relied upon only by the recipient; therefore, the existing rulings are not substantive authority on which the U.S. Debtors can rely, and the Debtors do not intend to seek a ruling from the Service with respect to the Bybrook purchases or the transactions contemplated by the Bybrook Stipulation. Thus, there can be no assurance that the Bybrook purchases did not impair the Tax Assets of the U.S. Debtors. Furthermore, because the rules under section 382 of the Tax Code are highly complex, no assurance can be given that another transaction has not triggered, or will not trigger, a Section 382 Ownership Change prior to the implementation of the Plan. *See Article VIII.B. – Preservation of Certain Tax Assets*.

4. The Brookfield Sales

On November 21, 2016, Brookfield Asset Management Inc., and affiliated entities Brookfield Private Equity Inc., Brookfield Private Equity Group Holdings LP, Brookfield Capital Partners Ltd., Brookfield Asset Management Private Institutional Capital Adviser (Private Equity), L.P., PubCo Investments LP, 2484842 Ontario Limited, 251091708 Delaware LP, Partners Limited, and BCP GP Limited (collectively, the "Brookfield Entities") each filed a *Notice of Status of Substantial Shareholder* pursuant to which the Brookfield Entities stated that they beneficially owned 6,026,860 (or approximately 13.23%) of Parent Equity Interests. [Docket Nos. 166, 167, 168, 169, 170, 171, 173, 174, 175, 176]. Pursuant to a Schedule 13D, dated April 4, 2017, filed by the Brookfield Entities, and certain other filings, the Brookfield Entities state that they sold an aggregate of 6,026,860 shares of Parent Equity Interests in the open market during the period March 29, 2017 through April 6, 2017. In consultation with their legal and financial advisors, the Debtors determined that these transactions did not compromise the Tax Assets, and therefore it was not necessary to object to the transactions or exercise their rights provided for in the Equity Trading Procedures to unwind or otherwise seek to invalidate the transactions. Accordingly, on May 19, 2017, the Debtors filed their *Notice of Allowance of Stock Trades by Substantial Shareholder* [Docket No. 1095].

IX. SUMMARY OF PLAN AND CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS THEREUNDER

A. Summary of Plan

The Plan is a plan of liquidation, pursuant to which the net proceeds from the Sale, the remaining Assets, and/or any recoveries in connection with the Retained Causes of Action are being distributed to persons or entities holding Allowed Claims and Equity Interests in accordance with the priorities of the Bankruptcy Code and the CCAA, as modified by the Global Settlement, under the Plan as summarized below.

THE FOLLOWING CHARTS SUMMARIZE THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS UNDER THE PARENT DEBTOR PLAN AND THE SUBSIDIARY DEBTORS' PLANS, RESPECTIVELY, AND THE POTENTIAL DISTRIBUTIONS THEREUNDER. THE AMOUNTS SET FORTH BELOW ARE ESTIMATES ONLY. REFERENCE SHOULD BE MADE TO THE ENTIRE DISCLOSURE STATEMENT AND THE PLAN FOR A COMPLETE DESCRIPTION OF THE CLASSIFICATION AND TREATMENT OF CLAIMS AND EQUITY INTERESTS. THE RECOVERIES SET FORTH BELOW ARE PROJECTED RECOVERIES AND ARE THEREFORE SUBJECT TO CHANGE. THE ALLOWANCE OF CLAIMS MAY BE SUBJECT TO LITIGATION OR OTHER ADJUSTMENTS, AND ACTUAL RECOVERIES TO HOLDERS OF PARENT EQUITY INTERESTS MAY DIFFER MATERIALLY FROM THESE ESTIMATED AMOUNTS. FOLLOWING THE CHART IS THE DESCRIPTION OF THE TREATMENT OF THE CLAIMS AND EQUITY INTERESTS UNDER THE PLAN.

1. Parent Debtor Plan: Claims Against and Equity Interests in Old PSG Wind-down Ltd. (f/k/a Performance Sports Group Ltd.)

Class	Claim or Equity Interest	Status	Voting Rights	Estimated Percentage Recovery
P1	Secured Claims	Unimpaired	Deemed to Accept	100% of Allowed Claim
P2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept	100% of Allowed Claim
P3	SEC Claim	To be determined	To be Determined	To be Determined
P4	General Unsecured Claims	Impaired	Entitled to Vote	100% of Allowed Claim

Class	Claim or Equity Interest	Status	Voting Rights	Estimated Percentage Recovery
P5	Intercompany Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)	Reinstatement
P6	Individual Securities Damages Claim	Unimpaired	Not Entitled to Vote (Deemed to Accept)	100% of Allowed Claim (up to Individual Securities Damages Claim Reserve amount)
P7	Parent Equity Interests	Impaired	Entitled to Vote	Pro Rata share of Shareholder Distributable Assets, which is anticipated to be within a range of $___ to $___ per share

2. **Subsidiary Debtor Plans: Claims Against and Equity Interests in Subsidiary Debtors**

Class	Claim or Equity Interest	Status	Voting Rights	Estimated Percentage Recovery
1	Secured Claims	Unimpaired	Deemed to Accept	100%
2	Priority Non-Tax Claims	Unimpaired	Deemed to Accept	100% of Allowed Claim
3	General Unsecured Claims	Impaired	Entitled to Vote	100% of Allowed Claim

4	Intercompany Claims	Unimpaired	Not Entitled to Vote (Deemed to Accept)	Reinstatement
5	Intercompany Equity Interests	Unimpaired	Deemed to Accept	Reinstatement

B. **Administrative Claims**

1. **Administrative Expense Claims**

Except to the extent that (a) an Allowed Administrative Claim has been previously Paid in Full during the Chapter 11 Cases, (b) the Plan provides for other treatment of an Allowed Administrative Claim, or (c) the Holder of an Allowed Administrative Claim agrees to less favorable treatment, on or as soon as reasonably practicable after the later of (i) the Effective Date or (ii) the first Business Day after the date that is thirty (30) days after the date an Administrative Claim becomes an Allowed Claim, each Holder of an Allowed Administrative Claim shall be Paid in Full in Cash.

2. **Administrative Claims Bar Date**

The Holder of an Administrative Claim, other than: (a) a Fee Claim; (b) claims of Alvarez & Marsal North America, LLC for services performed and expenses incurred in accordance with its retention order entered in the Chapter 11 Cases [Docket No. 222]; (c) an Administrative Claim that has been Allowed on or before the Effective Date; (d) a claim for U.S. Trustee Fees, or (e) the Canada Revenue Agency or any other Canadian or provincial taxing authority for which a post-petition tax return must be filed, must submit to the Claims and Solicitation Agent a request for such Administrative Claim so as to be received by 5:00 p.m. (prevailing Eastern Time) on the date that is no more than thirty (30) days after service of the Notice of Effective Date. Such request must include at a minimum: (i) the name of the Debtor(s) that are purported to be liable for the Administrative Claim; (ii) the name of the Holder of the Administrative Claim; (iii) the amount of the Administrative Claim; (iv) the basis of the Administrative Claim; and (v) all supporting documentation for the Administrative Claim.

The Canada Revenue Agency or any other Canadian or provincial taxing authority for which a post-petition tax return must be filed must submit to the Claims and Solicitation Agent or the Monitor a request for such Administrative Claim so as to be received by 5:00 p.m. (prevailing Eastern Time) on the date that is no more than ninety (90) days after the applicable post-petition tax return has been filed.

FAILURE TO FILE AND SERVE SUCH REQUEST TIMELY AND PROPERLY SHALL RESULT IN THE ADMINISTRATIVE CLAIM BEING FOREVER BARRED AND UNABLE TO COLLECT FROM THE ASSETS OF THE DEBTORS.

3. **Fee Claims**

(a) Fee Claims Generally

All Fee Claims must be filed with the Bankruptcy Court and served on (i) the Liquidation Trustee and its counsel, (ii) the U.S. Trustee, (iii) U.S. counsel to the Debtors, (iv) counsel to the Creditors' Committee, (v) counsel to the Equity Committee, and (vi) the Fee Examiner, no later than the Fee Claims Bar Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court in the Chapter 11 Cases, including Docket Nos. 226 and 521, the Bankruptcy Court shall determine the Allowed amounts of such Fee Claims. For the avoidance of doubt, (i) any Canadian Fee Claims shall be paid in accordance with the Cross-Border Protocol and do not need to be filed with the Bankruptcy Court on or before the Fee Claims Bar Date and (ii) the fees of any U.S. Professional retained pursuant of an order of the Bankruptcy Court shall be paid in accordance with the orders of the Bankruptcy Court and do not need to be filed with the Canadian Court.

FAILURE TO PROPERLY FILE AND SERVE FINAL FEE APPLICATIONS BY THE FEE CLAIMS BAR DATE SHALL RESULT IN THE UNDERLYING FEE CLAIMS BEING FOREVER BARRED AND UNABLE TO COLLECT FROM THE DEBTORS' ESTATES.

(b) Objections to Fee Claims

Objections to Fee Claims, if any, must be filed and served on the party asserting the objectionable Fee Claim and each of the parties to be served with a Fee Claim under the Plan no later than twenty (20) days after the filing of the Fee Claim or such other date as may be established by the Bankruptcy Court. Additionally, the Fee Examiner shall review Fee Claims as set forth in the Fee Examiner Order.

(c) Payment of Fee Claims

Upon entry of an order by the Bankruptcy Court Allowing a Fee Claim, the Distribution Agent shall promptly pay the applicable U.S. Professional the Allowed Fee Claim from the Holdback Amount to the extent necessary to pay the Allowed Fee Claim in full *less* any amounts previously received by such U.S. Professional pursuant to the Interim Compensation Order. If the Holdback Amount for any given U.S. Professional is less than the Allowed Fee Claim, the Distribution Agent shall promptly pay the difference to the U.S. Professional from the net Sale Proceeds notwithstanding the insufficiency of the Holdback Amount. For the avoidance of doubt, (i) the Interim Compensation Order will govern the payment and allowance of any Fee Claim through the Effective Date and (ii) Canadian Fee Claims shall be paid by the Debtors in accordance with the Cross-Border Protocol and any procedures adopted by the Canadian Court.

(d) Success and Transaction Fee Applications

Applications for the allowance and payment of success and transaction fees, unless approved by the Bankruptcy Court prior to the Confirmation Date, must be filed with the Bankruptcy Court and served on (i) the Liquidation Trustee and its counsel, (ii) the U.S. Trustee, (iii) U.S. counsel to the Debtors, (iv) counsel to the Creditors' Committee, and (v) counsel to the

Equity Committee no later than forty-five (45) days after the Effective Date. After notice and a hearing in accordance with the procedures established by the Bankruptcy Code and prior orders of the Bankruptcy Court in the Chapter 11 Cases, the Bankruptcy Court shall determine the Allowed amounts of such success and transaction fees, if any, which Allowed amounts the Distribution Agent shall promptly pay.

FAILURE TO FILE AND SERVE A TRANSACTION FEE APPLICATION IN A TIMELY MANNER SHALL RESULT IN THE UNDERLYING CLAIM BEING FOREVER BARRED AND THE HOLDER THEREOF UNABLE TO COLLECT FROM THE ASSETS OF THE DEBTORS.

Objections to requests for allowance and payment of success and transaction fees, if any, must be filed and served on the party asserting the objectionable success or transaction fee claim and each of the parties to be served with such success or transaction fee request under the Plan no later than twenty (20) days after the filing of the requests for allowance and payment of success and transaction fees or such other date as may be established by the Bankruptcy Court. Consistent with the terms of the Fee Examiner Order, the Fee Examiner shall not review success or transaction fee requests.

(e) U.S. Trustee Fees

All fees payable pursuant to 28 U.S.C. § 1930(a) shall be paid by the Distribution Agent on behalf of each Debtor for each quarter (including any fraction thereof) until such Debtor's Chapter 11 Case is converted, dismissed, or a Final Decree is issued, whichever occurs first.

(f) Canadian Fee Claims

All Canadian Fee Claims will be paid by the Debtors in consultation with the Monitor in accordance with and pursuant to the CCAA Approval Order and until the CCAA Approval Order Date, in the ordinary course in the CCAA Proceedings as such Canadian Fee Claims become due and payable.

4. **Priority Tax Claims**

To the extent not previously paid during the Chapter 11 Cases or the CCAA Proceedings, and except to the extent a Holder of an Allowed Priority Tax Claim agrees to less favorable treatment, a Holder of an Allowed Priority Tax Claim shall receive either (a) on or as soon as practicable after the later of (i) the Effective Date or (ii) the first Business Day after the date that is thirty (30) days after the date a Priority Tax Claim becomes an Allowed Claim, Cash in an amount equal to such Allowed Claim, or (b) deferred Cash payments following the Effective Date, over a period not exceeding five years from the Petition Date (provided, however, that, in accordance with the CCAA, Priority Tax Claims held by the CRA, the Canadian federal government or a Canadian provincial government shall instead be paid over the course of a period not to exceed six (6) months). Any Claim or demand for fines or penalties related to a Priority Tax Claim assessed after the Petition Date shall be disallowed and the Holder of an Allowed Priority Tax Claim shall not assess or attempt to collect any such fine or penalty.

5. **CCAA Charge Claims**

To the extent not previously paid during the Chapter 11 Cases or the CCAA Proceedings, a Holder of an Allowed CCAA Charge Claim shall be paid in Cash in an amount equal to such Allowed Claim in accordance with the CCAA Approval Order or as otherwise agreed between the applicable Debtor, with the consent of the Monitor and the Holder.

C. **Treatment of Classified Claims and Equity Interests in Parent Debtor**

1. **Class P1 –Secured Claims**

(a) Treatment: On or as soon as practicable after the Effective Date, each Holder of a Class P1 Allowed Secured Claim, if any, shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Secured Claim: (a) the return of the Collateral securing such Allowed Secured Claim; (b) Cash equal to 100% of the amount of such Allowed Secured Claim and Post-Petition Interest required to be paid under section 506(b) of the Bankruptcy Code; (c) such other treatment as will render the Holder of such Allowed Secured Claim Unimpaired; or (d) such other treatment as to which the Holder of such Allowed Secured Claim has agreed to in writing.

(b) Voting: Class P1 is Unimpaired under the Plan. The Holders of Class P1 Allowed Secured Claims are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

2. **Class P2 – Priority Non-Tax Claims**

(a) Treatment: Unless the Holder agrees to a different treatment, on or as soon as practicable after the later of the Effective Date or the date a Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, each Holder of an Allowed Priority Non-Tax Claim shall receive Payment in Full in Cash with Post-Petition Interest, or such other treatment as will render the Allowed Priority Non-Tax Claim Unimpaired.

(b) Voting: Class P2 is Unimpaired under the Plan. The Holders of Class P2 Priority Non-Tax Claims are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

3. **Class P3 – SEC Claim**

(a) Treatment: To be determined.

(b) Voting: To be determined.

4. **Class P4 – General Unsecured Claims**

(a) Treatment: To the extent not already Paid in Full or otherwise satisfied prior to the Effective Date, on or as soon as practicable after the later of (i) the Effective Date or (ii) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive Payment in Full in Cash of the Allowed amount of its Claim. For the avoidance of doubt, in accordance with the Global Settlement, Holders of Allowed General Unsecured Claims shall not receive Post-Petition Interest on account of such Allowed General Unsecured Claims.

(b) Voting: Class P4 is Impaired under the Plan because the Global Settlement governs the treatment of General Unsecured Claims under the Plan. The Holders of Class 4 General Unsecured Claims are entitled to vote to accept or reject the Plan.

5. **Class P5 – Intercompany Claims**

(a) Treatment: On or after the Effective Date, each Intercompany Claim shall be Reinstated, subject to the rights of Holders of General Unsecured Claims in Class P4 under the Plan (including the Global Settlement) and the CCAA Approval Order, and any Cash or Assets of the U.S. Debtors that are required to be distributed pursuant to the Plan (including the Retained Causes of Action and Liquidation Trust Expense Reserve) shall be transferred by the U.S. Debtors to the Reorganized Parent Debtor in satisfaction of the same amount of such applicable Intercompany Claims, and Intercompany Claims shall receive such additional or different treatment as will be set forth in the Plan Supplement.

(b) Voting: Class P5 is Unimpaired under the Plan. Each Holder of a Class P5 Intercompany Claim is conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and is not entitled to vote to accept or reject the Plan.

6. **Class P6 –Individual Securities Damages Claim**

(a) Treatment: To the extent that the Individual Securities Damages Claim is Allowed by a Final Order, as soon as reasonably practicable thereafter, the Distribution Agent shall pay such Allowed Claim in Cash and solely from and up to the amount of the Individual Securities Damages Claim Reserve, subject to the rights of Holders of General Unsecured Claims to the prior Payment in Full of such Holders' Allowed Claims under the Plan

(including the Global Settlement). For the avoidance of doubt, the Individual Securities Damages Claim shall not receive any distribution on account of any Allowed Individual Securities Damages Claim in excess of the Individual Securities Damages Claim Reserve, and such Claim shall not be treated as a Parent Equity Interest notwithstanding section 510(b) of the Bankruptcy Code and the CCAA.

(b) Voting: Class P6 is Unimpaired under the Plan. The Holder of the Class P6 Individual Securities Damages Claim is conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and is not entitled to vote to accept or reject the Plan.

7. **Class P7 – Parent Equity Interests**

Treatment: Holders of Parent Equity Interests will receive their Pro Rata share of the Shareholder Distributable Assets under, and subject to, the Plan (including the Global Settlement) and the CCAA Approval Order. The Plan allows Holders of Parent Equity Interests to elect to receive certain of such Plan consideration in the form of either Beneficial Trust Interests (and a right to receive their Pro Rata share of any other Shareholder Distributable Assets in accordance with the Plan) in exchange for their Parent Equity Interests, or to retain their Parent Equity Interests. Holders of Beneficial Trust Interests and Holders of Parent Equity Interests will receive distributions of equal amounts of Cash under the Plan per Parent Equity Interests on a Pro-Rata basis (other than differences attributable to the differing tax treatment of the Liquidation Trust and the Reorganized Parent Debtor that may consequently result in more or less favorable recoveries to Holders of Parent Equity Interests after consideration of the potentially differing rates and basis of taxation of the individual Holders). Article V.B.3 of the Plan further describes the distributions that will be made to Holders of Parent Equity Interests and Beneficial Trust Interests.

(a) Parent Equity Interest Election. As noted, each Shareholder has the option of receiving its Plan consideration through the following two options, which will result in different tax implications for such Holder:

Option 1: Beneficial Holders of Allowed Parent Equity Interests may elect to have their Parent Equity Interests mandatorily purchased and cancelled in exchange for their Pro Rata share of Beneficial Trust Interests (and a right to receive their Pro Rata share of any other Shareholder Distributable Assets in accordance with the Plan) ("Option 1").

To elect Option 1, beneficial Holders of Allowed Parent Equity Interests must submit a Liquidation Trust Certification Form on or before the Liquidation Trust Certification Bar Date using the instructions set forth therein. The Debtors shall cause the Liquidation Trust Certification Form to be mailed to Holders of Allowed Parent Equity Interests through the Holders of record at the same time as votes on the Plan are solicited from Holders of Parent Equity Interests, as set forth in the Disclosure Statement Order. Subject to the terms of the Plan and at the time prescribed by the Plan, the Holders of Allowed Parent Equity Interests who elect Option 1 shall have their Parent Equity Interests mandatorily purchased and cancelled in exchange for (i) a deemed distribution of the Liquidation Trust Assets attributable to them, (ii) a deemed distribution of their Pro Rata share of the Liquidation Trust Expense Reserve (followed immediately by a deemed contribution of such Pro Rata share to the Liquidation Trust) in accordance with the Plan, and (iii) a right to receive their Pro Rata share of any other Shareholder Distributable Assets in accordance with the Plan. The Holders of Parent Equity Interests electing to receive Beneficial Trust Interests as set forth in the Plan shall be deemed to immediately contribute their share of Liquidation Trust Assets to the Liquidation Trust.

Beneficial Holders of Allowed Parent Equity Interests may elect Option 1 or Option 2 only for all of their Allowed Parent Equity Interests. All beneficial Holders of Allowed Parent Equity Interests who fail to timely submit the Liquidation Trust Certification Form, who fail to properly make an election on the Liquidation Trust Certification Form, who make an election with respect to less than all of their Parent Equity Interests or who fail to take any action under the Plan shall be deemed to have elected Option 2 under the Plan.

Option 2: All Holders of Allowed Parent Equity Interests who do not elect Option 1 by the Liquidation Trust Certification Bar Date or who are deemed to have elected Option 2 shall retain their Allowed Parent Equity Interests through the Final Distribution Date ("Option 2"). On or after the Final Distribution Date, the Reorganized Parent Debtor shall be dissolved and all remaining Allowed Parent Equity Interests shall be cancelled. If any Holder of Allowed Parent Equity Interests elects Option 1 and the Liquidation Trust is subject to adverse tax consequences in Canada as a result of such Holder holding Beneficial Trust Interests, any transfer to such Holder and the cancellation of such Holder's Parent Equity Interests shall be void ab initio and Reorganized Parent, the Holder and the Liquidation Trust shall treat such Holder at all times as if such Holder had elected Option 2 (the "Disallowed Election").

(b) Voting: Class P7 is Impaired under the Plan. The Holders of Class P7 Allowed Parent Equity Interests are entitled to vote to accept or reject the Plan.

D. **Treatment of Classified Claims and Equity Interests in Subsidiary Debtors**

1. **Class 1 –Secured Claims**

(a) Treatment: On or as soon as practicable after the Effective Date, each Holder of a Class 1 Allowed Secured Claim, if any, shall receive in full and final satisfaction, settlement, and release of and in exchange for such Allowed Secured Claim: (a) the return of the Collateral securing such Allowed Secured Claim; (b) Cash equal to 100% of the amount of such Allowed Secured Claim and Post-Petition Interest required to be paid under section 506(b) of the Bankruptcy Code; (c) such other treatment as will render the Holder of such Allowed Secured Claim Unimpaired; or (d) such other treatment as to which the Holder of such Allowed Secured Claim has agreed to in writing.

(b) Voting: Class 1 is Unimpaired under the Plan. The Holders of Class 1 Allowed Secured Claims are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

2. **Class 2 – Priority Non-Tax Claims**

(a) Treatment: Unless the Holder agrees to a different treatment, on or as soon as practicable after the later of the Effective Date or the date a Priority Non-Tax Claim becomes an Allowed Priority Non-Tax Claim, each Holder of an Allowed Priority Non-Tax Claim shall receive Payment in Full in Cash with Post-Petition Interest, or such other treatment as will render the Allowed Priority Non-Tax Claim Unimpaired.

(b) Voting: Class 2 is Unimpaired under the Plan. The Holders of Class 2 Priority Non-Tax Claims are conclusively deemed to accept the Plan pursuant to section 1126(f) of the Bankruptcy Code, and are not entitled to vote to accept or reject the Plan.

3. **Class 3 – General Unsecured Claims**

(a) Treatment: To the extent not already Paid in Full or otherwise satisfied prior to the Effective Date, on or as soon as practicable after the later of (i) the Effective Date or (ii) the date a General Unsecured Claim becomes an Allowed General Unsecured Claim, each Holder of an Allowed General Unsecured Claim shall receive Payment in Full in Cash of the Allowed amount of its Claim. For the avoidance of doubt, Holders of Allowed General Unsecured Claims shall not receive Post-Petition Interest on account of such Allowed General Unsecured Claims.

(b) Voting: Class 3 is Impaired under the Plan because the Global Settlement governs the treatment of General Unsecured Claims under the Plan. The Holders of Class 3 General Unsecured Claims are entitled to vote to accept or reject the Plan.

4. **Class 4 – Intercompany Claims**

(a) Treatment: On or after the Effective Date, each Intercompany Claim shall be Reinstated, subject to the rights of Holders of General Unsecured Claims in Class 3 under the Plan (including the Global Settlement) and the CCAA Approval Order, and any Cash or Assets of the U.S. Debtors that are required to be distributed pursuant to the Plan (including the Retained Causes of Action and Liquidation Trust Expense Reserve) shall be transferred by the U.S. Debtors to the Reorganized Parent Debtor in satisfaction of the same amount of such applicable Intercompany Claims, and any other Intercompany Claims shall receive such additional or different treatment as will be set forth in the Plan Supplement.

(b) Voting: Class 4 is Unimpaired under the Plan. Each Holder of an Intercompany Claim is therefore conclusively presumed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each Holder of an Intercompany Claim is not entitled to vote to accept or reject the Plan.

5. **Class 5 – Intercompany Equity Interests**

(a) Treatment: On the Effective Date, the Holders of Class 5 Intercompany Equity Interests in each Subsidiary Debtor shall receive such treatment as set forth in the Plan Supplement, subject to the rights of Holders of General Unsecured Claims in Class 3 under the Plan (including the Global Settlement) and the CCAA Approval Order.

(b) Voting: Class 5 is Unimpaired under the Plan. Each Holder of an Intercompany Equity Interest is conclusively deemed to have accepted the Plan pursuant to section 1126(f) of the Bankruptcy Code. Therefore, each Holder of an Intercompany Equity Interest is not entitled to vote to accept or reject the Plan.

E. RETENTION OF JURISDICTION

Notwithstanding the entry of the Confirmation Order, CCAA Approval Order and the occurrence of the Effective Date, the Canadian Court shall retain the broadest jurisdiction over the CCAA Proceedings and the Bankruptcy Court shall retain the broadest jurisdiction over the Chapter 11 Cases after the Effective Date as legally permissible for among other things, the purposes set forth in Article XII of the Plan.

F. MISCELLANEOUS PROVISIONS

1. Corporate Action

Upon the Effective Date, all actions contemplated by the Plan shall be deemed authorized, approved, and, to the extent taken prior to the Effective Date, ratified without any requirement for further action by Holders of Claims or Equity Interests, directors, or officers of the Debtors or any other Person, as applicable, including: (a) the execution and delivery of all appropriate agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan, and that satisfy the requirements of any other terms on which the applicable parties may agree; (b) the execution and delivery of appropriate instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan and having other terms on which the applicable parties may agree; (c) rejection or assumption, as applicable, of Executory Contracts; (d) the filing of appropriate certificates or articles of amendment or organization, reincorporation, merger, amalgamation, consolidation, conversion or dissolution, and bylaws reflecting the corporate governance changes and dissolutions contemplated by the Plan or as are otherwise appropriate to effectuate the intent of the Plan; and (e) all other actions that the Monitor, Debtors, Chief Wind-Down Officer or Liquidation Trustee determine to be necessary or appropriate, including making filings or recordings that may be required by applicable law. All matters provided for in the Plan involving the corporate structure of the Debtors, and any corporate action required by the Debtors in connection therewith, shall be deemed to have occurred on, and shall be in effect as of, the Effective Date, without any requirement of further action by the security Holders, directors, authorized persons or officers of the Debtors. The authorizations and approvals contemplated by the Plan shall be effective notwithstanding any requirements under non-bankruptcy law.

2. Dissolution of the Committees

On the Effective Date, the Creditors' Committee and the Equity Committee shall each dissolve and all members, employees or agents thereof shall be released and discharged from all rights and duties arising from or related to the Chapter 11 Cases, other than the right to prepare, file, prosecute and object to Fee Claims. The Debtors shall not be responsible for paying any fees or expenses incurred by the members of or advisors to either the Creditors' Committee or the Equity Committee after the Effective Date, except for work preparing, filing, prosecuting and objecting to Fee Claims that would have also been compensable prior to the Effective Date.

3. Section 1146(a) Exemption

Pursuant to section 1146(a) of the Bankruptcy Code, any transfers of property under the Plan shall not be subject to any stamp tax or similar tax. Upon entry of the Confirmation Order, the appropriate state or local governmental officials or agents shall forego the collection of any such tax and accept for filing and recordation any of the foregoing instruments or other documents without the payment of any such tax, recordation fee, or governmental assessment.

4. Successors and Assigns

The rights, benefits and obligations of any Person named or referred to in the Plan shall be binding on, and shall inure to the benefit of any heir, executor, administrator, successor or assign, agent, representative, attorney, beneficiaries, or guardian, if any, of each Person, including those of the Debtors.

5. Term of Injunction or Stay

Unless otherwise provided in the Plan, the Confirmation Order, or a separate order from the Bankruptcy Court, all injunctions or stays arising under or entered during the Chapter 11 Cases in accordance with sections 105 or 362 of the Bankruptcy Code, or otherwise, and in existence on the Confirmation Date shall remain in full force and effect until the later of (i) the entry of a final decree closing the last of the Chapter 11 Cases or (ii) the date indicated in such applicable order. All injunctions or stays contained in the Plan or the Confirmation Order shall remain in full force and effect in accordance with their terms. Any stay of proceedings as provided in the CCAA Proceedings similarly is expected to continue after the Effective Date as specifically provided for in the CCAA Approval Order.

6. Entire Agreement

Except as otherwise indicated, the Plan supersedes all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, and representations on such subjects, all of which have become merged and integrated into the Plan. To the extent the Confirmation Order or CCAA Approval Order are inconsistent with the Plan, the Confirmation Order and CCAA Approval Order, as applicable, shall control for all purposes.

7. Good Faith

Confirmation of the Plan shall constitute a finding that: (i) the Plan has been proposed in good faith and in compliance with applicable provisions of the Bankruptcy Code; and (ii) the solicitation of acceptances or rejections of the Plan by all Persons has been in good faith and in compliance with applicable provisions of the Bankruptcy Code.

8. Severability

If prior to the entry of the Confirmation Order, any term or provision of the Plan is held by the Bankruptcy Court to be invalid, void or unenforceable, the Bankruptcy Court, at the request of the Debtors, after consultation with the Creditors' Committee, Equity Committee and the Monitor shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of the Plan shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation. The Confirmation Order shall constitute a judicial determination and shall provide that each term and provision of the Plan, as it may have been altered or interpreted in

accordance with the foregoing, is (a) valid and enforceable pursuant to its terms; (b) integral to the Plan; and (c) non-severable and mutually dependent.

X. IMPLEMENTATION OF THE PLAN

A. Plan Transactions

From and after the Effective Date, the Monitor, the Liquidation Trustee and/or the Reorganized Debtors, as applicable, may take all actions as may be necessary or appropriate to effect any transaction described in, approved by, contemplated by, or necessary to effectuate the Plan (the "Plan Transactions"), including: (1) the execution and delivery of any agreements or other documents of merger, consolidation, restructuring, conversion, disposition, transfer, dissolution or liquidation containing terms that are consistent with the terms of the Plan, or any other terms to which the applicable Entities may agree; (2) the execution and delivery of instruments of transfer, assignment, assumption or delegation of any asset, property, right, liability, debt or obligation on terms consistent with the terms of the Plan or having other terms for which the applicable parties agree; (3) the filing of certificates or articles of incorporation, reincorporation, merger, consolidation, conversion or dissolution and bylaws reflecting the corporate governance changes and dissolutions contemplated by the Plan or as are otherwise appropriate to effectuate the intent of the Plan; (4) the execution and delivery of the applicable documents included in the Plan Supplement; and (5) all other actions that the applicable Persons determine to be necessary or appropriate. For the purposes of effectuating the Plan, none of the Plan Transactions contemplated in the Plan constitute a change of control under any agreement, contract or document of the Debtors.

B. Sources of Consideration for Plan Distributions

Distributions under the Plan will be funded and made as follows:

1. **Funding of the Reserves.**

On the Effective Date, the Distribution Agent, on behalf of the Debtors, shall fund the Reserves in Cash from the Sale Proceeds or any other Cash then in the Estates in accordance with and in the amounts set forth in Article VI.C of the Plan to be held in the Reorganized Parent Debtor, except with respect to the Individual Securities Damages Reserve, which shall be held by the Monitor, until (1) the issuance of a Clearance Certificate (except in the case of the Holdback Amount Reserve, which does not require a Clearance Certificate to be paid to Professionals); (2) the decision of the Board of Directors of the Reorganized Parent Debtor to disburse such Reserves that are held by the Reorganized Parent Debtor rather than the Monitor; or (3) other arrangements are made in form satisfactory to the Monitor for Reserves held by the Monitor; provided, however, that at least $100,000 of the Liquidation Trust Expense Reserve shall be funded into the Liquidation Trust within sixty (60) days of the Effective Date, unless the Board of Directors of the Reorganized Parent Debtor, with the consent of the Liquidation Trustee which consent shall not be unreasonably withheld, reasonably determines that such funding should not be made. The Distribution Agent shall have the authority to make distributions from the Canadian Sale Proceeds Account and the U.S. Sale Proceeds Account or other Estate accounts, to transfer funds to or from the Canadian Sale Proceeds Account and the U.S. Sale Proceeds

Account, and to close either or both of the Canadian Sale Proceeds Account and U.S. Sale Proceeds Account in accordance with the Plan and the CCAA Approval Order and to facilitate making distributions hereunder; provided, however, that the Distribution Agent shall keep records of all disbursements from and deposits made into the Canadian Sale Proceeds Account and U.S. Sale Proceeds Account or such other Estate accounts and shall provide the Reorganized Parent Debtor, the Monitor and the Liquidation Trust with monthly reconciliations of such transactions; and provided further, however, that the Distribution Agent shall not close the Canadian Sale Proceeds Account or U.S. Sale Proceeds Account without thirty (30) calendar days' prior notice to the Reorganized Parent Debtor, the Monitor and the Liquidation Trustee.

2. **Distributions to Holders of Allowed Claims**

The Distribution Agent shall Pay in Full in Cash all Allowed Claims under the Plan from the Sale Proceeds, other than the Individual Securities Damages Claim to the extent such Claim is Allowed after receipt of the Comfort Letters. The Distribution Agent shall pay the Allowed Amount, if any, of the Individual Securities Damages Claim in Cash solely from the Individual Securities Damages Claim Reserve.

3. **Distributions to Holders of Allowed Parent Equity Interests**

(i) Shareholder Distributable Assets

Holders of Allowed Parent Equity Interests will receive net proceeds from, or interests in, the following Assets under the Plan: (a) the interests in the Retained Causes of Action described in Section V.B.3(b) of the Plan; (b) the Liquidation Trust Expense Reserve (if not fully utilized for Wind-Down Expenses); (c) any Sale Proceeds remaining after the other Reserves are funded, Holders of Allowed Claims are Paid in Full in Cash, and the Wind-Down Expenses are paid in full in Cash to the extent such expenses are paid from the Sale Proceeds; and (d) any other Assets, including investment income earned on any Cash Assets (items (a) through (d) collectively, the "Shareholder Distributable Assets").

(ii) Reorganized Parent Debtor and Liquidation Trust Assets

As soon as practicable after the Effective Date, the Shareholder Distributable Assets other than any Cash (but including the interests in the Retained Causes of Action) held by the Estates on the Effective Date shall vest in either the Reorganized Debtors or the Liquidation Trust. As soon as practicable after the Effective Date, proportionate interests in the Retained Causes of Action shall be vested in the Reorganized Debtors for the benefit of the Holders of Allowed Parent Equity Interests who have elected or are deemed to have elected Option 2 and in the Liquidation Trust for the benefit of those Holders of Allowed Parent Equity Interests who have elected Option 1 in proportion to the percentages of Allowed Parent Equity Interests held respectively by the Holders of such Parent Equity Interests who have elected Option 1 and Option 2, respectively, as of the Liquidation Trust Certification Bar Date (the "Asset Apportionment"). By way of illustration, if 40% of the Holders of Parent Equity Interests elect to receive Beneficial Trust Interests pursuant to Option 1 as of the Liquidation Trust Certification Bar Date, then 60% of the Shareholder Distributable Assets will vest in the Reorganized Debtors and 40% of the Shareholder Distributable Assets (other than Cash) will vest in the Liquidation

Trust, subject to paragraph 3(iii) below. Notwithstanding anything to the contrary in the Plan, the Reorganized Debtors and the Liquidation Trust will cooperate with each other as necessary so that the Shareholder Distributable Assets will be owned by them in a manner that they determine in good faith will maximize the value of such assets under applicable law for all Holders of Allowed Parent Equity Interests, as mutually determined by the Debtors and Equity Committee or, after the Effective Date, the Liquidation Trustee and the Reorganized Debtors. The Debtors and the Liquidation Trust, or the Debtors and the Equity Committee prior to the Effective Date, reserve the right to take any action, and implement any structure as necessary to own the Shareholder Distributable Assets in such manner and as to effect the intent of the Plan.

From and after the Effective Date, the Cash (including the Sale Proceeds but excluding any Cash realized in respect of the Retained Causes of Action) shall vest in the Reorganized Debtors and shall be used by the Distribution Agent on behalf of the Debtors to (i) fund the Reserves; (ii) adequately reserve for or pay in Cash the Wind-Down Expenses; and (iii) Pay in Full the Allowed Claims (including all Allowed Fee Claims and Allowed Canadian Fee Claims to the extent such Claims exceed the Holdback Amount reserved for such Claims) in accordance with the Plan and the CCAA Approval Order (collectively, the "Initial Cash Distributions"). After all such payments have been made or reserved for in full, as mutually determined by the Liquidation Trustee, the Monitor and the Reorganized Parent Debtor, and following receipt of a Clearance Certificate, the remaining Sale Proceeds shall constitute Shareholder Distributable Assets and the Distribution Agent, at the direction of the Liquidation Trustee and the Reorganized Parent Debtor, shall transfer (or allocate) in accordance with the Asset Apportionment such remaining Cash to an account of the Reorganized Debtors and, at the election of the Liquidation Trustee, an account of the Liquidation Trust to make interim and final distributions to Holders of Parent Equity Interests or, if elected, Beneficial Trust Interests, respectively, as provided in the Plan.

Beneficial Holders of Parent Equity Interests who elect Option 1 under the Plan shall be deemed to receive their Pro Rata share of the Liquidation Trust Assets (and a right to receive their Pro Rata share of any other Shareholder Distributable Assets in accordance with the Plan) in exchange for the mandatory purchase and cancellation of their Parent Equity Interests, which Liquidation Trust Assets will be deemed immediately contributed to the Liquidation Trust in exchange for Beneficial Trust Interests, and the Parent Equity Interests of Holders electing Option 1 shall be mandatorily purchased and cancelled under the Plan. The Liquidation Trustee will make distributions on account of the Beneficial Trust Interests to Holders of such Beneficial Trust Interests in accordance with the Plan and the Liquidation Trust Agreement.

Beneficial Holders of Parent Equity Interests who elect Option 2 under the Plan or who are deemed to elect Option 2 under the Plan shall retain their Parent Equity Interests under the Plan up to and through the Final Distribution Date. The Distribution Agent will make distributions to Holders of Parent Equity Interests in accordance with the Plan and the CCAA Approval Order.

(iii) Pre-Dissolution Reconciliation

Notwithstanding anything in the Plan to the contrary, on or before the Final Distribution Date, the Liquidation Trustee and the Reorganized Parent Debtor shall take any reasonably

necessary actions to ensure that the beneficial Holders of Parent Equity Interests shall receive the same Pro Rata distributions of Cash from either the Reorganized Parent Debtor or Liquidation Trust pursuant to the Plan regardless of whether such Holders have elected Option 1 or Option 2 under the Plan (other than potential differences attributable to the differing tax treatment of the Liquidation Trust and Reorganized Parent Debtor under U.S. and Canadian tax laws or the individual tax circumstances of Holders of Parent Equity Interests or Beneficial Trust Interests). Such actions may include (i) a Cash transfer from the Liquidation Trust to the Reorganized Parent Debtor, (ii) a Cash transfer from the Reorganized Parent Debtor to the Liquidation Trust, or (iii) a direct payment by the Distribution Agent or the Liquidation Trustee, as applicable, to Holders of Allowed Parent Equity Interests or Beneficial Trust Interests in an amount necessary to effect such treatment; provided, however, such actions shall not consider or otherwise compensate for the time-value of money, interim fluctuations in currency value, or certain tax liabilities of the Debtors as may be set forth in the Plan Supplement.

4. **Payment of Wind-Down Expenses**

On or before the Effective Date, the Debtors, and after the Effective Date, the Reorganized Parent Debtor or the Liquidation Trust as the case may be, shall pay in Cash: (i) any fees, costs and expenses of the Liquidation Trust in accordance with the Liquidation Trust Agreement (including fees, costs and expenses related to the Retained Causes of Action incurred prior to the date the Liquidation Trust Expense Reserve is funded); (ii) any fees, costs and expenses of the Monitor; (iii) any fees, costs and expenses of the Distribution Agent; (iv) any fees, costs and expenses of the Estates incurred in connection with implementing the Plan and the CCAA Approval Order or winding down the Subsidiary Debtors, including payment of statutory fees and any taxes required to be paid in connection with dissolving the Debtors, including any fees, costs and expenses of the Subsidiary Debtors' Boards of Directors; and (v) any fees, costs and expenses of the Reorganized Parent Debtor, including any fees, costs and expenses of its Board of Directors (items (i) through (v) collectively, the "Wind-Down Expenses").

The Wind-Down Expenses shall be paid from the Sales Proceeds, the Holdback Amount Reserve and any other Cash in the Estates on the Effective Date to the extent paid or incurred on or before the Effective Date and from the Liquidation Trust Expense Reserve or amounts recovered in respect to the Retained Causes of Action if incurred after the Effective Date. In addition, to the extent any funds are recovered in respect of any Retained Causes of Action, such funds shall be applied first to pay any fees, costs, or expenses incurred in connection with the prosecution of such Retained Causes of Action (to the extent not previously paid out of the Liquidation Trust Expense Reserve as Wind-Down Expenses or otherwise) or otherwise incurred by the Liquidation Trust, the Reorganized Parent Debtor or the other Debtors and shall thereafter be deposited into the Liquidation Trust Expense Reserve to the extent necessary to bring the balance on deposit therein (after payment of all then outstanding fees and expenses) to its original amount (as set forth in the Plan Supplement), or such other amount as determined by the Liquidation Trustee necessary to pay reasonable fees and expenses then incurred or anticipated to be incurred for Wind-Down Expenses. For the avoidance of doubt, the initial amount of the Liquidation Trust Expense Reserve shall not be deemed to constitute a "cap" on fees and expenses incurred by the Liquidation Trust with respect to the Retained Causes of Action, the Chief Wind-Down Officer, or the Wind-Down Expenses with respect to required activity.

To the extent any funds recovered in respect of any Retained Causes of Action remain after payment of fees, costs, or expenses and deposit in the Liquidation Trust Expense Reserve as described in the immediately preceding paragraph (the "Cause of Action Net Proceeds"), then such Cause of Action Net Proceeds shall constitute Shareholder Distributable Assets and shall be apportioned between the Liquidation Trust and the Reorganized Parent Debtor for distribution to Holders of Allowed Parent Equity Interests or Beneficial Trust Interests, respectively, in accordance with the Asset Apportionment.

On or before the Effective Date but after the Confirmation Hearing and Canadian Approval Hearing, the Reorganized Parent Debtor and Liquidation Trust will enter into a cost sharing agreement (the "Cost Sharing Agreement") in form and substance acceptable to the Debtors, Monitor and the Committees, pursuant to which the Reorganized Parent Debtor and the Liquidation Trust will each agree to pay for its share of the Wind-Down Expenses from the Shareholder Distributable Assets (including the Sale Proceeds) or the Liquidation Trust Expense Reserve, as applicable. The Cost Sharing Agreement will allocate the Wind-Down Expenses in accordance with the Asset Apportionment. A form of Cost Sharing Agreement will be included in the Plan Supplement.

C. Corporate Existence; Vesting of Assets

After the Effective Date, the Reorganized Parent Debtor shall continue to exist under applicable corporate law for the sole purposes of (i) prosecuting the Retained Causes of Action, (ii) making distributions from time to time to Holders of Allowed Parent Equity Interests who elect Option 2, and (iii) making any other distributions of Shareholder Distributable Assets until the Final Distribution Date, after which time the Reorganized Parent Debtor shall be dissolved.

After the Effective Date, the Chief Wind-Down Officer shall dissolve the Subsidiary Debtors, unless the Subsidiary Debtors must continue to exist under applicable corporate law for the sole purposes of liquidating the Retained Causes of Action or making distributions in accordance with the Plan or for tax purposes. Prior to such dissolution, all Assets of the Subsidiary Debtors after Payment in Full of General Unsecured Claims, Intercompany Claims as applicable, and the Wind-Down Costs of such Subsidiary Debtors shall vest in the Reorganized Parent Debtor.

Each Debtor or the Chief Wind-Down Officer is authorized and empowered to merge or amalgamate with any of the other Debtors and is authorized and empowered to effect each such merger or amalgamation and to take and cause to be taken such actions in order to carry out such mergers or amalgamations, in each case, on such terms and conditions as it may deem necessary or desirable. Subject to applicable laws, the foregoing dissolution and merger actions are authorized without the requirement to file any annual reports or pay related fees thereon, and without any requirement of further action by the stockholders, shareholders, directors or any other officer of the Debtors.

D. Corporate Governance

The existing officers and directors of each Debtor shall be deemed to have resigned on the Effective Date.

The Equity Committee will select the Board of Directors for the Reorganized Parent Debtor which shall consist of three (3) duly qualified directors. The Board of Directors selected by the Equity Committee will be identified in the Plan Supplement. The Reorganized Parent Debtor's Board of Directors shall appoint the Board of Directors for the Subsidiary Debtors pending their dissolution, which Board of Directors may, but is not required to, consist of the same Director(s) that serve on the Reorganized Parent Debtor's Board of Directors, subject to compliance with applicable laws. The Board of Directors will be appointed to serve through the liquidation and dissolution of the Reorganized Debtors, and the CCAA Approval Order will provide that the Reorganized Parent Debtor shall not otherwise be required to comply with applicable law regarding the formation or composition of the Board of Directors.

The initial Chief Wind-Down Officer shall be selected by the Equity Committee with the consent of the Debtors, Monitor and Creditors' Committee (not to be unreasonably withheld) and will be identified in the Plan Supplement and shall be appointed by the Reorganized Parent Debtor's Board of Directors. The Chief Wind-Down Officer may but is not required to be the same person for each of the Debtors. Following the Effective Date, the Reorganized Parent Debtor's Board of Directors shall have the right to replace or terminate the Chief Wind-Down Officer without need for further approval by the Bankruptcy Court or Canadian Court and thereafter, such successor Chief Wind-Down Officer shall fulfill the role of Chief Wind-Down Officer under the Plan.

The Debtors intend to seek relief from the Canadian Court in the CCAA Approval Order providing for, among other things, that the Reorganized Parent Debtor shall not be required to comply with the reporting or disclosure requirements or obligations under Canadian Securities Laws, nor shall the Reorganized Parent Debtor be required to comply with applicable corporate laws under the British Columbia *Business Corporations Act*. As a result of, among other things, the delayed filing of its Annual Report, including its annual audited financial statements for the fiscal year ended May 31, 2016 and the related management's discussion and analysis, the Parent Debtor is in default of the filing requirements under applicable Canadian Securities Laws. It is not expected that the Reorganized Parent Debtor or the Liquidation Trust will be in a position to comply with applicable Canadian Securities Laws following the Effective Date regardless of whether the requested relief is granted by the Canadian Court in the CCAA Approval Order. Notwithstanding the foregoing, it may be necessary for the Parent Debtor and/or the Liquidation Trust to seek exemptive relief from the Canadian Securities Regulators in order to give effect to the Plan and the transactions contemplated thereby. See "Risk Factors".

E. The Liquidation Trust

1. Creation and Funding of the Liquidation Trust; Vesting of Assets

On or before the Effective Date but after the Confirmation Hearing and Canadian Approval Hearing, the Bankruptcy Court and the Canadian Courts shall have approved the formation of the Liquidation Trust pursuant to the Liquidation Trust Agreement and the provisions of the Plan. The Liquidation Trust shall be formed under U.S. law and shall be managed from the U.S. The Liquidation Trustee shall administer the Liquidation Trust, and shall have the powers and duties set forth in the Liquidation Trust Agreement. The Liquidation Trustee shall be designated in the Plan Supplement by the Equity Committee, with the consent of

the Creditors' Committee, Monitor and the Debtors, which consent shall not be unreasonably withheld.

Through the Plan, the Shareholder Distributable Assets allocated to the Liquidation Trust (including a proportionate interest in the Retained Causes of Action) for the benefit of Holders of Allowed Parent Equity Interests who elect Option 1 shall vest in the Liquidation Trust as assets of the Liquidation Trust (which, for greater certainty, does not include any Cash (including the Sale Proceeds held by the Debtors as of the Effective Date)) (such assets, the "Liquidation Trust Assets") as a deemed distribution to the Holders of Allowed Parent Equity Interests who elect Option 1 followed immediately by a deemed contribution to the Liquidation Trust from such Holders of their share of Liquidation Trust Assets. It is anticipated that the Liquidation Trust Assets shall consist of (i) the proportionate interest in the Retained Causes of Action allocable to the Holders of Allowed Parent Equity Interests that elected Option 1, and (ii) a comparable portion of the Liquidation Trust Expense Reserve; it is anticipated that no other Cash shall be transferred (or deemed transferred) to the Liquidation Trust for the Holders of Allowed Parent Equity Interests that elected Option 1.

The Plan shall be considered a motion pursuant to Sections 105, 363 and 365 of the Bankruptcy Code, and the Confirmation Order shall be considered an order granting such relief. The transfer of the Liquidation Trust Assets to the Liquidation Trust shall be made for the benefit of and on behalf of the Liquidation Trust Beneficiaries. For all U.S. federal income tax purposes, the transfer of the Liquidation Trust Assets to the Liquidation Trust shall be treated as (1) a transfer of the Liquidation Trust Assets directly to the Liquidation Trust Beneficiaries, followed by (2) the transfer of such Liquidation Trust Assets by the Liquidation Trust Beneficiaries to the Liquidation Trust in exchange for the Liquidation Trust Beneficial Interests. The Liquidation Trust Beneficiaries shall be treated as the grantors and owners of the Liquidation Trust (other than the Liquidation Trust Assets as are allocable to the Reserves).

As soon as reasonably practicable after the Effective Date, (i) the Liquidation Trustee shall make a good faith valuation of the Liquidation Trust Assets, and (ii) the Liquidation Trustee shall establish appropriate means to apprise the Liquidation Trust Beneficiaries of such valuation. The valuation shall be used consistently by all parties (including the Debtors, the Liquidation Trustee and the Liquidation Trust Beneficiaries) for all U.S. federal and other income tax purposes. The Liquidation Trustee also shall file (or cause to be filed) any other statements, returns, or disclosures relating to the Liquidation Trust that are required by any Governmental Unit.

2. **Rights and Powers of the Liquidation Trustee**

The Liquidation Trustee shall have all the rights and powers set forth in the Plan (including, but not limited to, those conferred upon him as the Litigation Representative pursuant to Article V.E.12 of the Plan) and the Liquidation Trust Agreement to act on behalf of the Liquidation Trust, including the right to (a) effect all actions and execute all agreements, instruments and other documents, and exercise all rights and Privileges (as defined below) previously held by the Debtors, necessary or convenient to implement the provisions of the Plan and the Liquidation Trust Agreement, (b) subject to the Liquidation Trust Agreement and the Plan, prosecute, settle, abandon or compromise the Retained Causes of Action on behalf of the

Liquidation Trust and the Debtors, (c) authorize distributions as contemplated by and in accordance with the Plan, and (d) make disbursements from the Liquidation Trust Expense Reserve (or, prior to the funding of the Liquidation Trust Expense Reserve, from Cash held by the Reorganized Parent Debtor) on behalf of the Liquidation Trust and the Reorganized Parent Debtor.

Pursuant to Article V.E.12 of the Plan, the Liquidation Trustee, in its capacity as Litigation Representative, for the benefit of and on behalf of the Liquidation Trust and the Debtors, without further order of the Bankruptcy Court or the Canadian Court but subject to the Liquidation Trust Agreement and the Plan, shall have full power and authority to (i) investigate, prosecute, abandon, settle, liquidate, or otherwise resolve the Retained Causes of Action, (ii) retain counsel and other professionals in connection with investigating, prosecuting, abandoning, settling, liquidating, or otherwise resolving the Retained Causes of Action, under such arrangements regarding compensation and other terms as the Liquidation Trustee may deem reasonable and appropriate, and (iii) to the extent consistent with the provisions of U.S. tax laws applicable to liquidating trusts, enter into third-party arrangements for the funding of the foregoing activities of the Litigation Representative in respect of the Retained Causes of Action, which arrangements may include granting interests in the Retained Causes of Action or the proceeds thereof; provided, however, that any such third-party arrangements shall be non-recourse except as to any proceeds received in respect of the Retained Causes of Action subject to such third-party arrangements. Funds in the Liquidation Trust Expense Reserve (whether held by the Reorganized Parent Debtor or the Liquidation Trust) may be used to pay the fees, costs, and expenses (including attorney's fees and other professional fees) that the Liquidation Trust may incur in connection with the implementation of the Plan, including, but not limited to, the fees and expenses related to investigating, prosecuting, abandoning, settling, liquidating, or otherwise resolving the Retained Causes of Action.

3. Retention of Professionals

In its capacity as Litigation Representative on behalf of the Debtors and the Liquidation Trust pursuant to Article V.E.12 of the Plan, the Liquidation Trustee may retain counsel and other professionals on behalf of the Liquidation Trust to assist the Liquidation Trust in exercising its rights and powers under the Liquidation Trust Agreement and implementing the Plan. Funds in the Liquidation Trust Expense Reserve (whether held by the Reorganized Parent Debtor or the Liquidation Trust) and, to the extent necessary, the Cause of Action Net Proceeds may be used by the Liquidation Trustee to pay the fees, costs, and expenses that the Liquidation Trust may incur in connection with the implementation of the Plan.

4. Post-Effective Date Fees and Expenses of Liquidation Trust and the Debtors

The Wind-Down Expenses of the Liquidation Trust and the Debtors, including for the Chief Wind-Down Officer and the Monitor, incurred on or after the Effective Date shall be paid by the Liquidation Trustee or the Reorganized Parent Debtor out of the Liquidation Trust Expense Reserve without further order of the Bankruptcy Court or Canadian Court. Following the Effective Date, any requirement that a U.S. Professional comply with sections 327 through

331 of the Bankruptcy Code when seeking compensation for services rendered to any of the Debtors, their Estates or the Liquidation Trust shall terminate.

5. **Liquidation Trust Advisory Board**

The Liquidation Trust Advisory Board shall consist of three (3) Persons. Each member of the Liquidation Trust Advisory Board shall be designated by the Equity Committee with the consent of the Monitor and the Debtors, which consent is not to be unreasonably withheld, and after consultation with the Creditors' Committee. The initial members of the Liquidation Trust Advisory Board shall be identified in the Plan Supplement.

6. **Liquidation Trust Transfer Taxes**

Any transfer of the Liquidation Trust Assets to the Liquidation Trust shall be exempt from any stamp tax or similar tax, in accordance with section 1146(a) of the Bankruptcy Code.

7. **Federal Income Tax Treatment of the Liquidation Trust**

The Liquidation Trust shall be established for the sole purpose of distributing the Liquidation Trust Assets, and proceeds therefrom, in accordance with Treasury Regulation section 301.7701-4(d) and Revenue Procedure 94-45, with no objective to continue or engage in the conduct of a trade or business, and are intended to qualify as a liquidating trust for U.S. federal income tax purposes. In general, a liquidating trust such as the Liquidation Trust is not a separate taxable entity for U.S. federal income tax purposes, but is instead treated as a grantor trust, i.e., pass-through entity. All parties must treat the transfer of the portion of the Liquidation Trust Assets attributable to the Liquidation Trust Beneficiaries as a transfer of such assets directly to the Liquidation Trust Beneficiaries. Consistent therewith, all parties must treat the Liquidation Trust as a grantor trust of which the Liquidation Trust Beneficiaries are the owners and grantors. Subject to the terms of the Liquidation Trust Agreement, the value of a Liquidation Trust Beneficiary's Allowed Parent Equity Interest (less any Cash distribution received from the Reorganized Parent Debtor) shall be the value of such Liquidation Trust Beneficiary's Liquidation Trust Beneficial Interest, and the Liquidation Trust Beneficiaries and the Liquidation Trust must consistently use this valuation for all U.S. and other federal income tax purposes, including for determining gain, loss or tax basis.

If any Holder of Allowed Parent Equity Interests elects Option 1 and the Liquidation Trust is subject to adverse tax consequences in Canada as a result of such Holder holding Beneficial Trust Interests, any transfer to such Holder and the cancellation of such Holder's Parent Equity Interests shall be *void ab initio* and the Reorganized Parent Debtor, the Holder and the Liquidation Trust shall each treat such Holder at all times as if such Holder had elected Option 2.

8. **Dissolution of the Liquidation Trust**

The Liquidation Trust shall be dissolved no later than five (5) years from the Effective Date, unless the Bankruptcy Court, upon motion made prior to such fifth (5th) anniversary without the need for a favorable letter ruling from the IRS that any further extension would not adversely affect the status of either as a Liquidation Trust for federal income tax purposes,

determines that a fixed period extension, not to exceed five (5) years, is necessary to facilitate or complete the recovery on and liquidation of the Liquidation Trust Assets. Upon the filing of any motion for an extension of the date of dissolution, such date shall be deemed automatically extended until an order of the Bankruptcy Court is entered with respect to such motion or the motion is withdrawn.

9. **Liquidation Trust Securities Law Matters**

To the extent the Liquidation Trust Beneficial Interests are deemed to be "securities," the issuance of such interests under the Plan, are exempt, pursuant to section 1145 of the Bankruptcy Code, from registration under the Securities Act of 1933, as amended, and any applicable U.S. federal, state and local laws requiring registration of securities. Notwithstanding the foregoing, this may give rise to certain reporting and disclosure requirements and obligations in accordance with applicable securities laws in each of the provinces and territories of Canada, the regulations and rules made and forms prescribed thereunder or any applicable published rules, instruments, policy statements and blanket orders and rulings of the Canadian Securities Regulators (collectively, the "Canadian Securities Laws") notwithstanding receipt of the CCAA Approval Order. The Canadian Securities Regulators may determine that exemptive relief from applicable Canadian Securities Laws is required and there can be no assurance that the appropriate exemptive relief will be granted in a timely manner or at all. *See Risk Factor "Q. The Liquidation Trust Beneficial Interests May Not Be Exempt*".

10. **Ability to Seek and Obtain Discovery under Bankruptcy Rule 2004**

From and after the Effective Date, in connection with the Retained Causes of Action: (i) the Liquidation Trustee, in its capacity as the Litigation Representative for the Debtors and the Liquidation Trust, shall have the ability to seek and obtain examinations (including document discovery and depositions) under Bankruptcy Rule 2004 (and equivalent Canadian legislation) against any Person or Entity, and (ii) the Bankruptcy Court (and Canadian Court) shall retain jurisdiction to order examinations (including examinations under Bankruptcy Rule 2004) against any Person or Entity, and to hear all matters with respect to the same.

11. **Preservation of Privileges and Books and Records of the Estates and Debtors**

On the Effective Date, the Debtors shall be deemed to have transferred and assigned all of their respective rights, titles, and interests in any privilege or immunity of the Debtors' Estates, including the attorney-client privilege and any privileges in respect of any Retained Causes of Action (collectively, the "Privileges"), to the Liquidation Trust and the Reorganized Debtors, and all such Privileges shall automatically vest in the Liquidation Trust and the Reorganized Debtors, jointly, as of the Effective Date; provided, however, that the Liquidation Trustee, in its capacity as the Litigation Representative for the Debtors and the Liquidation Trust, shall be vested with the sole power and authority to waive or assert such Privileges for the joint benefit of the Debtors and the Liquidation Trust. In addition, on the Effective Date, the Debtors shall be deemed to have transferred and assigned all of their rights and obligations with respect to their books and records and access thereto, including any rights and obligations under the Sale Orders, to the Liquidation Trust and the Debtors, and all such rights and obligations shall

automatically vest in the Liquidation Trust and the Debtors as of the Effective Date. Pursuant to the Plan, the Debtors' Professionals agree that, prior to and after the Effective Date, they shall provide reasonable assistance and cooperation to the Debtors, the Liquidation Trust, and the Reorganized Parent Debtor, as applicable, and each of their respective professionals, in connection with the investigation and prosecution of the Retained Causes of Action, including by (i) delivering any books and records of the Debtors or other materials (including any documents or materials that may be subject to any Privileges) that may be relevant to the Retained Causes of Action and that are in the respective possession, custody, or control of any such Debtor Professionals, and (ii) responding to any reasonable inquiries made by the Debtors, the Liquidation Trust, or the Reorganized Parent Debtor, as applicable, or any of their respective professionals, in respect of the investigation and prosecution of the Retained Causes of Action; provided, however, that the reasonable assistance and cooperation of the Debtors' Professionals as set forth herein shall be subject in all respects to any applicable ethical rules or obligations of such Debtor Professionals, and shall be compensable as a Wind-Down Expense of the Liquidation Trust.

12. **Appointment of Liquidation Trustee by Canadian Court and Bankruptcy Court as Representative of the Debtors and Liquidation Trust in Respect of the Retained Causes of Action**

On or before the Effective Date, the Canadian Court and the Bankruptcy Court shall have entered orders (which, in the case of the Bankruptcy Court shall be the Confirmation Order and, in the case of the Canadian Court, shall be the CCAA Approval Order) appointing the Liquidation Trustee as the Litigation Representative of the Debtors and the Liquidation Trust and otherwise vesting the Liquidation Trustee with sole responsibility, power and authority (subject only to the terms of the Plan and the review and approval of the Liquidation Trust Advisory Board as required by the Liquidation Trust Agreement, and the Board of Directors of the Reorganized Parent Debtor to the extent required under its amended and restated organizational documents) for investigating, prosecuting, settling and liquidating the Retained Causes of Action, jointly on behalf of the Debtors and the Liquidation Trust. In his capacity as Litigation Representative, the Liquidation Trustee shall have the exclusive power and authority (subject only to the review and approval of the Liquidation Trust Advisory Board as provided in the Liquidation Trust Agreement, and the Board of Directors of the Reorganized Parent Debtor to the extent required under its amended and restated organizational documents) to (i) assert or waive any applicable Privileges, (ii) seek discovery pursuant to Bankruptcy Rule 2004, (iii) investigate Retained Causes of Action, (iv) assert the Debtors' rights in respect to their books and records, (iv) elect whether to prosecute, settle or otherwise liquidate such Retained Causes of Action, and (v) to use funds in the Liquidation Trust Expense Reserve, whether held by the Reorganized Parent Debtor or Liquidation Trust, to pay professional fees and other Wind-Down Expenses incurred by the Liquidation Trust and/or the Reorganized Parent Debtor, in each case without further approval of the Bankruptcy Court or the Canadian Court or the Reorganized Parent Debtor, but for the joint benefit of the Holders of Equity Interests in the Reorganized Parent Debtor and Beneficial Trust Interests in the Liquidation Trust.

13. **Savings of Retained Causes of Action**

If the vesting of interests in Retained Causes of Action with the Liquidation Trust shall compromise the ability to prosecute or recover from any Retained Causes of Action, then notwithstanding anything else contained in the Plan, an interest in such Retained Causes of Action shall not be deemed to have vested in the Liquidation Trust, but rather shall be deemed solely vested with or otherwise retained by the Reorganized Parent Debtor or other applicable Debtor. In such situation, (i) the Liquidation Trustee shall continue to serve as the Litigation Representative on behalf of the Reorganized Parent Debtor with full power and authority respecting all aspects of such Retained Cause of Action as provided in the Plan, including prosecution in the name of the applicable Debtor, funding for same, and terms of settlement and (ii) the Liquidation Trust and applicable Debtor shall share costs and proceeds pertaining to such Retained Cause of Action so as to realize the Asset Apportionment otherwise described in the Plan. Nothing set forth herein shall be deemed applicable to, or binding with respect to, the U.S. federal income tax reporting obligations of the Liquidation Trust or Liquidation Trustee, if any, and for the avoidance of doubt the Liquidation Trust and Liquidation Trustee shall comply with, and report as required in their sole judgment in compliance with, such U.S. federal income tax laws as may be applicable to the Liquidation Trust and the holders of Beneficial Trust Interests.

F. **Cancellation of Unexercised and Unvested Interests**

On the Effective Date, any contingent or unexercised option, warrant, or right, contractual or otherwise, to acquire or be awarded any interest in a Debtor, including unvested restricted share units, or other such forms of interest, including those held by former officers, employees or directors of the Debtors as a form of compensation, except for deferred share units identified in the Plan Supplement which are owing to the Debtors' directors but were not granted due to the stay of proceedings in the Chapter 11 Cases and the CCAA Proceedings and, for greater certainty, vested restricted share units and other deferred share units, shall be cancelled without the exchange of any similar interest, or other form of consideration. Any Proof of Claim or Equity Interest filed are on account of such cancelled interests shall be disallowed as a Claim or Equity Interest for which the Debtors have no liability and the Claims and Solicitation Agent may adjust the Claims Register accordingly to reflect such disallowance without further order of the Bankruptcy Court or Canadian Court.

XI. PROCEDURES FOR RESOLVING DISPUTED CLAIMS; CLAIM RESERVES

A. **Prosecution of Objections to U.S. Claims**

After the Effective Date, the Liquidation Trust shall have and retain any and all rights and defenses that any Debtors may have with respect to any U.S. Claims, and shall have the authority, after consultation with the Monitor, to file objections and to settle, compromise, withdraw or litigate to judgment objections to Claims against the U.S. Debtors (except those Allowed by the Plan, the Confirmation Order or other Final Order). The Liquidation Trust, after consultation with the Monitor, shall have the authority to compromise, settle, otherwise resolve, or withdraw, any objections to Disputed Claims on account of U.S. Claims without approval of the Bankruptcy Court. Any final determination of the U.S. Claims made in the

Chapter 11 Proceedings shall be binding in the CCAA Proceedings and constitute Final Orders with respect to such Claims.

The U.S. Debtors (after the later of the Confirmation Date and the CCAA Approval Order Date, and until the Effective Date) or the Liquidation Trust (from and after the Effective Date), shall file objections to any U.S. Disputed Claims with the Bankruptcy Court in accordance with the Bankruptcy Rules on or before the Claims Objection Deadline, as the same may be extended pursuant to the terms of the Plan or order of the Bankruptcy Court.

B. Prosecution of Objections to Canadian Claims

The Monitor, after consultation with the Liquidation Trustee and the Reorganized Parent Debtor, will allow and disallow Canadian Claims in accordance with a Claims Resolution Order granted by the Canadian Court and the authority contained therein. Any objection to a notice of disallowance or revision issued by the Monitor shall only be made to the Monitor in accordance with the Claims Resolution Order. Any final determination of the Canadian Claims made in the CCAA Proceedings pursuant to the Claims Resolution Order shall be binding in the Chapter 11 Cases and constitute Final Orders with respect to such Claims.

C. Cross-Border Provisions for Resolution of Certain Claims

1. Multiple Disputed Claims

In the event that a Disputed Claim has been separately filed against one or more Canadian Debtors and one or more U.S. Debtors and also with respect to Securities Law Claims, the Monitor and Liquidation Trustee may determine a mutually acceptable process for prosecuting and resolving such Claim in accordance with the Claims Resolution Order, including deciding to liquidate such Disputed Claim under the Plan as a Disputed Canadian Claim or Disputed U.S. Claim, respectively, and if no agreement can be reached, the Bankruptcy Court and Canadian Court shall decide the process by an order of both courts. Any appeal to such Disputed Claim shall only be made to the Monitor in accordance with the Claims Resolution Order if such Disputed Claim is treated as a Disputed Canadian Claim or to the U.S. Debtor or Liquidation Trustee, as applicable, if such Disputed Claim is treated as a Disputed U.S. Claim.

2. Applicable Statutory Caps

To the extent that a provision of the Bankruptcy Code or a provision of the CCAA or an order of the Canadian Court limits the Allowed amount of a particular type of Claim (e.g., sections 502(b)(6) and 502(b)(7) of the Bankruptcy Code), the distribution on such Allowed Claim under the Plan shall not exceed the lesser of (a) the Allowed amount such Claim is entitled to under the provisions of the Bankruptcy Code; and (b) the Allowed amount such Claim is entitled to under the CCAA or any order of the Canadian Court.

3. Estimation of Claims

The Liquidation Trust, after consultation with the Monitor, may, at any time after the Effective Date, request that the Bankruptcy Court estimate any contingent or unliquidated U.S. Claim respectively, pursuant to section 502(c) of the Bankruptcy Code, regardless of whether any Debtor previously objected to such Claim or whether the Bankruptcy Court has ruled on any

such objection, and the Bankruptcy Court will retain jurisdiction to estimate any U.S. Claim at any time, including during litigation concerning any objection to any U.S. Claim, and during the pendency of any appeal relating to any such objection.

The Monitor may, at any time after the Effective Date and after consultation with the Liquidation Trustee, request that the Canadian Court or claims officer appointed by the Canadian Court to estimate, determine or resolve any contingent or unliquidated Canadian Claim respectively, pursuant to the CCAA and in accordance with a Claims Resolution Order.

If the Bankruptcy Court or the Canadian Court or a claims officer appointed by the Canadian Court estimates any contingent or unliquidated Claim, that estimated amount will constitute either the Allowed amount of such Claim or a maximum limitation on such Claim, as determined by the applicable court. If the estimated amount constitutes a maximum limitation on such Claim, the Liquidation Trust or Monitor, as applicable, may elect to pursue any supplemental proceedings to object to the allowance and any ultimate payment on such Claim. Claims may be estimated and subsequently compromised, settled, withdrawn or resolved by any mechanism approved by the Bankruptcy Court or the Canadian Court, as applicable, including under the Plan, the CCAA Approval Order or a Claims Resolution Order.

4. Distributions on Allowed Claims

As further provided in Article VII of the Plan, the Distribution Agent shall make all distributions on Allowed Claims from the Sale Proceeds. The Liquidation Trustee shall direct the Distribution Agent to make distributions on account of Allowed U.S. Claims and the Monitor shall direct the Distribution Agent to make distributions on account of Allowed Canadian Claims.

D. No Double Recovery on Allowed Cross-Border Claims

The aggregate recovery under the Plan, on the one hand, and in the CCAA Proceedings under the CCAA Approval Order, on the other hand, on account of any Claim for which more than one Debtor is liable, whether on account of a theory of primary or secondary liability, by reason of a guarantee agreement, indemnity agreement, joint and several liability or otherwise shall not exceed 100% of the Allowed amount of the Claim as determined in accordance with the Plan, the CCAA Approval Order or a Claims Resolution Order, as applicable.

E. Reserves

1. Liquidation Trust Expense Reserve

On the Effective Date, the Debtors or the Distribution Agent will fund with Cash the Liquidation Trust Expense Reserve in the amount set forth in the Plan Supplement, and the Liquidation Trust Expense Reserve will remain under the control of the Reorganized Parent Debtor until (1) a Clearance Certificate is obtained that permits transfer of the Liquidation Trust Expense Reserve to the Liquidation Trust or (2) the Board of Directors of the Reorganized Parent Debtor otherwise resolves to disburse such funds; provided, however, that at least $100,000 of the Liquidation Trust Expense Reserve shall be funded into the Liquidation Trust within 60 days of the Effective Date, unless the Board of Directors of the Reorganized Parent

Debtor, with the consent of the Liquidation Trustee, which consent shall not be unreasonably withheld, reasonably determines that such funding should not be made, and provided, further, that Wind-Down Expenses and expenses of the Liquidation Trust (including, but not limited to, professional fees incurred in connection with the Retained Causes of Action) may be paid from any reserves prior to the issuance of a Clearance Certificate. Once distributed by the Reorganized Parent Debtor, the Pro Rata portion of the Liquidation Trust Expense Reserve attributable to beneficial Holders of Allowed Parent Equity Interests that Election Option 1 under the Plan shall be treated as deemed distributions to such Holders followed immediately by deemed contributions by such Holders to the Liquidation Trust, including for all U.S. federal income tax purposes. To the extent any Cash remains in the Liquidation Trust Expense Reserve after payment of the Wind-Down Expenses of the Liquidation Trust and the Debtors, such excess Cash shall be administered in accordance with the other provisions of the Plan, including as additional distributions to Holders of Beneficial Trust Interests or to Holders of Parent Equity Interests; provided however that any such distribution shall not be made before the Final Distribution Date.

2. **Holdback Amount Reserve**

On the Effective Date, the Debtors or the Distribution Agent will fund in Cash the Holdback Amount Reserve from the U.S. Sale Proceeds Account in an amount sufficient to Pay in Full the Holdback Amount for Professionals and payment of any additional unpaid amounts asserted or estimated by the Professionals and Alvarez & Marsal North America, LLC as owing to any such firm for fees and expenses accrued prior to the Effective Date that have not yet been paid. To the extent any Cash remains in the Holdback Amount Reserve after payment of the Professionals and Alvarez & Marsal North America, LLC, such excess Cash shall be administered by the Distribution Agent in accordance with the other provisions of the Plan.

3. **Individual Securities Damages Reserve**

On the Effective Date, the Debtors or the Distribution Agent will fund with Cash the Individual Securities Damages Reserve, and the Individual Securities Damages Reserve will remain under the control of the Monitor on behalf of the Reorganized Parent Debtor until a Clearance Certificate or Comfort Letters are obtained and the Monitor determines that the transfer of the Individual Securities Damages Reserve to the Holder of the Individual Securities Damages Claim is permitted. The Individual Securities Damages Reserve will be used to satisfy any Allowed Individual Securities Damages Claim and will be the sole source of recovery for such Allowed Claim. To the extent any Cash remains in the Individual Securities Damages Reserve after payment of the Individual Securities Damages Claim, to the extent Allowed, or if such Claim is Disallowed, such excess Cash shall be transferred to the Distribution Agent to be administered in accordance with the other provisions of the Plan and the CCAA Approval Order.

4. **Reserve Amounts**

The Bankruptcy Court and the Canadian Court shall approve the Reserve amounts authorized under the Plan in the Confirmation Order and CCAA Approval Order, respectively.

F. No Interest on Allowed Claims; Setoffs

Unless otherwise specified in the Plan or by Final Order, "Allowed Administrative Claim" or "Allowed General Unsecured Claim" shall not, for any purpose under the Plan, include interest on such Administrative Claim or Claim from and after the Petition Date or attorney's fees after the Petition Date.

An Allowed Claim shall be net of any setoff or recoupment amount of any Claim that may be asserted by any Debtor against the Holder of such Claim, which amount shall be deemed setoff or recouped pursuant to the Plan.

G. Prompt Claims Resolution

To ensure the prompt resolution of Claims, objections to all Claims that are (i) subject to reduction by section 502(b)(7) of the Bankruptcy Code, (ii) amended and superseded Claims and (iii) duplicate Claims shall be filed by no later than thirty (30) days after the Effective Date, and notices of disallowance shall be served on all Canadian Claims that are subject to reduction by section 502(b)(7) of the Bankruptcy Code by such same date.

Additionally, beginning on the 90th day after the Effective Date and continuing every 90th day thereafter until all U.S. Claims have become Satisfied Claims, Allowed U.S. Claims or U.S. Claims disallowed by a Final Order, the Liquidation Trustee shall file on the Docket and serve on the Holders of all remaining U.S. Claims a progress report discussing its efforts to reconcile and liquidate U.S. Claims taken during the reporting period.

XII. PROVISIONS GOVERNING DISTRIBUTIONS

A. Distribution Agent

Each Distribution Agent shall make the applicable distributions under the Plan tasked to such Distribution Agent. The Distribution Agent shall act at the direction of the Reorganized Parent Debtor, the Monitor or the Liquidation Trustee, as the case may be. On the Effective Date, the Distribution Agent shall have the authority to distribute the Sale Proceeds in accordance with the Plan, and as directed by the Reorganized Parent Debtor, the Monitor or the Liquidation Trustee.

The Monitor shall be the Distribution Agent through the Final Monitor Distribution Date, and the Monitor as Distribution Agent shall make the Initial Cash Distributions from the Sale Proceeds required under the Plan and the CCAA Approval Order to Holders of Allowed Secured Claims, Allowed Priority Claims, and Allowed General Unsecured Claims, as well as to pay any Allowed Individual Securities Damages Claim from the Individual Securities Damages Reserve upon receipt of either (a) Comfort Letters, and/or (b) such other arrangement satisfactory to the Monitor, as applicable. Following the Final Monitor Distribution Date, any Person selected by the Monitor, Reorganized Parent Debtor or the Liquidation Trustee may be designated as the Distribution Agent to make interim and final distributions to Holders of Claims and Parent Equity Interests as permitted under the Plan and the CCAA Approval Order.

Following the Effective Date, the Reorganized Parent Debtor or the Liquidation Trust, as applicable, shall pay to the Distribution Agent all reasonable and documented fees and expenses of the Distribution Agent without the need for any approvals, authorizations, actions, or consents. The Distribution Agent shall submit detailed invoices to the Reorganized Parent Debtor, the Monitor and the Liquidation Trustee, as applicable, for all fees and expenses for which the Distribution Agent seeks reimbursement and shall be paid those amounts that the Reorganized Parent Debtor, the Monitor and the Liquidation Trustee, in their sole discretion, deem reasonable. In the event that the Reorganized Parent Debtor, the Monitor or Liquidation Trustee, as applicable, object to all or any portion of the amounts requested to be reimbursed in a Distribution Agent's invoice, the Reorganized Parent Debtor, Monitor or Liquidation Trustee, as applicable, and such Distribution Agent shall endeavor, in good faith, to reach mutual agreement on the amount of the appropriate payment of such disputed fees and/or expenses. In the event that the Reorganized Parent Debtor, Monitor or Liquidation Trustee, as applicable, and the Distribution Agent are unable to resolve any differences regarding disputed fees or expenses, any such party shall be authorized to move to have such dispute heard by the Bankruptcy Court or the Canadian Court, provided, however, if the dispute relates to amounts requested to be reimbursed by the Monitor, the dispute shall be heard by the Canadian Court.

B. **Delivery of Distributions**

Distributions to Holders of Allowed Claims shall be made by the Distribution Agent to the address of the Holder of such Claim as indicated in the Claims Register as of the Distribution Record Date. The Distribution Agent shall have no obligation to recognize the transfer of or sale of any Claim that occurs after the close of business on the Distribution Record Date, and will be entitled for all purposes to recognize and distribute only to those Holders of Allowed Claims who are Holders as of the close of business on the Distribution Record Date.

Distributions to Holders of Parent Equity Interests shall be made via a mandatory exchange with Clearing and Depository Services Inc. and Depository Trust Company to Holders of Parent Equity Interests at the time the distribution is made, without the establishment of a distribution record date for Parent Equity Interests, except in the case of Holders of Parent Equity Interests electing Option 1, who shall receive distributions from the Liquidation Trust or other Distribution Agent at the address set forth on their Liquidation Trust Certification Form. Any subsequent distributions on account of Liquidation Trust Beneficial Interests shall be made in similar manner, at the address listed on such Liquidation Trust Beneficiary's Liquidation Trust Certification Form, or at such other address as they later send to the Liquidation Trustee in writing.

C. **Timing of Distributions**

The Distribution Agent may make one or more interim and final distributions of Cash to Holders of Claims or Parent Equity Interests, in his discretion to the extent permitted hereunder, provided, however, that no Cash distributions shall be made to the Holders of Allowed Parent Equity Interests or Holders of Beneficial Trust Interests under the Plan until all obligations under the Plan to the Holders of Allowed Claims (including Fee Claims) and the Wind-Down Expenses of the Debtors have been Paid in Full in Cash or reserved for pursuant to a Final Order and the Debtors or the Monitor shall have obtained Clearance Certificates permitting such distribution.

With respect to Allowed Claims other than Allowed Fee Claims, the Distribution Agent shall make distributions of Cash to Holders of such Allowed Claims as follows:

1. On the Initial Distribution Date, Cash to all Holders of Allowed Claims as of the Distribution Record Date.

2. On any Interim Distribution Date, Cash to all Holders of Allowed Claims that have become Allowed after the Initial Distribution Date.

3. On the Final Distribution Date, the balance of all Cash distributions to Holders of Allowed Claims and Allowed Equity Interests, as applicable and as required under the Plan.

The Distribution Agent shall pay Allowed Fee Claims in accordance with Article III.B of the Plan.

Until the Monitor is in receipt of the Comfort Letters, the Monitor, as Distribution Agent, shall be under no obligation to make any distributions on account of any Allowed Claims. The Distribution Agent shall not make any Cash distributions from the Sale Proceeds on account of Equity Interests until receipt of the applicable Clearance Certificates satisfactory to the Distribution Agent and the Debtors.

D. **No Distributions on Disputed Claims**

Notwithstanding any provision in the Plan to the contrary, no distributions, partial or otherwise, shall be made with respect to a Disputed Claim until all disputes with respect to such Claim are resolved by the Liquidation Trust or the Monitor and the Holder of such Claim by Final Order or settlement. Subject to the provisions of the Plan, after a Disputed Claim becomes an Allowed Claim, the Holder of such an Allowed Claim will receive all distributions to which such Holder is then entitled under the Plan on the Initial Distribution Date, or the next scheduled Interim Distribution Date or Final Distribution Date, as the case may be. No post-petition interest, including post-Effective Date interest shall be paid on any distributions under the Plan, including with respect to any Disputed Claim that becomes an Allowed Claim. If a Creditor incorporates more than one Claim in a Proof of Claim then: (a) such Claims will be considered one Claim for purposes of the Plan, and (b) no such Claim will be bifurcated into an Allowed portion and a Disputed portion.

E. **Amount of Distributions**

Notwithstanding anything to the contrary contained in the Plan, no Holder of an Allowed Claim shall, on account of such Allowed Claim, receive a distribution in excess of the Allowed amount of such Claim to the extent payable in accordance with the Plan, even if filed against multiple Debtors.

F. **De Minimis Distributions**

Notwithstanding anything contained in the Plan to the contrary, no distribution shall be required to be paid if such payment would be less than $50.00 on any distribution, provided,

however, that distributions made through the Depository Trust Company or Clearing and Depository Services Inc. may be made to the nearest cent, with half cents rounding down to zero, even if any such distribution would be less than $50.00.

G. **Undeliverable Distributions**

1. **Holding of Undeliverable Distributions**

If any distribution to a Holder of an Allowed Claim, Parent Equity Interest or Liquidation Trust Beneficial Interest is returned as undeliverable, no further distributions must be made to such Holder unless and until the Monitor, Liquidation Trustee or Distribution Agent, as applicable, is notified in writing of such Holder's then-current address or other necessary information for delivery, at which time all currently due missed distributions shall be made to such Holder as soon as practicable, subject to Article VII.G.2 of the Plan regarding the failure to claim Undeliverable Distributions. Undeliverable Distributions shall remain in the possession of the Monitor or Liquidation Trustee, as applicable, until such time as a distribution becomes deliverable, and shall not be supplemented with any interest, dividends or other accruals of any kind.

2. **Failure to Claim Undeliverable Distributions**

Any Holder of an Allowed Claim, Parent Equity Interest or Liquidation Trust Beneficial Interest that does not assert its right pursuant to the Plan for an Undeliverable Distribution within ninety (90) days after the distribution is distributed shall be deemed to have waived, and shall be forever barred from asserting, its rights for such Undeliverable Distribution, notwithstanding any applicable federal, state or Canadian escheat, abandoned or unclaimed property laws to the contrary. Nothing contained in the Plan shall require the Debtors, the Monitor, the Liquidation Trustee/Liquidation Trust, or a Distribution Agent to attempt to locate any Holder of an Allowed Claim, Parent Equity Interest or Liquidation Trust Beneficial Interest.

H. **Distributions on Non-Business Days**

Any payment or distribution due on a day other than a Business Day shall be made, without interest, on the next Business Day.

I. **Tax Withholding From Distributions**

Any amounts required by law to be withheld from distributions made under the Plan shall be withheld. Any amounts so withheld from any payment made under the Plan shall be deemed paid to the Holder of the Allowed Claim or Parent Equity Interest subject to withholding. Notwithstanding the above, each Holder of an Allowed Claim or Parent Equity Interest that is to receive a distribution under the Plan shall have the sole and exclusive responsibility for the satisfaction and payment of any taxes imposed on such Holder by any Governmental Unit on account of such distribution, except for taxes withheld from payments made under the Plan. Each Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent, as applicable, has the right, but not the obligation, not to make a distribution until such Holder has made arrangements satisfactory to the Debtor, the Liquidation Trustee, the Monitor or Distribution Agent for payment of any withholding tax obligations. Each Debtor, the Liquidation Trustee, the

Monitor or any Distribution Agent has no liability hereunder to any party, including any Governmental Unit, for incorrectly calculating amounts to be withheld, if any. If any Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent fails to withhold with respect to any such Holder's distribution, it shall have no liability for such failure to withhold to any party, including any Governmental Unit, and the Holder shall reimburse the Debtor, the Liquidation Trust, the Monitor or other Distribution Agent, as applicable. Notwithstanding any provision in the Plan to the contrary, any Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent shall be authorized to take all actions necessary or appropriate to comply with such withholding and reporting requirements, including liquidating a portion of the distribution to be made under the Plan to generate sufficient funds to pay applicable withholding taxes, withholding distributions pending receipt of information necessary to facilitate such distributions, or establishing any other mechanisms it believes are reasonable and appropriate. Any Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent may require, as a condition to the receipt of a distribution, that the Holder complete the appropriate Form W-8 or Form W-9, as applicable to each Holder. If the Holder fails to comply with such a request within three (3) months, such distribution shall be deemed an Undeliverable Distribution. Finally, any Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent reserves the right to allocate all distributions made under the Plan in compliance with all applicable wage garnishments, alimony, child support, and other spousal awards, Liens, and encumbrances, if any.

J. **Allocations**

Unless otherwise provided in the Plan, distributions in respect of Allowed Claims shall be allocated first to the principal amount (as determined for U.S. federal income tax purposes) of such Allowed Claims, and then, to the extent the distribution exceeds the principal amount of such Allowed Claims, to any portion of such Allowed Claims for accrued but unpaid interest; provided, however, that no Post-Petition Interest on account of General Unsecured Claims shall be Allowed or paid under the Plan.

K. **Time Bar to Cash Payments**

Checks issued on account of Allowed Claims and Parent Equity Interests and Beneficial Liquidation Trust Interests may be deemed null and void if not negotiated within one hundred and eighty (180) days after the date of issuance thereof. Requests for reissuance of any check shall be made in writing directly to the Liquidation Trust, Monitor or any other Distribution Agent, as applicable, by the Holder of the Allowed Claim or Parent Equity Interest with respect to which such check originally was issued. Any request in respect of such a voided check shall be made in writing on or before the later of one-hundred and eighty (180) days after the Effective Date or one-hundred and eighty (180) days after the date of issuance of such check. After such date, all rights in respect of void checks shall be forever barred and the distribution on account of such Claims and Parent Equity Interests shall be treated in accordance with Article VII.G of the Plan.

L. **Means of Cash Payments**

Any Cash payment to be made pursuant to the Plan will be made in U.S. dollars by checks drawn on or by wire transfer from a domestic bank selected by the applicable Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent, as applicable, provided, however, that any Debtor, the Liquidation Trustee, the Monitor or any Distribution Agent shall make Cash payment on any Claim filed against such Debtor in Canadian Dollars.

M. **Foreign Currency Exchange Rates**

As of the Effective Date, any Claim asserted in currency(ies) other than U.S. dollars or Canadian Dollars shall be automatically deemed converted to the equivalent U.S. dollar value using the mid-range spot rate of exchange for the applicable currency as published in *The Wall Street Journal*, National Edition, on the Petition Date. For greater certainty, the exchange rate does not apply to any Claims filed in Canadian Dollars that are paid in Canadian Dollars.

N. **Setoffs**

Any Debtor, the Monitor, the Liquidation Trustee or any Distribution Agent, as applicable, may, pursuant to section 558 of the Bankruptcy Code and applicable Canadian or non-bankruptcy law, set off against any Allowed Claim, the distributions to be made pursuant to the Plan on account of such Claim (before any distribution is made on account of such Claim), the claims, rights and Causes of Action of any nature that the Debtors or Liquidation Trust, as applicable, may hold against the Holder of such Allowed Claim; provided, however, that neither the failure to effect such a setoff nor the allowance of any Claim hereunder shall constitute a waiver or release of any such claims, rights and Causes of Action that the Debtors or the Liquidation Trust may possess against such Holder.

O. **Satisfied Claims and Claims Paid or Payable by Third Parties**

Any Administrative Claim or Claim that has been paid or satisfied in full or in part by any party may be adjusted on the Claims Register without a claims objection having to be filed and without any further notice to or action, order, or approval of the Bankruptcy Court, provided that the Liquidation Trustee shall file a notice of satisfaction or other pleading evidencing such satisfactions as are made by the Purchaser or any other party other than a Debtor or the Monitor, or seek an order of the Bankruptcy Court with respect to the same, all in the Liquidation Trustee's reasonable discretion. To the extent a Holder of a Claim receives a distribution on account of such Claim and receives payment from a party that is not a Debtor, the Monitor or a Distribution Agent, as applicable, on account of such Claim, such Holder shall repay, return or deliver any distribution held by or transferred to the Holder to the Monitor to the extent the Holder's total recovery on account of such Claim from the third party and under the Plan exceeds the total Allowed Claim of such Holder as of the date of any such distribution under the Plan. For the avoidance of doubt, prior to the making of distributions hereunder, Claims shall be reduced by the amount, if any, that was (i) paid by one or more of the Debtors pursuant to an order of the Bankruptcy Court or the Canadian Court, (ii) paid or otherwise assumed by the Purchaser in accordance with the Purchase Agreement, or (iii) otherwise satisfied by any third party; provided, however, that to the extent payment on a Claim that could be satisfied by a third

party is still made, then, as permitted under applicable law, the Estates shall be subrogated to any such otherwise Satisfied Claims to recover amounts that could have been used for satisfaction of such Claim.

No distributions under the Plan shall be made on account of an Allowed Claim that is payable pursuant to one of the Debtors' or the Liquidation Trust's insurance policies until the Holder of such Allowed Claim has exhausted all remedies with respect to such insurance policy, except as required under any such insurance policy with respect to a deductible or retention. To the extent that one or more of the insurers agrees to satisfy a Claim should liability ultimately arise on such Claim, then immediately upon such insurers' agreement, such Claim may be deemed Paid in Full under the Plan.

XIII. TREATMENT OF EXECUTORY CONTRACTS

A. Treatment of Executory Contracts

Except as otherwise expressly provided in Article VIII.B of the Plan relating to any insurance policies that may be Executory Contracts, all Executory Contracts of the U.S. Debtors that have not been assumed or assumed and assigned by the Debtors as of the Confirmation Date shall be deemed rejected as of the Effective Date in accordance with, and subject to the provisions and requirements of, sections 365 and 1123 of the Bankruptcy Code.

All Executory Contracts of the Canadian Debtors that have not been assumed or assigned by the Debtors as of the Confirmation Date shall be rejected prior to or after the Effective Date in accordance with section 32 of the CCAA in the CCAA Proceedings.

B. Insurance Policies

Notwithstanding anything to the contrary in the Plan or Confirmation Order, unless any insurance policies have been expressly rejected pursuant to a separate order of the Bankruptcy Court (or through the Confirmation Order), any insurance policies of the Debtors in which the Debtors are or were insured parties (including any policies covering directors' or officers' conduct), or any related insurance agreement issued prior to the Petition Date, shall continue in effect after the Effective Date pursuant to the respective terms and conditions and shall be treated as if assumed. All rights of the Debtors under any insurance policies shall automatically become vested in the Liquidation Trust and the Reorganized Parent Debtor without necessity for further approvals or orders. To the extent that any insurance policies or related insurance agreements are deemed executory contracts, then, unless such policies have been rejected pursuant to a separate order of the Bankruptcy Court or the Canadian Court (or through the Confirmation Order), notwithstanding anything to the contrary in the Plan, the Plan shall constitute a motion to assume, assume and assign, permit "ride through," or ratify such insurance policies or insurance agreements. Subject to the occurrence of the Effective Date, the entry of the Confirmation Order shall constitute both approval of such assumption pursuant to section 365 of the Bankruptcy Code and a finding by the Bankruptcy Court or the Canadian Court that such assumption is in the best interests of the Estates. Unless otherwise determined by the Bankruptcy Court or the Canadian Court pursuant to a Final Order or agreed upon by the parties prior to the Effective Date, no payments shall be required to cure any defaults of the Debtors existing as of the

Confirmation Date with respect to any insurance policy or insurance agreement assumed, or assumed and assigned, pursuant to the Plan. Each insurance company is prohibited from, and the Confirmation Order shall include an injunction against, denying, refusing, altering or delaying coverage on any basis regarding or related to these Chapter 11 Cases, the Plan or any provision within the Plan, including the treatment or means of liquidation set out within the Plan for any insured Claims or Retained Causes of Action. Without limiting the generality of the foregoing, all directors' and officers' liability insurance policies in effect as of the Confirmation Date shall be deemed assumed and shall not be rejected.

C. Effect of Confirmation Order on Rejection of Executory Contracts

Other than as provided in Article VIII.B of the Plan, entry of the Confirmation Order shall constitute an order of the Bankruptcy Court pursuant to sections 365 and 1123(b) of the Bankruptcy Code approving the rejection of the Executory Contracts of the U.S. Debtors as of the Effective Date and determining that with respect to such rejections, such rejected Executory Contracts are burdensome and that the rejection is in the best interests of the Estates.

D. Rejection Damages Claims and Objections to Rejection

Claims arising out of the rejection of any Executory Contract pursuant to the Plan must be filed and served no later than thirty (30) days after the Effective Date. Holders of any Claim not filed within such time will be forever barred from asserting such Claim against the Liquidation Trust, the Monitor, the Debtors or their Estates, or their respective successors or assigns or their respective property. Unless otherwise ordered by the Bankruptcy Court or the Canadian Court or specified in the Plan, all Claims arising from the rejection of Executory Contracts under the Plan shall be treated as General Unsecured Claims under the Plan.

E. Preexisting Obligations Under Executory Contracts

The Debtors and the Liquidation Trust reserve the right to assert that rejection of any Executory Contract pursuant to the Plan, the CCAA or otherwise shall not constitute a termination of obligations owed to the Debtors and/or the Liquidation Trust, as applicable, under such contracts, including but not limited to on the grounds that such Executory Contract was, in fact, not executory and such obligations owed to the Debtors "rode through" the Chapter 11 Cases. Notwithstanding any non-bankruptcy law to the contrary, the Debtors and the Liquidation Trust expressly reserve and do not waive any right to receive, or any continuing obligation of a counterparty to provide, warranties or continued maintenance obligations on goods previously purchased, or services previously received, or insurance obligations, by or for the benefit of the contracting Debtors or the Liquidation Trust, as applicable, from counterparties to rejected Executory Contracts.

F. Reservation of Rights

Nothing contained in the Plan shall constitute an admission by the Debtors or the Liquidation Trust, as applicable, that any contract is in fact an Executory Contract, or that the Debtors or Liquidation Trust, as applicable, have any liability thereunder. In the event of a dispute regarding whether a contract is or was executory at the time of assumption or rejection,

the Debtors or Liquidation Trust, as applicable, shall have thirty (30) days following entry of a Final Order resolving such dispute to alter the treatment of such contract.

XIV. CONDITIONS PRECEDENT TO CONFIRMATION AND CONSUMMATION OF THE PLAN

A. Conditions Precedent to Confirmation

It shall be a condition to Confirmation of the Plan that:

(i) the Disclosure Statement Order shall have been entered by the Bankruptcy Court on the Docket of the Chapter 11 Cases, in form and substance acceptable to the Debtors, Monitor, Creditors' Committee and Equity Committee, and such order shall not be subject to a stay;

(ii) The Canadian Court shall have issued an Order in form and substance satisfactory to the Debtors, the Monitor and the Committees confirming the steps to be taken by the Debtors in the CCAA Proceedings, including seeking approval of the CCAA Approval Order (the "Initial CCAA Approval Order").

(iii) the Purported Securities Class Action Claim shall have been disallowed and expunged in its entirety or estimated at $0.00, in each instance, pursuant to an order of the Bankruptcy Court, Canadian Court or other court of competent jurisdiction entered on or before the Confirmation Date, and for all purposes, including, without limitation, Plan distribution purposes;

(iv) either the Holder of the Individual Securities Damages Claim shall have agreed to the treatment of the Individual Securities Damages Claim as provided under the Plan (including, but not limited to, the amount of the Individual Securities Damages Claim Reserve), or (ii) the Individual Securities Damages Claim shall have been estimated at $928,077.31 or some lesser amount pursuant to an order of the Bankruptcy Court or other court of competent jurisdiction entered on or before the Confirmation Date;

(v) the Plan Supplement shall have been filed with the documents contemplated by the Plan, and the documents comprising the Plan Supplement shall have been approved by the Confirmation Order; and

(vi) The SEC, the Debtors and the Equity Committee shall have reached an agreement regarding the treatment of the SEC Claim.

B. **Conditions Precedent to the Effective Date**

It shall be a condition to occurrence of the Effective Date that the following conditions shall have been satisfied or waived pursuant to Article IX.D of the Plan:

(i) the Bankruptcy Court shall have entered on the Docket the Confirmation Order approving the Plan (including the establishment of the Reserves, the payment of Allowed Claims and Equity Interests as set forth in the Plan and the Global Settlement) in form and substance acceptable to the Debtors, Creditors' Committee and Equity Committee, and such order shall not be subject to a stay;

(ii) the Canadian Court shall have issued the CCAA Approval Order in form and substance acceptable to the Debtors, Equity Committee, the Creditors' Committee and the Monitor, and such order shall not be subject to a stay;

(iii) the Courts shall have approved the formation of the Liquidation Trust and the appointment of the Liquidation Trustee as the Litigation Representative for the Debtors and the Liquidation Trust with all of the rights, powers, privileges and authority described in Article V.E.12 of the Plan by appropriate orders of the Canadian Court and the Bankruptcy Court;

(iv) all Reserves shall have been funded in Cash;

(v) all other actions and documents necessary to implement the provisions of the Plan to be effectuated on or before the Effective Date shall be reasonably satisfactory to the Debtors, the Monitor, the Creditors' Committee and the Equity Committee;

(vi) the Debtors shall have received all authorizations, consents, approvals, rulings, letters, opinions or documents, if any, necessary to implement the Plan; and

(vii) each Debtor's Plan shall have become effective.

C. Effect of Non-Occurrence of Conditions to Confirmation or Conditions Precedent to the Effective Date

If the conditions in Article IX.A and IX.B of the Plan are not satisfied, or if the Confirmation Order or CCAA Approval Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; or (b) constitute an admission, acknowledgment, offer or undertaking by the Debtors or any other Person in any respect.

D. Waiver of Conditions Precedent

The Debtors, with written consent of the Monitor and each of the Committees, may waive any of the conditions precedent set forth in Article IX.A and Article IX.B of the Plan, other than IX.A.1, IX.B.1, and IX.B.2 in whole or in part at any time, without notice, without leave or order of the Bankruptcy Court, and without any formal action other than proceeding to confirm and/or consummate the Plan.

XV. EFFECT OF CONFIRMATION OF THE PLAN

A. Certain Releases by the Debtors

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, and to the fullest extent authorized by applicable law, for good and valuable consideration, the Debtor Releasees are deemed released and discharged by the Liquidation Trust, the Debtors and the Estates, from any and all claims, obligations, suits, judgments, damages, demands, debts, remedies, Causes of Action, rights of setoff, other rights, and liabilities whatsoever, including any derivative claims, asserted or that could be asserted directly or indirectly on behalf of the Liquidation Trust, the Debtors, or the Estates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, and any and all Causes of Action asserted or that could possibly have been asserted on behalf of the Liquidation Trust, the Debtors, or the Estates (whether individually or collectively) based on, relating to or arising from, in whole or in part, the Debtors, the Estates or the Debtors' subsidiaries, the conduct of the Debtors' businesses, the out-of-court efforts to restructure or liquidate the Debtors, the filing and prosecution of the Chapter 11 Cases or the CCAA Proceedings, the prepetition contracts and agreements with any Debtor or any Estate, all to the extent such acts or occurrence took place prior to the Petition Date (collectively, the "Released Liabilities"); provided, however, that as to any employees of the Debtors who are Insured Persons (such employees, "Insured Employees"), the Debtors, the Estates and the Liquidation Trust, as applicable, shall be permitted to pursue the Insured Employees for any Released Liabilities (the "Permitted Actions") so long as all recourse for the Permitted Actions against such Insured Employees shall be limited in all respects to applicable insurance proceeds actually available and the Insured Employees shall have no personal liability related to any Permitted Actions. Notwithstanding anything contained in the Plan to the contrary, an Insured Employee shall receive the benefit of the release provisions contained in Article X.A of the Plan only if,

prior to the Effective Date, the Debtors have obtained the consent of the [D&O Insurers], in form and substance acceptable to the Equity Committee in its discretion, confirming that the rights of the Debtors, the Estates and the Liquidation Trust to pursue all applicable insurance policies on account of the Permitted Actions and obtain recoveries thereunder in respect to the Permitted Actions shall not be affected, impaired, or compromised in any way by the releases of the Debtor Releasees or any other Insured Employee granted in paragraph X.A of the Plan. To the extent such consent has not been obtained from the [D&O Insurers] prior to the Effective Date, the releases granted in paragraph X.A of the Plan to any Insured Employee shall be null and void. For the avoidance of doubt, except to the extent expressly provided under the Plan in respect to the Debtor Releasees, no release is being granted to any Person or entity under the Plan.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in Article X.A of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that such release is: (a) in exchange for the good and valuable consideration provided by the Debtor Releasees; (b) a good faith settlement and compromise of the claims released by Article X.A of the Plan; (c) in the best interests of the Debtors and their Estates; (d) fair, equitable, and reasonable; (e) given and made after due notice and opportunity for hearing; and (f) a bar to any Person asserting any claim or Cause of Action released by Article X.A of the Plan.

B. **Certain Releases by Holders of Claims**

Notwithstanding anything contained in the Plan to the contrary, as of the Effective Date, the Third-Party Releasees shall be deemed to have been conclusively, absolutely, unconditionally, irrevocably, and forever released and discharged by the Releasing Parties from any and all claims, obligations, suits, judgments, damages, demands, debts, remedies, Causes of Action, rights of setoff, other rights, and liabilities whatsoever, whether for tort, contract, violations of federal, provincial or state securities laws, Avoidance Actions, including any derivative claims, asserted or that could possibly have been asserted directly or indirectly on behalf of the Releasing Parties or their Affiliates, whether liquidated or unliquidated, fixed or contingent, matured or unmatured, known or unknown, foreseen or unforeseen, existing or hereafter arising, in law, equity, or otherwise, and any and all Causes of Action asserted or that could possibly have been asserted on behalf of the Releasing Parties or their Affiliates (whether individually or collectively) or on behalf of the Holder of any Claim, based on or in any way relating to, or in any manner arising from, in whole or in part, the Liquidation Trust, the Debtors, the Debtors' Estates or the Debtors' subsidiaries, the conduct of the Debtors' businesses, the in-court or out-of-court efforts to restructure or liquidate the Debtors, the formulation, preparation, solicitation, dissemination, negotiation, or filing of this Disclosure Statement or the Plan (including the Plan Supplement), or any contract, instrument, release, or other agreement or document created or entered into in connection with or pursuant to this Disclosure Statement, the Plan (including the Plan Supplement), the filing and prosecution of the Chapter 11 Cases or the CCAA Proceedings, the pursuit of Confirmation, the pursuit of Consummation, the subject matter of, or the transactions or events giving rise to, any Claim that is treated in the Plan, the business or contractual arrangements between the Liquidation Trust, the

Debtors, the Debtors' Estates or the Debtors' subsidiaries, on the one hand, and any Releasing Parties, on the other hand, prepetition contracts and agreements with any Debtor, or any other act or omission, transaction, agreement, event, or other occurrence taking place before the Effective Date.

Entry of the Confirmation Order shall constitute the Bankruptcy Court's approval, pursuant to Bankruptcy Rule 9019, of the releases set forth in Article X.B of the Plan, which includes by reference each of the related provisions and definitions contained in the Plan, and further, shall constitute the Bankruptcy Court's finding that such release is: (a) in exchange for the good and valuable consideration provided by the Third-Party Releasees; (b) a good faith settlement and compromise of the claims released by Article X.B of the Plan; (c) in the best interests of the Debtors and their Estates; (d) fair, equitable, and reasonable; (e) given and made after due notice and opportunity for hearing; and (f) a bar to any Person asserting any claim or Cause of Action released by Article X.B of the Plan.

C. **Exculpation**

Effective as of the Effective Date, none of the Exculpated Parties shall have or incur any liability to any Holder of any Claim or Equity Interest, the Debtors' Estates or any successor thereto, or any other party (including, but not limited to, any Affiliate of any of the foregoing) for, or be subject to any right of action in respect of, any act or omission on or after the Petition Date and on or before the Effective Date in connection with, related to, or arising out of the Chapter 11 Cases or the CCAA Proceedings, including the formulation, negotiation and execution of the Purchase Agreement, the sale of the Debtors' assets pursuant to the Purchase Agreement, obtaining debtor-in-possession financing in connection with the Chapter 11 Cases and the CCAA Proceedings, the formulation, negotiation and execution of the Plan (including the Plan Supplement), this Disclosure Statement, the solicitation of votes for and the pursuit of confirmation of the Plan, the Consummation of the Plan, or the administration of the Plan, and the property to be distributed under the Plan, including all documents ancillary thereto, all decisions, actions, inactions and alleged negligence or misconduct relating thereto and all postpetition activities leading to the promulgation and Confirmation of the Plan (including, but not limited to, any other post-petition act taken or omitted to be taken in connection with or in contemplation of the restructuring or liquidation of the Debtors), except in case of fraud, willful misconduct, or gross negligence by such Exculpated Party as determined by a Final Order of the Bankruptcy Court or the Canadian Court. Effective as of the Effective Date, no Person (including the Liquidation Trustee) shall have any right of action, either direct or derivative of the Estates, against the Exculpated Parties for any Exculpated Actions; <u>provided</u>, <u>however</u>, that notwithstanding anything to the contrary in the Plan, the exculpation of the Debtors' directors are subject to section 5.1(2) of the CCAA.

D. **Injunction**

Upon the occurrence of the Effective Date, all Holders of Claims and Equity Interests and other parties in interest, along with their respective present or former affiliates, employees, agents, attorneys, advisors, officers, directors, partners or principals, to the extent consistent with the Plan, shall be enjoined from taking any actions to interfere

with the implementation of the Plan, and are permanently enjoined and forever barred from taking any action against the Exculpated Parties, Debtor Releasees or Third-Party Releasees, and their respective assets, that is inconsistent with the terms of the Plan, including an injunction from (a) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any Claims or Equity Interests; (b) enforcing, attaching, collecting, or recovering by any manner or means any judgment, award, decree, or order on account of or in connection with or with respect to any such Claims or Equity Interests; (c) creating, perfecting, or enforcing any encumbrance of any kind on account of or in connection with or with respect to any such Claims or Equity Interests; (d) asserting any right of setoff, subrogation, or recoupment of any kind on account of or in connection with or with respect to any such Claims or Equity Interests; and (e) commencing or continuing in any manner any action or other proceeding of any kind on account of or in connection with or with respect to any such Claims or Equity Interests released, exculpated, settled or otherwise addressed pursuant to the Plan, except on terms consistent with the Plan.

E. **Preservation of Causes of Action**

1. **Vesting of Retained Causes of Action**

Except as otherwise provided in the Plan or Confirmation Order, in accordance with section 1123(b)(3) of the Bankruptcy Code, any Retained Causes of Action that the Debtors or the Estates may hold against any Entity shall vest jointly in the Reorganized Debtors and the Liquidation Trust on the Effective Date in accordance with the Plan and the CCAA Approval Order.

Except as otherwise provided in the Plan or the Confirmation Order, after the Effective Date, the Liquidation Trustee, as the Litigation Representative on behalf of the Liquidation Trust and the Reorganized Debtors, shall have the right to institute, prosecute, abandon, settle, compromise, or otherwise liquidate any Retained Causes of Action, in accordance with the terms of the Plan and/or Liquidation Trust Agreement, as applicable, and without further order of the Bankruptcy Court, in any court or other tribunal, including in an adversary proceeding filed in one or more of the Chapter 11 Cases, or an action filed in any other court of competent jurisdiction.

2. **Preservation of all Retained Causes of Action Not Expressly Settled or Exculpated**

Unless a Retained Cause of Action against a Person or Entity is expressly waived, relinquished, compromised, or settled in the Plan or any Final Order (including the Confirmation Order, the CCAA Approval Order or the Sale Orders), the Debtors and Liquidation Trust expressly reserve such Retained Causes of Action for later adjudication by the Liquidation Trust and the Debtors (including Retained Causes of Action not specifically identified or described in the Plan, or Retained Causes of Action of which the Debtors may presently be unaware or which may arise or exist by reason of additional facts or circumstances unknown to the Debtors at this time, or facts or circumstances which may change or be different from those the Debtors now believe to exist). Therefore, no preclusion doctrine, including the doctrines of res judicata,

collateral estoppel, issue preclusion, claim preclusion, waiver, estoppel (judicial, equitable, or otherwise) or laches shall apply to any such Retained Causes of Action upon or after the entry of the Confirmation Order, issuance of the CCAA Approval Order or Effective Date, except where such Retained Causes of Action have been expressly released or exculpated under the Plan, the Confirmation Order, or any other Final Order. In addition, the Liquidation Trust and the Debtors expressly reserve the right to pursue or adopt any claims alleged in any lawsuit in which the Debtors are a defendant or an interested party, against any Entity, including the plaintiffs or co-defendants in such lawsuits, and all such rights are expressly preserved.

F. **Protection Against Discriminatory Treatment**

In accordance with section 525 of the Bankruptcy Code, and consistent with paragraph 2 of Article VI of the United States Constitution, no Governmental Unit shall discriminate against the Liquidation Trust or any Debtor, as applicable, or any Person with which the Liquidation Trust or any Debtor has been, is, or becomes associated, solely because any of the Debtors was a debtor under chapter 11, may have been insolvent before the commencement of the Chapter 11 Cases (or during the Chapter 11 Cases) or has not paid a debt except in accordance with the Plan in the Chapter 11 Cases.

G. **Release of Liens**

Except as otherwise provided in the Plan or in the Confirmation Order, on the Effective Date all mortgages, deeds of trust, Liens, pledges or other security interests against any property of the Debtors, if any, shall be fully released and settled; provided, however, the CCAA Charges shall be released and discharged in the manner provided for in the CCAA Approval Order.

XVI. MODIFICATION REVOCATION OR WITHDRAWAL OF THE PLAN

A. **Modification of the Plan**After entry of the Confirmation Order, the Debtors, with the consent of the Committees and the Monitor (which consent shall not be unreasonably withheld), may amend or modify the Plan in accordance with section 1127(b) of the Bankruptcy Code to remedy any defect or omission or reconcile any inconsistency in the Plan in such manner as may be necessary to carry out the purpose and intent of the Plan.

Entry of the Confirmation Order shall mean that all modifications or amendments to the Plan approved therein occurring after the solicitation thereof are approved pursuant to section 1127(a) of the Bankruptcy Code and do not require additional disclosure or resolicitation under Bankruptcy Rule 3019.

B. **Revocation or Withdrawal of the Plan**

The Debtors, after consultation with the Monitor, Creditors' Committee and Equity Committee, reserve the right to revoke or withdraw the Plan before the later of the Confirmation Date and the CCAA Approval Order Date, and to file subsequent chapter 11 plans for any reason. If the Debtors revoke or withdraw the Plan, or if Confirmation or Consummation does not occur with respect to the Plan, then: (a) the Plan will be null and void in all respects; (b) any settlement or compromise embodied in the Plan (including the Global Settlement), assumption or rejection of Executory Contracts effected by the Plan, and any document or agreement executed

pursuant thereto shall be null and void in all respects; and (c) nothing contained in the Plan or this Disclosure Statement shall: (i) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; or (ii) constitute an admission, acknowledgment, offer or undertaking by the Debtors or any other Person in any respects.

C. Confirmation

The Bankruptcy Code requires that, in order to confirm the Plan, the Bankruptcy Court must make a series of findings concerning the Plan and the Debtors, including that (i) the Plan has classified Claims and Equity Interests in a permissible manner; (ii) the Plan complies with applicable provisions of the Bankruptcy Code; (iii) the Debtors have complied with applicable provisions of the Bankruptcy Code; (iv) the Debtors have proposed the Plan in good faith and not by any means forbidden by law; (v) the disclosure required by section 1125 of the Bankruptcy Code has been made; (vi) the Plan has been accepted by the requisite votes of creditors and shareholders (except to the extent that cramdown is available under section 1129(b) of the Bankruptcy Code); (vii) the Plan is feasible; (viii) the Plan is in the "best interests" of all Holders of Claims or Equity Interests in an impaired Class by providing to such Holders on account of their Claims or Equity Interests property of a value, as of the Effective Date, that is not less than the amount that such Holder would receive or retain in a chapter 7 liquidation, unless each Holder of a Claim or Equity Interest in such Class has accepted the Plan; (ix) all fees and expenses payable under 28 U.S.C. § 1930, as determined by the Bankruptcy Court at the hearing on confirmation, have been paid or the Plan provides for the payment of such fees on the Effective Date; and (x) the Plan does not alter any obligation of the Debtors to, after the Effective Date, provide for the continuance of all retiree benefits, as defined in section 1114 of the Bankruptcy Code, at the level established at any time prior to confirmation pursuant to sections 1114(e)(1)(B) or 1114(g) of the Bankruptcy Code, for the duration of the period that the Debtors have obligated themselves to provide such benefits.

At the Confirmation Hearing, the Bankruptcy Court will confirm the Plan only if all of the requirements of the Bankruptcy Code are met.

D. Acceptance of Plan

As a condition to confirmation, the Bankruptcy Code requires that each class of impaired claims or interests vote to accept a plan, except under certain circumstances. See "Confirmation Without Acceptance of All Impaired Classes" below. A plan is accepted by an impaired class of interests if Holders of at least two-thirds in number of interests in that class vote to accept the plan. A plan is accepted by an impaired class of claims if Holders of at least two-thirds in dollar amount and more than one-half in number of claims of that class vote to accept the plan. Only those Holders of claims or interests who actually vote count in these tabulations. Holders of Claims or Holders of Interests who fail to vote are not counted as either accepting or rejecting a plan.

In addition to this voting requirement, section 1129 of the Bankruptcy Code requires that a plan be accepted by each Holder of a claim or interest in an impaired class or that the plan otherwise be found by the Bankruptcy Court to be in the best interests of each Holder of a claim or interest in such class. See "Best Interests Test" below. In addition, each impaired class must

accept the plan for the plan to be confirmed without application of the "fair and equitable" and "unfair discrimination" tests in section 1129(b) of the Bankruptcy Code discussed below. See "Confirmation Without Acceptance of All Impaired Classes" below.

E. Confirmation Without Acceptance of All Impaired Classes

The Bankruptcy Code contains provisions for confirmation of a plan even if the plan is not accepted by all impaired classes, as long as at least one impaired class of claims has accepted it. These so-called "cramdown" provisions are set forth in section 1129(b) of the Bankruptcy Code.

A plan may be confirmed under the cramdown provisions if, in addition to satisfying all other requirements of section 1129(a) of the Bankruptcy Code, it (a) "does not discriminate unfairly," and (b) is "fair and equitable," with respect to each class of claims or interests that is impaired under, and has not accepted, the plan. As used by the Bankruptcy Code, the phrases "discriminate unfairly" and "fair and equitable" have specific meanings unique to bankruptcy law.

In general, the cramdown standard requires that a dissenting class receive full compensation for its allowed claims or interests before any junior class receives any distribution. More specifically, section 1129(b) of the Bankruptcy Code provides that a plan can be confirmed under that section if: (a) with respect to a secured class, (i) the Holders of such claims retain the liens securing such claims to the extent of the allowed amount of such claims and that each Holder of a claim of such class receive deferred cash payments equaling the allowed amount of such claim as of the plan's effective date or (ii) such Holders realize the indubitable equivalent of such claims; (b) with respect to an unsecured claim, either (i) the impaired unsecured creditor must receive property of a value equal to the amount of its allowed claim, or (ii) the Holders of claims and interests that are junior to the claims of the dissenting class may not receive any property under the plan; or (c) with respect to a class of interests, either (i) each Holder of an interest of such class must receive or retain on account of such interest property of a value, equal to the greater of the allowed amount of any fixed liquidation preference to which such Holder is entitled, any fixed redemption price to which such Holder is entitled or the value of such interest, or (ii) the Holder of any interest that is junior to the interest of such class may not receive or retain any property on account of such junior interest.

The "fair and equitable" standard, also known as the "absolute priority rule," requires, among other things, that unless a dissenting unsecured class of claims or a class of interests receives full compensation for its allowed claims or allowed interests, no Holder of claims or interests in any junior class may receive or retain any property on account of such claims or interests. With respect to a dissenting class of secured claims, the "fair and equitable" standard requires, among other things, that Holders either (i) retain their liens and receive deferred cash payments with a value as of the plan's effective date equal to the value of their interest in property of the estate, or (ii) otherwise receive the indubitable equivalent of these secured claims. The "fair and equitable" standard has also been interpreted to prohibit any class senior to a dissenting class from receiving under a plan more than 100% of its allowed claims. The requirement that a plan not "discriminate unfairly" means, among other things, that a dissenting class must be treated substantially equally with respect to other classes of equal rank.

To the extent a Class rejects the Plan, the Debtors may request confirmation of the Plan, as it may be modified from time to time, under the "cramdown" provisions of section 1129(b) of the Bankruptcy Code. The Debtors will also seek confirmation of the Plan over the objection of individual Holders of Claims who are members of an accepting Class.

The Debtors reserve the right to alter, amend, modify, revoke or withdraw the Plan, any exhibit or schedules thereto, or any Plan Document in order to satisfy the requirements of section 1129(b) of the Bankruptcy Code, if necessary, subject to and in accordance with the provisions of the Plan. The Debtors believe that the Plan will satisfy the "cramdown" requirements of section 1129(b) of the Bankruptcy Code. However, there can be no assurance that the Bankruptcy Court will determine that the Plan meets the requirements of section 1129(b) of the Bankruptcy Code.

Among other things, and without limiting the foregoing reservation of rights, to the extent the Bankruptcy Court, the Canadian Court or another court of competent jurisdiction concludes that the Purported Securities Class Action Claim and any other Securities Law Claims purportedly subsumed in it should not be disallowed, the Debtors reserve the right to amend the Plan (with the consent of the Committees) to provide that the Holders of any Allowed Securities Law Claims ultimately share recoveries on a pro rata basis with Holders of Parent Equity Interests from the residual Liquidation Trust Assets remaining after the satisfaction of all other obligations under the Plan, and ask the Bankruptcy Court to confirm the amended plan without resoliciting votes on such amended Plan, including through a cramdown of such Claims in the Chapter 11 Cases.

F. Best Interests Test

In order to confirm a plan, a bankruptcy court must independently determine that the plan is in the best interests of each Holder of a claim or interest in any such impaired class who has not voted to accept the plan. Accordingly, if an impaired class does not unanimously accept the plan, the best interests test requires the bankruptcy court to find that the plan provides to each member of such impaired class a recovery on account of the class member's claim or interest that has a value, as of the effective date, at least equal to the value of the distribution that each such member would receive if the debtor was liquidated under chapter 7 of the Bankruptcy Code on such date.

To determine what Holders of Claims in each impaired Class would receive if the Debtors were liquidated under chapter 7, the Bankruptcy Court must determine the dollar amount that would be generated from the liquidation of the Debtors' remaining Assets, including Causes of Action, in the context of a liquidation under chapter 7 of the Bankruptcy Code. The Cash amount that would be available for satisfaction of Claims and Equity Interests would consist of the proceeds resulting from the disposition of the Assets of the Debtors, augmented by the Cash held by the Debtors at the time of the commencement of the chapter 7 case. Such Cash amount would be reduced by the costs and expenses of liquidation and such additional administrative claims that might result from the use of chapter 7 for the purposes of liquidation, including the fees payable to a chapter 7 trustee in bankruptcy, as well as those fees that would be payable to attorneys and other professionals that such a trustee might engage.

After considering the effects that a chapter 7 liquidation would have on the ultimate proceeds available for distribution to creditors in the Chapter 11 Cases, including the costs and expenses of a liquidation under chapter 7 arising from fees payable to a chapter 7 trustee in bankruptcy, the Debtors have determined that confirmation of the Plan will provide each Holder of an Allowed Claim with a recovery that is not less than such Holder would receive pursuant to the liquidation of the Debtors under chapter 7.

G. Liquidation Analysis

The Debtors could be liquidated under chapter 7 of the Bankruptcy Code. A discussion of the effect that a chapter 7 liquidation would have on the recoveries of the Holders of Claims is set forth in the hypothetical liquidation analysis (the "Liquidation Analysis") annexed hereto as Exhibit 4.

Underlying the Liquidation Analysis are a number of estimates and assumptions that, although developed and considered reasonable by the Debtors, are inherently subject to significant uncertainties and contingencies beyond the control of the Debtors. The Liquidation Analysis also is based on assumptions with regard to liquidation decisions that are subject to change. Inevitably, some assumptions will not materialize and unanticipated events and circumstances may affect the results of a chapter 7 liquidation of the Debtors. Accordingly, the values reflected might not be realized if the Debtors were, in fact, to be liquidated under chapter 7. All Holders of Claims and Interests that are entitled to vote to accept or reject the Plan are urged to examine carefully all of the assumptions on which the Liquidation Analysis is based in connection with their evaluation of the Plan.

H. Feasibility

Under section 1129(a)(11) of the Bankruptcy Code, a debtor generally must demonstrate that confirmation of a chapter 11 plan is not likely to be followed by the liquidation, or the need for further financial reorganization, of the Debtors or any successor to the Debtors (except as proposed in the Plan). The Plan satisfies section 1129(a)(11) of the Bankruptcy Code because it contemplates a global resolution for satisfaction of Claims against the Debtors pursuant to the Global Settlement, followed by the monetization and distribution of the Debtors' remaining assets to Holders of Equity Interests in accordance with the Plan. Because the Plan effects a liquidation of the Estates' remaining assets, following the consummation of the Plan, no further reorganization or liquidation of the Debtors or their successors is possible.

I. Compliance with the Applicable Provisions of the Bankruptcy Code

Section 1129(a)(1) of the Bankruptcy Code requires that the Plan comply with the applicable provisions of the Bankruptcy Code. The Debtors have considered each of these issues in the development of the Plan and believe that the Plan complies with all applicable provisions of the Bankruptcy Code.

XVII. ALTERNATIVE TO CONFIRMATION AND CONSUMMATION OF THE PLAN

The Debtors believe the Plan affords Holders of Claims and Equity Interests the potential for the greatest realization on the Debtors' remaining assets and, therefore, is in the best interests of such Holders. If the Plan is not confirmed, the only viable alternatives are dismissal of the Chapter 11 Cases or conversion to chapter 7 of the Bankruptcy Code. Neither of these alternatives is preferable to confirmation and consummation of the Plan.

If the Chapter 11 Cases were dismissed, Holders of Claims and Parent Equity Interests would revert to a "race to the courthouse," the result being that stakeholders would not receive a fair and equitable distribution as contemplated by the Plan. As set forth in the Liquidation Analysis, the Plan provides a recovery to Holders of Claims and Parent Equity Interests no less than that which would be achieved in a case under Chapter 7 of the Bankruptcy Code. Therefore, a Chapter 7 case is not a superior alternative to the Plan. Thus, the Plan represents the best available alternative for maximizing returns to stakeholders.

XVIII. RISK FACTORS

In addition to the other information included in this Disclosure Statement, Holders of Claims or Equity Interests should carefully consider the following risk factors in deciding whether to vote to accept or reject the Plan and whether to elect Option 1 or Option 2. Holders of Claims and Equity Interests should also review and consider the entirety of the Plan and the Plan Supplement in deciding whether to accept or reject the Plan and whether to elect Option 1 or Option 2. Many of these risk factors are beyond the Debtors' control and the effects of which can be difficult to predict.

A. Financial Information; Disclaimer

Although the Debtors have used their best efforts to ensure the accuracy of the financial information provided in this Disclosure Statement, the financial information contained in this Disclosure Statement has not been audited and is based upon an analysis of data available to the Debtors at the time of the preparation of the Plan and this Disclosure Statement. While the Debtors do not currently have any reason to believe that such financial information does not fairly reflect the financial condition of the Debtors, the Debtors are unable to warrant or represent that the information contained herein and attached hereto is without inaccuracies or omissions.

B. The Debtors may not be Able to Obtain Confirmation of the Plan or Issuance of the CCAA Approval Order

The Debtors cannot provide any assurance that they will receive the requisite acceptances to confirm the Plan. Even if the requisite acceptances are received, there can be no assurance that the Bankruptcy Court will confirm the Plan or Canadian Court will issue the CCAA Approval Order. A non-accepting creditor or equity Holder of the Debtors might challenge the confirmation of the Plan or the balloting procedures and/or voting results as not being in compliance with the Bankruptcy Code or Bankruptcy Rules. Even if the Bankruptcy Court

determines that this Disclosure Statement and the balloting procedures and results are appropriate, the Bankruptcy Court could still decline to confirm the Plan if it finds that any of the statutory requirements for confirmation have not been met, including that the terms of the Plan are fair and equitable to non-accepting Classes. Likewise, the Canadian Court may not issue the CCAA Approval Order if it determines the order does meet the statutory requirements of the CCAA, the CCAA does not authorize the Canadian Court to grant the relief requested in the CCAA Approval Order, the relief is inappropriate in the circumstances, or the relief does not further the purpose of the CCAA, among other reasons.

Section 1129 of the Bankruptcy Code sets forth the requirements for confirmation and requires, among other things, a finding by the Bankruptcy Court that the Plan "does not unfairly discriminate" and is "fair and equitable" with respect to any non-accepting Classes and that the value of distributions to non-accepting Holders of Claims or Equity Interests within a particular Class under the Plan will not be less than the value of distributions such Holders would receive if the Debtors were liquidated under chapter 7 of the Bankruptcy Code. While there can be no assurance that these requirements will be met, the Debtors believe that non-accepting Holders within each Class under the Plan will receive distributions no less than that which would be received following a liquidation under chapter 7 of the Bankruptcy Code when taking into consideration all administrative claims and costs associated with any such chapter 7 cases. *See "III. Global Settlement – E. Impact of Global Settlement on Distributions to Creditors and Shareholders"*

C. The Plan is subject to Conditions Precedent

The Plan also contains its own conditions precedent to confirmation, including that the SEC Claim shall have been settled in a manner acceptable to the Debtors and Equity Committee, and that the Bankruptcy Court shall have entered an order disallowing the Purported Securities Class Action Claim prior to confirmation.

If the conditions precedent to Confirmation of the Plan and/or the Effective Date are not satisfied, or if the Confirmation Order or CCAA Approval Order is vacated, the Plan shall be null and void in all respects and nothing contained in the Plan or this Disclosure Statement shall (a) constitute a waiver or release of any Claims by or against, or any Equity Interests in, the Debtors; or (b) constitute an admission, acknowledgment, offer or undertaking by the Debtors or any other Person in any respect.

The Debtors reserve their rights to waive these conditions as set forth in Article IX.C of the Plan, or modify the Plan with respect to the SEC Claim or Purported Securities Class Action Claim without resoliciting votes on the Plan; provided, however, that, pursuant to Article IX.D of the Plan, the Debtors may not waive such conditions without the written consent of the Monitor and each of the Committees.

D. Not all Voting Classes may Accept the Plan and the Debtors' ability to Confirm the Plan will depend on Meeting the "Cramdown" Standard under the Bankruptcy Code

The Plan provides treatment for each impaired class of Holders of Claims and Equity Interests entitled to vote on the Plan, as described elsewhere in this Disclosure Statement. A class of Claims accepts a plan if such plan has been accepted by creditors that hold at least two-thirds in amount and more than one-half in number of the Allowed Claims of such Class. A class of Interests accepts a plan if such plan has been accepted by Holders of such Interests that hold at least two thirds in amount of the Allowed Interests of such Class.

In the event that the Plan is not accepted by all impaired classes but is accepted by at least one impaired class of Claims, the Plan may be confirmed under cramdown provisions set forth in section 1129(b) of the Bankruptcy Code, as described elsewhere in this Disclosure Statement.

E. If the Plan or an Alternative Plan is not Confirmed or the CCAA Approval Order is not Granted, the Debtors could be Forced to Convert to Liquidations Under Chapter 7 or the Bankruptcy and Insolvency Act

If the Plan is not confirmed or the CCAA Approval Order is not granted, it is unclear what distributions Holders of Claims or Equity Interests ultimately may receive with respect to their Claims and Equity Interests. If an alternative Plan could not be agreed to, it is possible that the Debtors would convert these Chapter 11 Cases to chapter 7 cases or dismiss these Chapter 11 Cases. Likewise, the stay of proceedings in the CCAA Proceedings could be lifted and the CCAA Proceedings could be converted to liquidation proceedings under the *Bankruptcy and Insolvency Act* or applicable corporate statutes. In either scenario, it is likely that Holders of Claims or Equity Interests would receive substantially less favorable treatment than they would receive under the Plan.

F. Undue Delay in Confirmation or Failure to Confirm the Plan or to Obtain CCAA Approval may Result in Substantial Expenses

In the event that the Plan is not confirmed or the CCAA Approval Order is not granted, the Debtors will incur substantial expenses related to the development and confirmation of a new plan and possibly the approval of a new disclosure statement. This would unnecessarily prolong the administration of the Debtors' assets and negatively affect Creditors' and Shareholders' recoveries on their Claims and Equity Interests.

Similarly, as described above, in the event these Chapter 11 Cases are converted to cases under chapter 7 of the Bankruptcy Code and the CCAA Proceedings are converted to proceedings under the *Bankruptcy and Insolvency Act*, the Debtors will incur substantial expenses related to hiring additional professionals and paying the fees of the chapter 7 trustee and/or a trustee-in-bankruptcy. As the Debtors' tangible assets have already been sold, the additional cost will only serve to reduce distributions to Creditors and Shareholders.

G. The Courts May Not Disallow the Purported Securities Class Action Claim

The disallowance and expungement of the Purported Securities Class Action Claim in its entirety, or its estimation at $0.00, per order of the Bankruptcy Court, Canadian Court, or other court of competent jurisdiction is a condition precedent to Plan confirmation. The Bankruptcy Court, Canadian Court, or other court of competent jurisdiction may not enter such an order, or may allow the Purported Securities Class Action Claim in whole or in part. Accordingly, the Debtors may be unable to confirm the Plan.

H. Actual Recovery or Distribution may Differ from Estimated Recovery and Distribution

The estimated recoveries and distributions to Holders of Equity Interests set forth in this Disclosure Statement are based on various assumptions and subject to certain qualifications or conditions precedent, and the actual amounts of recovery or distribution may significantly differ from the estimates. Should one or more of the underlying assumptions ultimately prove to be inaccurate or incorrect, the actual recovery or distribution may significantly vary from the estimations set forth in this Disclosure Statement.

I. The Treatment of the Individual Securities Damages Claim

The Plan requires, as a condition to its Confirmation, that the Holder of the Individual Securities Damages Claim shall have agreed to the treatment of the Individual Securities Damages Claim as provided under the Plan (including the amount of the Individual Securities Damages Claim Reserve), or (ii) the Individual Securities Damages Claim shall have been estimated at $928,077.31 or some lesser amount pursuant to an order of the Bankruptcy Court or other court of competent jurisdiction entered on or before the Confirmation Date. The Bankruptcy Court may not enter an order estimating the Individual Securities Damages Claim on or before the Confirmation Hearing in such amount. In addition, the Holder of such Claim may disagree with its treatment under the Plan. In such case, the Debtors may be unable to confirm the Plan.

J. Treatment of SEC Claim

The Plan requires, as a condition to its Confirmation, that the SEC, the Debtors and the Equity Committee shall have reached an agreement regarding the treatment of the SEC Claim under the Plan. At this time, there is no resolution of the SEC Claim, however, discussions with among the Debtors, the SEC and the Equity Committee are ongoing. There can be no certainty as to the results of the discussions with the SEC and the Plan; this Disclosure Statement and the CCAA Approval Order may need to be revised as appropriate, to reflect the status of discussions among the Debtors, the SEC and the Equity Committee or any resolution, or lack thereof, of the SEC Claim.

K. Delays of Confirmation or Effective Date

Any delays of either confirmation or effectiveness of the Plan could result in, among other things, increased administrative costs, including Fee Claims. Excessive delays or the inability to confirm or consummate a plan may result in conversion of the Chapter 11 Cases to

chapter 7 liquidations and the CCAA Proceedings to proceedings under the *Bankruptcy and Insolvency Act*. *See Risk Factor "B. The Debtors may not be Able to Obtain Confirmation of the Plan or Issuance of the CCAA Approval Order" above*

L. The Canadian Court may not issue the CCAA Approval Order Notwithstanding Confirmation of the Plan by the Bankruptcy Court

It is a condition to occurrence of the Effective Date of the Plan that the Canadian Court shall have issued the CCAA Approval Order in form and substance acceptable to the Debtors, the Monitor and the Committees, and such order shall not be subject to a stay. The failure of the Canadian Court to do so would result in the Plan not becoming effective notwithstanding confirmation by the Bankruptcy Court. *See Risk Factor "E. If the Plan or an Alternative Plan is not Confirmed or the CCAA Approval Order is not Granted, the Debtors could be Forced to Convert to liquidations under Chapter 7 or the Bankruptcy and Insolvency Act" above*.

M. Certain Bankruptcy Considerations

There are inherent risks and uncertainties involved in the Bankruptcy Proceedings, including the degree of cooperation among the Debtors, the Creditors' Committee, the Equity Committee, the Monitor and other stakeholders, the extent of the Debtors' ability to meet certain obligations during the Bankruptcy Proceedings, risks associated with third-party motions in the Bankruptcy Proceedings, and increased legal and advisory costs related to the Bankruptcy Proceedings and other litigation and regulatory actions.

There can be no assurance that modifications of the Plan or CCAA Approval Order will not be required for acceptance and confirmation or that such modifications would not necessitate the resolicitation of votes on the Plan.

N. Retained Causes of Action May Have No Value

The Shareholder Distributable Assets include various Estate Retained Causes of Action that will vest with the Parent Debtor and the Liquidation Trust, and that will be jointly owned by the Parent Debtor and the Liquidation Trust. Causes of Action are inherently difficult to value, and any such Cause of Action may prove to have limited or zero value. In addition, litigating Causes of Action is a time consuming and expensive process. Accordingly, even if the Retained Causes of Action have some value, Holders of Parent Equity Interests may not realize any proceeds from such litigation for many years, if at all. Moreover, the cost of litigating such Retained Causes of Action is expensive, and may be done on a contingent fee basis. The net proceeds distributable to Holders of Parent Interests may therefore prove considerably less than amounts awarded on account of, or recovered from, the Retained Causes of Action.

The Debtors have not analyzed the merits or otherwise valued of any of the Retained Causes of Action that may be transferred in whole or in part to the Liquidation Trust nor can there be any assurance under Ontario, British Columbia or other Canadian Law, if applicable, as to the effectiveness or ability to transfer any such Retained Causes of Action, in whole or in part, or that such transfers might not provide the putative defendants with potential defenses or positions they would not otherwise have.

O. No Duty to Update

The statements contained in this Disclosure Statement are made by the Debtors as of the date hereof, unless otherwise specified herein, and the delivery of this Disclosure Statement after that date does not imply that there has been no change in the information set forth herein since that date. The Debtors have no duty to update this Disclosure Statement unless otherwise ordered to do so by the Bankruptcy Court.

P. No Representations Outside This Disclosure Statement Are Authorized

No representations concerning or related to the Debtors, the Chapter 11 Cases, or the Plan are authorized by the Bankruptcy Court or the Bankruptcy Code, other than as set forth in this Disclosure Statement. Any representations or inducements made to secure your acceptance or rejection of the Plan that are other than as contained in, or included with, this Disclosure Statement should not be relied upon by you in arriving at your decision.

Q. The Liquidation Trust Beneficial Interests May Not Be Exempt From Registration

The Liquidation Trust Beneficial Interests will be issued without registration under the U.S. Securities Act of 1933, 15 U.S.C. Sections 77A-77AA, together with the rules and regulations promulgated thereunder (the "Securities Act"), or similar U.S., Canadian, federal, state, provincial or local laws to persons resident or located in the U.S. in reliance on the exemptions set forth in section 1145 of the Bankruptcy Code. To the extent the exemptions from registration under section 1145 of the Bankruptcy Code or other applicable laws do not apply, the Liquidation Trust Beneficial Interests may not be offered or issued to persons resident or otherwise located in the U.S. except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. No assurances can be given that the Liquidation Trust Beneficial Interests are exempt from the registration requirements of the Securities Act pursuant to section 1145 of the Bankruptcy Code. Further, the issuance of the Liquidation Trust Beneficial Interests may give rise to certain reporting and disclosure requirements and obligations in accordance with applicable Canadian Securities Laws notwithstanding receipt of the CCAA Approval Order. The Canadian Securities Regulators may determine that exemptive relief from applicable Canadian Securities Laws is required and there can be no assurance that the appropriate exemptive relief will be granted in a timely manner or at all. *See "X. Implementation of the Plan – E. The Liquidation Trust – 9. Liquidation Trust Securities Law Matters."***No Legal, Business, Financial or Tax Advice Is Being Provided To You By This Disclosure Statement**

The contents of this Disclosure Statement should not be construed as legal, business, financial or tax advice. Each Claim or Equity Interest Holder should consult his, her, or its own legal counsel and accountant as to legal, financial, tax, and other matters concerning his, her, or its Claim or Equity Interest.

This Disclosure Statement is not legal advice to you. This Disclosure Statement may not be relied upon for any purpose other than to determine how to vote on the Plan or object to confirmation of the Plan.

S. Regulatory Compliance

In accordance with applicable Canadian Securities Laws, the Parent Debtor is considered to be a "reporting issuer" (as such term is defined in the *Securities Act* (Ontario)). As a result of, among other things, the delayed filing of its Annual Report, including its annual audited financial statements for the fiscal year ended May 31, 2016 and the related management's discussion and analysis, the Parent Debtor is in default of the filing requirements under applicable Canadian Securities Laws. Following the Effective Date, the Reorganized Parent Debtor will continue to exist under applicable corporate laws and is expected to remain a reporting issuer. Further, to the extent that the Liquidation Trust Beneficial Interests are deemed or determined to be "securities," the Canadian Securities Regulators may determine the Liquidation Trust to be a reporting issuer. Reporting issuers are subject to reporting and disclosure requirements and obligations under applicable Canadian Securities Laws. It is not expected that the Reorganized Parent Debtor or the Liquidation Trust will be in a position to comply with applicable Canadian Securities Laws for the duration of the CCAA Proceedings or in the future and therefore, the Canadian Securities Regulators may determine it necessary for the Parent Debtor and/or the Liquidation Trust to seek exemptive relief from the Canadian Securities Regulators in order to give effect to the Plan and the transactions contemplated thereby. As a result, there can be no assurance that the appropriate exemptive relief will be granted in a timely manner or at all. An application for exemptive relief may cause significant delays in Confirmation and consummation of the Plan and additional costs and expenses will be incurred by the Debtors' Estates.

T. Neither Option for Receiving Plan Distributions May Favorably Affect the Tax Obligations of Holders of Parent Equity Interests

The Plan provides Holders of Parent Equity Interests with two options for receiving their distributions. The Debtors, after consultation with the Committees and the Monitor, included such options to mitigate against potential adverse tax consequences that the Reorganized Parent Debtor and Holders of Parent Equity Interests may suffer if distributions were made directly to Holders. The Plan options can result in different tax implications for the Holders of Parent Equity Interests, and such implications may or may not be favorable to the Holders. Given the complexity of cross-border tax implications, no assurances can be given that the Plan options are the best options available to Holders of Parent Equity Interests, that either option will mitigate adverse tax implications for such Holders, or that the Plan options will otherwise impact or effect – positively or negatively – a Holder's tax obligations. Finally, if a Holder of Parent Equity Interests elects to receive Beneficial Trust Interests under the Plan, and is subsequently determined to be a Canadian Holder of Parent Equity Interests, and it is determined that the Liquidation Trust may be subject to adverse Canadian tax consequence as a result, then any transfer of Beneficial Trust Interests to such Holder and the cancellation of such Holder's Parent Equity Interests shall be *void ab initio* and the Reorganized Parent Debtor, the Holder and the Liquidation Trust shall each treat such Holder at all times as if such Holder had elected Option 2. *See Risk Factor "X. Canadian Shareholders Who Elect Option 1 and Receive Beneficial Trust Interests" below.*

U. Significant U.S. Tax Liabilities May Have Resulted From the Sale

As of the closing of the Sale, the U.S. Debtors retained significant Tax Assets. Section 382 of the Tax Code limits a corporation's utilization of Tax Assets following a "50-percent ownership change."

Bybrook participated in trades in the Parent Debtor's equity securities that could have materially impaired the Tax Assets. More specifically, Bybrook executed transactions that would have caused a Section 382 Ownership Change if left unremedied. On July 12, 2017, the Parent Debtor and Bybrook entered into the Bybrook Stipulation pursuant to which Bybrook agreed to dispose of certain of the Parent Debtor's equity securities that it had acquired. The stipulation also acknowledged the trades were void *ab initio,* [Docket No. 1187]. The Bankruptcy Court approved the Bybrook Stipulation on July 13, 2017 [Docket No. 1192] and Bybrook has confirmed that it has completed the sales contemplated thereby.

Had the U.S. Debtor undergone a Section 382 Ownership Change because of Bybrook's purchases, or for any other reason, the U.S. Debtors could have faced significant cash tax liabilities in connection with the Sale. The Reorganized Parent Debtor intends to take the position that the implementation of the transactions described in the Bybrook Stipulation eliminates any potential adverse tax consequences arising from a potential Section 382 Ownership change resulting from the Bybrook stock acquisitions, consistent with private rulings that the Service has given other taxpayers in similar circumstances. However, private rulings may be relied upon only by the recipient; therefore, the existing rulings are not substantive authority on which the U.S. Debtors can rely, and the Debtors do not intend to seek a ruling from the Service with respect to the Bybrook purchases or the transactions contemplated by the Bybrook Stipulation. Thus, there can be no assurance that the Bybrook purchases did not impair the Tax Assets of the U.S. Debtors. Furthermore, because the rules under section 382 of the Tax Code are highly complex, no assurance can be given that another transaction has not triggered, or will not trigger, a Section 382 Ownership Change prior to the implementation of the Plan. *See Article VIII.B. – Preservation of Certain Tax Assets*.

V. The Plan Transactions may result in material U.S. federal tax liabilities to the U.S. Debtors

The U.S. Debtors do not expect material U.S. federal income tax liabilities to arise as a result of the Plan Transactions. The Plan provides that to the extent Cash or Assets of the U.S. Debtors are required to be distributed by the Reorganized Parent Debtor to Holders of Parent Equity Interests, such Cash or Assets shall be transferred from the U.S. Debtors to the Reorganized Parent Debtor in satisfaction of Intercompany Claims pursuant to the Plan. The U.S. Debtors intend to take the position that the Intercompany Claims are respected as indebtedness of the U.S. Debtors for U.S. federal income tax purposes, and, as such, the U.S. Debtors do not expect any U.S. federal tax liability to arise as a result of the transfer of Cash and Assets from the U.S. Debtors to the Reorganized Parent Debtor in repayment of the Intercompany Claims. No assurance can be given, however, that the Service or any other taxing authorities will respect the Intercompany Claims or the form of the Plan Transactions, in which case material U.S. federal tax may apply to the Plan Transactions.

W. The Transactions with the Liquidation Trust may be challenged by the Service

Pursuant to the Plan, each Holder of Parent Equity Interests may elect to receive non-transferrable Beneficial Trust Interests (and a right to receive its Pro Rata share of any other Shareholder Distributable Assets in accordance with the Plan) in cancellation of all of such U.S. Holder's Parent Equity Interests. For U.S. income tax purposes, the Debtors intend to treat the transaction consistent with its form and take the position that a U.S. Holder of Parent Equity Interests that elects Option 1 will be treated as receiving Beneficial Trust Interests and cash distributions in complete redemption of such U.S. Holder's Parent Equity Interests as described below under "*– U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 1 – Distributions in Redemption of Parent Equity Interests.*" However, there is no authority addressing an arrangement with terms such as those contained in Option 1 or the ongoing arrangements between the Reorganized Parent Debtor and the Liquidation Trust and, therefore, no assurance can be given that the Service would not assert, or that a court would not sustain, a position contrary to such treatment. In the event of such an outcome, U.S. Holders who elect Option 1 could be treated as receiving distributions from the Liquidation Trust, if any, as if such distributions were made by the Reorganized Parent Debtor on Parent Equity Interests as discussed under "*–U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 2 - Distributions on Parent Equity Interests.*"

X. Liquidation Trust Beneficiaries may incur income tax liability regardless of whether cash distributions are made by the Liquidation Trust.

Liquidation Trust Beneficiaries could be required to recognize income in a taxable year for U.S. federal income tax purposes, even if the Liquidation Trust either distributes no cash or other assets in such year or distributes cash or other assets in such year in an amount that is less than the amount of such income. It is anticipated that the Liquidation Trust will allow for tax distributions to be made to U.S. Holders of Beneficial Trust Interests in the event a Liquidation Trust Beneficiary recognizes income or gain from the Liquidation Trust; however, there can be no assurance that any such distribution will be sufficient to satisfy all tax liabilities of a U.S. Holder arising from ownership of Beneficial Trust Interests.

Y. Clearance Certificates and Comfort Letters

In addition, prior to making certain distributions to Holders of Parent Equity Interests, the Plan requires the receipt of one or more Clearance Certificates from the CRA and other applicable tax authorities. Further, until the Monitor is in receipt of the Comfort Letters, the Monitor, as Distribution Agent, shall be under no obligation to make any distributions on account of any Allowed Claims.

The regulatory environment governing distributions on account of the Parent Debtor's securities is complex, and compliance with applicable non-bankruptcy law (including obtaining any Clearing Certificates and Comfort Letters) may cause significant delay in distributions to Holders of Parent Equity Interests, and additional costs and expenses being incurred by the Debtors' Estates.

Z. The Plan Transactions may result in material Canadian federal and provincial tax liabilities

Subject to the comments that follow, the Canadian Debtors do not currently anticipate material Canadian federal or provincial income tax liabilities to arise as a result of the Plan Transactions. The Plan provides that the Liquidation Trust Assets will be deemed to be distributed to Holders of Allowed Parent Equity Interests who elect Option 1 followed immediately by a deemed contribution by such Holders of the Liquidation Trust Assets to the Liquidation Trust. The transfer of such Liquidation Trust Assets within the Debtor group and/or the distribution of such Liquidation Trust Assets in respect of Holders of Allowed Parent Equity Interests who elect Option 1 may result in Canadian federal and provincial income tax consequences to one or more of the Canadian Debtors (including the realization of income or gain). The precise Canadian and provincial income tax consequences to the Canadian Debtors in this regard will depend on a number of factors, including the nature of the Liquidation Trust Assets, where such Liquidation Trust Assets are held within the Debtor corporate group, and the value of such Liquidation Trust Assets. A good faith determination of the value of the Liquidation Trust Assets will be made, in accordance with the Plan, and that amount will be used, along with an assessment of any other relevant factors, in determining the Canadian federal and provincial income tax consequences to the Canadian Debtors of transferring any such Liquidation Trust Assets within the Debtor corporate group and of distributing such Liquidation Trust Assets to Holders of Allowed Parent Equity Interests who elect Option 1. This determination of the value of the Liquidation Trust Assets, and the reporting position taken by the Canadian Debtors with respect to the transfer or distribution of such Liquidation Trust Assets, will not be binding on the Canada Revenue Agency (or any other relevant taxing authority) and there can be no assurance that the Canada Revenue Agency (or other relevant taxation authority) will agree with such determination of value or any reporting position taken by the Company in this respect or otherwise with respect to implementation of the Plan Transactions, in which case material Canadian federal or provincial income tax may arise.

In addition, the Canadian Debtors may realize income or gain in connection with any proceeds to which they are entitled on the settlement or determination of any litigation claims and may be subject to material Canadian or provincial income tax as a result.

AA. Canadian Shareholders Who Elect Option 1 and Receive Beneficial Trust Interests

Pursuant to the Plan, Holders of Parent Equity Interests may elect to receive Beneficial Trust Interests (and a right to receive their Pro Rata share of the Liquidation Trust Expense Reserve and any other Shareholder Distributable Assets in accordance with the Plan) in exchange for all of such holders' Parent Equity Interests. The Canadian tax consequences of such alternative are uncertain, though such consequences are generally expected to be adverse (subject to the comment below with respect to the acceleration of any loss). These uncertainties include those with respect to the character for Canadian tax purposes of any return realized by a holder of Beneficial Trust Interests (which character may be different than the return to Holders who retain their Parent Equity Interests). In addition, see the discussion under the heading "*Canadian Tax Consequences of Liquidation Trust is Uncertain*". However, notwithstanding such uncertainty, a Holder of Parent Equity Interests may be able to accelerate the realization of

any loss such Holder has in respect of their Parent Equity Interests by electing Option 1. Therefore, Canadian-resident Holders who are considering making such election are strongly urged to consult their own tax advisors for advice having regard to their own particular circumstances.

BB. **Canadian Tax Consequences of Liquidation Trust is Uncertain**

The treatment for Canadian income tax purposes of the Liquidation Trust and of a Holder's Beneficial Trust Interest in such Liquidation Trust is unclear. The Liquidation Trust may be deemed, for certain purposes of the Tax Act, to be resident in Canada. To the extent the Liquidation Trust realizes any income or capital gain (including with respect to Liquidation Trust Assets), the Liquidation Trust may be liable for Canadian income tax on such income or gains if the Liquidation Trust does not qualify as an "exempt foreign trust" and less than all of such income or gain is not paid or made payable to the beneficiaries in the relevant taxation year. The Liquidation Trust should qualify as an exempt foreign trust if the only beneficiaries of the Liquidation Trust who may receive income or capital of the Liquidation Trust are beneficiaries that hold an interest in the Liquidation Trust that qualify as a "fixed interest" and each such fixed interest that is outstanding was issued by the Liquidation Trust in exchange for consideration that was not less than 90% of the interest's proportionate share of the net asset value of property at the time of issuance. For these purposes a "fixed interest" would generally include an interest in the Liquidation Trust where no amount of the income or capital of the Liquidation Trust to be distributed at any time in respect of any interest in the Liquidation Trust depends on a person exercising (or failing to exercise) any discretionary power other than a power in respect of which it is reasonable to conclude that (a) the power is consistent with normal commercial practice, (b) the power is consistent with terms that would be acceptable to beneficiaries under the Liquidation Trust if the beneficiaries were dealing with each other at arm's length, and (c) the exercise of, or failure to exercise, the power will not materially affect the value of an interest as a beneficiary under the Liquidation Trust relative to the value of other such interests under the Liquidation Trust.

In addition, in the event that the Liquidation Trust does not qualify as an exempt foreign Trust, Holders of a Beneficial Trust interest that are not resident in Canada (including U.S. holders) may be subject to 25% Canadian withholding tax in respect of distributions from the Liquidation Trust. No assurances can be given that the Liquidation Trust will qualify as an "exempt foreign trust" for these purposes.

Alternatively, if the Liquidation Trust does qualify as an "exempt foreign trust", the Liquidation Trust may, for certain purposes of the Tax Act, be deemed to be a non-resident corporation and the beneficiaries of the Liquidation Trust deemed to be shareholders. This deeming rule should not result in any Canadian tax consequence for a U.S.-resident Holder of a Beneficial Trust Interest, but may require Canadian–resident Holders (and certain other categories of persons or entities, including controlled foreign affiliates of Canadian residents or partnerships of which a Canadian resident person is a member) of a Beneficial Trust Interest in the Liquidation Trust to include in their income for Canadian tax purposes their proportionate share of any "foreign accrual property income" of the Liquidation Trust on a current basis in certain circumstances. Any such Holders who are considering electing Option 1 are advised to consult their tax advisor for advice having regard to their own particular circumstances.

XIX. CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE PLAN

A summary description of certain material U.S. federal income tax consequences of the Plan is provided below. This description is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. Only the principal consequences of the Plan to the U.S. Debtors and to U.S. Holders of Parent Equity Interests and General Unsecured Claims who hold the Parent Equity Interests and General Unsecured Claims as capital assets are discussed herein. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the United States Internal Revenue Service (the "Service") or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the Service or any other authority. As a result, there can be no assurance that the Service will not disagree with or challenge any of the conclusions reached and described herein and that a court would not sustain such a challenge. Events occurring after the date of this Disclosure Statement, including changes in law and changes in administrative positions, could affect the U.S. federal income tax consequences of the Plan. No representations are being made regarding the particular tax consequences of the confirmation and consummation of the Plan to the Debtors or any U.S. Holder.

Except as otherwise specifically stated herein, this summary does not address any estate or gift tax consequences of the Plan or tax consequences of the Plan under any state, local or non-U.S. laws. Furthermore, this discussion does not address all tax considerations that might be relevant to particular U.S. Holders in light of their personal circumstances or to persons that are subject to special tax rules. In addition, this description of the material U.S. federal income tax consequences does not address the tax treatment of special classes of U.S. Holders, such as: financial institutions, regulated investment companies, real estate investment trusts, tax-exempt entities, insurance companies, persons holding Equity Interests as part of a hedging, integrated or conversion transaction, constructive sale or "straddle," U.S. expatriates, persons subject to the alternative minimum tax, dealers or traders in securities or currencies, persons holding deferred compensation or other wage claims.

For purposes of this discussion, a "U.S. Holder" is a Holder who is: (1) an individual citizen or resident of the United States for U.S. federal income tax purposes; (2) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any state thereof or the District of Columbia; (3) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (4) a trust (A) if a court within the United States is able to exercise primary jurisdiction over its administration and one or more U.S. persons have authority to control all substantial decisions of the trust or (B) that has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If a pass-through entity, including a partnership or other entity taxable as a partnership for U.S. federal income tax purposes, is a Holder, the tax treatment of a partner or other owner will generally depend upon the status of the partner (or other owner) and the activities of the entity. If a person is a partner (or other owner) of a pass-through entity that is a Holder, such

person is urged to consult its tax advisor regarding the tax consequences of the Plan to its particular situation.

The following discussion is based upon the Internal Revenue Code of 1986, as amended (the "Tax Code"), U.S. judicial decisions, administrative pronouncements and existing and proposed Treasury Regulations, all as in effect as of the date hereof. All of the preceding authorities are subject to change, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below.

The following discussion is for general information only and is not intended to be, nor should it be construed to be, legal or tax advice to any U.S. Holder and no opinion or representation with respect to the U.S. federal income tax consequences to any such U.S. Holder is made. U.S. Holders are urged to consult their own tax advisors regarding the application of U.S. federal, state and local tax laws, as well as any applicable non-U.S. tax laws, to their particular situation.

A. U.S. Federal Income Tax Consequences of the Plan Transactions to the U.S. Debtors

The U.S. Debtors do not expect material U.S. federal income tax liabilities to arise as a result of the Plan Transactions. The Plan provides that to the extent Cash or Assets of the U.S. Debtors are required to be distributed by the Reorganized Parent Debtor to Holders of Parent Equity Interests, such Cash or Assets shall be transferred from the U.S. Debtors to the Reorganized Parent Debtor in satisfaction of Intercompany Claims pursuant to the Plan. The U.S. Debtors intend to take the position that the Intercompany Claims are respected as indebtedness of the U.S. Debtors for U.S. federal income tax purposes, and, as such, the U.S. Debtors do not expect any U.S. federal tax liability to arise as a result of the transfer of Cash and Assets from the U.S. Debtors to the Reorganized Parent Debtor in repayment of the Intercompany Claims. No assurance can be given, however, that the Service or any other taxing authorities will respect the Intercompany Claims or the form of the Plan Transactions, in which case material U.S. federal tax may apply to the Plan Transactions.

B. U.S. Federal Income Tax Consequences to U.S. Holders of General Unsecured Claims

Pursuant to the Plan, each U.S. Holder of a General Unsecured Claim will receive Cash in satisfaction of its respective Claims. The U.S. federal income tax consequences of the Plan to holders of General Unsecured Claims, including the character, amount and timing of income, gain or loss recognized as a consequence of the Plan and the distributions provided for by the Plan, generally will depend upon, among other things, (i) the manner in which a U.S. Holder acquired a General Unsecured Claim; (ii) the length of time a General Unsecured Claim has been held; (iii) whether the General Unsecured Claim was acquired at a discount; (iv) whether the U.S. Holder has taken a bad debt deduction in the current or prior years; (v) whether the U.S. Holder has previously included accrued but unpaid interest with respect to a General Unsecured Claim; (vi) the U.S. Holder's method of tax accounting; (vii) whether the U.S. Holder will realize foreign currency exchange gain or loss with respect to a General Unsecured Claim; (viii) whether a General Unsecured Claim is an installment obligation for federal income tax purposes;

and (ix) whether the transaction is treated as a "closed transaction." Therefore, U.S. Holders of General Unsecured Claims are urged to consult their tax advisors for information that may be relevant to their particular situation and circumstances and the particular tax consequences to such U.S. Holder as a result thereof. In particular, General Unsecured Claims that arise in the ordinary course of a U.S. Holder's trade or business may not be treated as capital assets and, in such case, the gain or loss attributable to such General Unsecured Claims would be treated as ordinary income.

A U.S. Holder generally will recognize U.S. source capital gain or loss in an amount equal to the difference between the amount realized (the amount of Cash received in satisfaction of such U.S. Holder's Claim) and the U.S. Holder's adjusted tax basis in its General Unsecured Claim (other than Claims for accrued but unpaid interest). *See* discussion below in *"— U.S. Federal Income Tax Consequences to U.S. Holders of General Unsecured Claims — Payment for Accrued but Unpaid Interest."* Generally, such gain or loss would be long-term capital gain or loss if the U.S. Holder held the Claim as a capital asset and such U.S. Holder held such Claim for more than one year, unless the U.S. Holder previously claimed a bad debt or worthless securities deduction or had accrued market discount with respect to the Claim (See discussion below in *"— U.S. Federal Income Tax Consequences to U.S. Holders of General Unsecured Claims –Market Discount*). Long-term capital gain recognized by certain non-corporate U.S. Holders, including individuals, generally is subject to tax at a reduced rate. The deductibility of capital losses is subject to limitations.

1. Payment for Accrued but Unpaid Interest

Under the Plan, some Cash may be distributed or deemed distributed to certain U.S. Holders of General Unsecured Claims with respect to their Claims for accrued interest. U.S. Holders of General Unsecured Claim for accrued interest that have not previously included such accrued interest in income will be required to recognize ordinary income equal to the amount of Cash received with respect to such General Unsecured Claim for accrued interest. Conversely, a U.S. Holder will generally recognize a deductible loss to the extent that any accrued interest was previously included in income and is not paid in full. Pursuant to the Plan, the Debtors will allocate for U.S. federal income tax purposes all distributions in respect of any General Unsecured Claim first to the principal amount of such General Unsecured Claim, and thereafter to accrued but unpaid interest. Certain legislative history indicates that an allocation of consideration between principal and interest provided for in a bankruptcy plan of reorganization is binding for U.S. federal income tax purposes. However, no assurance can be given that the Service will not challenge such allocation. If a distribution with respect to a General Unsecured Claim is entirely allocated to the principal amount of such General Unsecured Claim, a holder may be entitled to claim a loss to the extent of any accrued but unpaid interest on the Claim that was previously included in the holder's gross income. U.S. Holders of General Unsecured Claims are urged to consult their own tax advisors regarding the particular U.S. federal income tax consequences to them of the treatment of accrued but unpaid interest, as well as the character of any loss claimed with respect to accrued but unpaid interest previously included in gross income.

2. Market Discount

The market discount provisions of the Tax Code may apply to certain U.S. Holders of General Unsecured Claims. In general, a debt obligation other than a debt obligation with a fixed maturity of one year or less that is acquired by a holder in the secondary market (or, in certain circumstances, upon original issuance) is a "market discount bond" as to that holder if its stated redemption price at maturity (or, in the case of a debt obligation having original issue discount, the revised issue price) exceeds the adjusted tax basis of the debt obligation in the holder's hand immediately after its acquisition by more than a statutory *de minimis* amount. Gain recognized by a creditor with respect to a "market discount bond" will generally be treated as ordinary interest income to the extent of the market discount accrued on such debt obligation during the creditor's period of ownership, unless the creditor elected to include accrued market discount in taxable income currently. A holder of a market discount bond may be required under the market discount rules of the Tax Code to defer deduction of all or a portion of the interest on indebtedness incurred or maintained to acquire or carry the bond. In such circumstances, the holder may be allowed to deduct such interest, in whole or in part, on the disposition of such bond.

C. **U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 1**

1. Distributions in Redemption of Parent Equity Interests

(a) Characterization of Transactions

Pursuant to the Plan, each U.S. Holder of Parent Equity Interests may elect to receive Beneficial Trust Interests, (and a right to receive their Pro Rata share of any other Shareholder Distributable Assets in accordance with the Plan) in cancellation of all of such U.S. Holder's Parent Equity Interests. The Debtors intend to treat the transaction consistent with its form and take the position that a U.S. Holder of Parent Equity Interests that elects Option 1 will be treated as receiving Beneficial Trust Interests and cash distributions in complete redemption of such U.S. Holder's Parent Equity Interests as described below under "*– U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 1 – Distributions in Redemption of Parent Equity Interests.*" However, there is no authority addressing an arrangement with terms such as those contained in Option 1 or the ongoing arrangements between the Reorganized Parent Debtor and the Liquidation Trust and, therefore, no assurance can be given that the Service would not assert, or that a court would not sustain, a position contrary to such treatment. In the event of such an outcome, U.S. Holders who elect Option 1 could be treated as receiving distributions from the Liquidation Trust, if any, as if such distributions were made by the Reorganized Parent Debtor on Parent Equity Interests as discussed under "*–U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 2 - Distributions on Parent Equity Interests.*"

(b) Distributions in Redemption of Parent Equity Interests

Subject to the discussion below under "*—Passive Foreign Investment Company (PFIC) Considerations,*" and assuming the form of the transaction is respected, a U.S. Holder would

recognize U.S. source capital gain or loss in an amount equal to the difference between the amount realized (the sum of cash distributions received or treated as received from the Reorganized Parent Debtor and the fair market value of such U.S. Holder's Pro Rata share of Liquidation Trust Assets) and the U.S. Holder's adjusted tax basis in its Parent Equity Interests. Such gain or loss would be long-term capital gain or loss if the U.S. Holder held the Parent Equity Interests for more than one year as of the date of the final distribution such U.S. Holder receives in respect of its Parent Equity Interests. Long-term capital gain recognized by certain non-corporate U.S. Holders, including individuals, generally is subject to tax at a reduced rate. The deductibility of capital losses is subject to limitations.

The gross amount of distributions paid in any non-U.S. currency will be included by each U.S. Holder in gross income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the day the distributions are actually or constructively received, regardless of whether the payment is in fact converted into U.S. dollars. If the non-U.S. currency is converted into U.S. dollars on the date of receipt, the U.S. Holder should not be required to recognize any "foreign currency gain or loss" with respect to the receipt of the non-U.S. currency distributions. If the non-U.S. currency received is not converted into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the non-U.S. currency equal to the U.S. dollar value on the date of receipt. Any foreign currency gain or loss realized on a subsequent conversion or other disposition of the non-U.S. currency will be treated as U.S. source ordinary income or loss. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution.

(c) Distributions of Liquidation Trust Assets

As discussed below under *" -- U.S. Federal Income Tax Treatment of the Liquidation Trust and Liquidation Trust Beneficiaries"*, the Liquidation Trust is intended to qualify as a "grantor trust" for U.S. federal income tax purposes. Accordingly, each U.S. Holder of a Parent Equity Interest is intended to be treated for U.S. federal income tax purposes as directly receiving, and as a direct owner of, its Pro Rata share of Liquidation Trust Assets and then contributing such assets to the Liquidation Trust in exchange for the Beneficial Trust Interests. Pursuant to the Plan, the Liquidation Trustee will in good faith value the assets transferred to the Liquidation Trust, and all parties to the Liquidation Trust (including U.S. Holders of Parent Equity Interests receiving Beneficial Trust Interests) must consistently use such valuation for all U.S. federal income tax purposes.

After the Effective Date, a U.S. Holder's share of any collections received on the Liquidation Trust Assets would not be included, for U.S. federal income tax purposes, in the U.S. Holder's amount realized in respect of its complete redemption of Parent Equity Interests on the Effective Date, but would instead be separately treated as amounts realized in respect of such U.S. Holder's ownership interest in the Liquidation Trust Assets. Because substantially all of the assets of the Liquidation Trust will be Retained Causes of Action, consistent with a private ruling that the Service gave another taxpayer in a similar circumstance, it is anticipated that the Liquidation Trustee will take the position that the origin of the claim doctrine will apply to characterize the income, if any, realized by a U.S. Holder of Beneficial Trust Interests as received in respect of its Allowed Claim for Parent Equity Interests and will be reported as capital gain. However, private rulings may be relied upon only by the recipient, and, therefore,

the private ruling is not substantive authority on which U.S. Holders or the Liquidation Trustee can rely, and the Liquidation Trustee does not intend to seek a ruling from the Service with respect to the character of income received on the Liquidation Trust Assets. There can be no assurance that the Service will not assert that such income is ordinary or that such a challenge would be unsuccessful. *See "U.S. Federal Income Tax Treatment of the Liquidation Trusts and Liquidation Trust Beneficiaries"* below.

2. Recharacterization of Distributions Other than in Redemption of Parent Equity Interests

If the Reorganized Parent Debtor's position regarding the treatment of the distributions, if any, to U.S. Holders were not respected, the U.S. federal income tax consequences of distributions to U.S. Holders electing Option 1 would be as described below under "*—U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 2 – Distributions on Parent Equity Interests."*

D. U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 2

1. Distributions on Parent Equity Interests

It is uncertain whether distributions to a U.S. Holder that elects to retain its Parent Equity Interests under Option 2 will be treated as dividends or liquidating distributions made in exchange for its Parent Equity Interests. This determination will depend in part on the timing of the distributions that are made to such U.S. Holders. The Debtors have not yet determined how such distributions will be reported for U.S. federal income tax purposes. Subject to the discussion under *"-- Passive Foreign Investment Company (PFIC) Considerations"* below, the gross amount of any distribution paid on the Parent Equity Interests other than in redemption of the Parent Equity Interests will generally be subject to U.S. federal income tax as dividend income to the extent paid out of the Debtors' current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Such amount will be includable in gross income by a U.S. Holder as ordinary income on the date such U.S. Holder actually or constructively receives the distribution. It is anticipated that dividends paid by the Debtors will not be eligible for the dividends received deduction generally allowed to U.S. Holders that are corporations.

Under current law, certain dividends paid by non-U.S. corporations to non-corporate U.S. Holders are eligible for taxation at reduced rates. A non-U.S. corporation is treated as a "qualified foreign corporation" with respect to dividends paid by that corporation that is eligible for benefits of certain income tax treaties with the United States or a corporation the ordinary shares of which are readily tradeable on an established securities market in the United States. The Reorganized Parent Debtor is uncertain whether it will qualify for the benefits of the U.S.-Canadian income tax treaty at the time dividends are paid and it is anticipated that Parent Equity Interests will not be considered readily tradeable on an established securities market in the United States. Therefore, it is uncertain whether dividends from the Reorganized Parent Debtor will be treated as qualified dividends eligible for reduced rates of taxation. Furthermore, dividends received by U.S. Holders from a non-U.S. corporation that was a PFIC in either the

taxable year of the distribution or the preceding taxable year will not constitute qualified dividends. As discussed below in *" -- Passive Foreign Investment Company Considerations,"* although it is not entirely clear, the Reorganized Debtor Parent believes that it was not a PFIC for its taxable year ended on May 31, 2017, but believes that it may be a PFIC for its current or future taxable years.

To the extent that a distribution exceeds the amount of the Debtors' current or accumulated earnings and profits, as determined under U.S. federal income tax principles, the distribution will be treated first as a tax-free return of capital, causing a reduction in the U.S. Holder's adjusted basis in the Parent Equity Interests held by such U.S. Holder (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by such U.S. Holder upon a subsequent disposition of the Parent Equity Interests), with any amount that exceeds the adjusted basis being taxed as a capital gain recognized on a sale or exchange. However, the Debtors do not maintain calculations of earnings and profits in accordance with U.S. federal income tax principles. Therefore, if U.S. Holders are not treated as receiving a distribution in complete redemption of Parent Equity Interests, such U.S. Holders should assume that any distribution by the Reorganized Parent Debtor with respect to Parent Equity Interests will constitute ordinary dividend income.

The gross amount of distributions paid in any non-U.S. currency will be included by each U.S. Holder in gross income as discussed above (See *" -- U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 1 Distributions in Redemption of Parent Equity Interests"*).

The treatment of distributions in redemption of stock will generally be taxed as discussed above (See *" -- U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 1 Distributions in Redemption of Parent Equity Interests – b) Distributions in Redemption of Parent Equity Interests"*).

E. Passive Foreign Investment Company (PFIC) Considerations

Special and generally unfavorable U.S. federal income tax rules may apply to a U.S. Holder if its holding period in its Parent Equity Interests includes any period during a taxable year of the Reorganized Parent Debtor in which the Reorganized Parent Debtor or certain non-U.S. corporations related to it (a "Related Entity") is a passive foreign investment company (a "PFIC"). A non-U.S. corporation is classified as a PFIC for each taxable year in which (a) 75% or more of its income is passive income (as defined for U.S. federal income tax purposes) or (b) on average for such taxable year, 50% or more of the value (or, if elected, the adjusted tax basis) of its assets either produce or are held for the production of passive income.

The method of calculating the average percentage of passive assets for a taxable year is unclear. Specifically, it is uncertain whether the average percentage of passive assets is measured: (1) by taking the sum of the percentage of passive assets at the end of each quarter and dividing by four; or (2) by dividing the average of the values (or basis) of passive assets at the end of each quarter by the average value (or basis) of all assets at the end of each quarter. The Service, however, has suggested that the latter approach is correct. Based on the latter calculation method, the Reorganized Parent Debtor believes that it was not a PFIC for its taxable

year ending on May 31, 2017. The law in this area is uncertain and there can be no assurance that the Service will agree with the Reorganized Parent Debtor's conclusion in this regard.

The Reorganized Parent Debtor may be a PFIC for its current or future taxable years, unless the "start-up" exception discussed below applies. A corporation that would otherwise be a PFIC in its "start-up year" (defined as the first taxable year such corporation earns gross income), is not treated as a PFIC in that taxable year provided that (1) no predecessor corporation was a PFIC, (2) it is established to the satisfaction of the Service that such corporation will not be a PFIC in either of the two succeeding years, and (3) the corporation is not, in fact, a PFIC for either succeeding year. Whether the Reorganized Parent Debtor will satisfy these conditions is a factual question, however, and may depend on whether a corporation that has liquidated is treated as "not a PFIC" for purposes of these rules. No assurance can be made that the Reorganized Parent Debtor will qualify for this exception in the current or future taxable years.

If the Reorganized Parent Debtor or a Related Entity were classified as a PFIC for any taxable year during which a U.S. Holder holds Parent Equity Interests, such U.S. Holder would be subject to an increased tax liability (such tax generally will be calculated at the highest U.S. federal income tax rate and will also include an interest charge) upon the sale or other disposition of the Parent Equity Interests or upon the receipt of certain distributions treated as "excess distributions," unless the U.S. Holder elects to be taxed currently (as discussed below under *"– Passive Foreign Investment Company (PFIC) Considerations – QEF Election"*) on such U.S. Holder's pro rata portion of the Reorganized Parent Debtor's income, regardless of whether such income was actually distributed. An excess distribution generally would be any distribution to a U.S. Holder with respect to Parent Equity Interests during a single taxable year that is greater than 125% of the average annual distributions received by such U.S. Holder with respect to Parent Equity Interests during the three preceding taxable years or, if shorter, during such U.S. Holder's holding period for the Parent Equity Interests. In addition, the Reorganized Parent Debtor may be treated as owning, directly or indirectly, interests in "lower-tier PFICs," the rules with respect to which are complex and generally adverse.

Accordingly, U.S. Holders should be aware that U.S. Holders could be subject to tax even if no distributions from the Reorganized Parent Debtor are received and no redemptions or other dispositions of Parent Equity Interests are made. The Debtors do not expect to be able to provide U.S. Holders with the information that would be necessary to calculate the amount, if any, of such tax that may be due.

In addition, certain special, generally adverse rules will apply to the Parent Equity Interests if the Reorganized Parent Debtor is a PFIC. For example, under Section 1298(b)(6) of the Tax Code, if a U.S. Holder uses PFIC shares as security for a loan (including a marginal loan) such U.S. Holder will, except as may be provided in Treasury regulations, be treated as having made a taxable disposition of such shares.

F. **QEF Election.**

The PFIC tax rules outlined above would not apply to a U.S. Holder if such U.S. Holder elected to treat the Reorganized Parent Debtor as a "qualified electing fund" or "QEF." Each

U.S. Holder is urged to consult its tax advisor as to the availability and consequences of such an election. Special rules apply for calculating the amount of the foreign tax credit with respect to excess distributions by a PFIC or, in certain cases, QEF inclusions.

The Reorganized Parent Debtor does not expect to provide U.S. Holders with the information that is necessary to make a QEF election. If a U.S. Holder was eligible for and timely made a QEF election, such U.S. Holder would include in income each year for which the Parent Debtor is a PFIC (and be subject to current U.S. federal income tax on) such U.S. Holder's pro rata share of the Parent Debtor's ordinary earnings, as ordinary income, and net capital gains, as long-term capital gain, for the Reorganized Parent Debtor's taxable year that ends with or within such U.S. Holder's taxable year, regardless of whether such amounts are actually distributed. Any such ordinary income would not be eligible for the favorable rates applicable to qualified dividend income. If a U.S. Holder is a corporation such U.S. Holder will not be eligible for a dividends received deduction in respect of such income or gain. Such U.S. Holder's adjusted tax basis in the Parent Equity Interests would be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed would result in a corresponding reduction in such U.S. Holder's adjusted tax basis in the Parent Equity Interests and would not be taxed again. Such U.S. Holder would not, however, be entitled to a deduction for its pro rata share of any losses that the Parent Debtor incurred with respect to any year. In certain cases in which the Reorganized Parent Debtor did not distribute all of our earnings in a taxable year, such U.S. Holder might also be permitted to elect to defer payment of some or all of the taxes on the Reorganized Parent Debtor's income, subject to an interest charge on the deferred amount. In this respect, U.S. Holders should be aware that the Reorganized Parent Debtor may have in any given year substantial earnings for U.S. federal income tax purposes that are not distributed. Thus, absent an election to defer payment of taxes, if a U.S. Holder makes a QEF election with respect to the Reorganized Parent Debtor such U.S. Holder may owe tax on significant "phantom" income. Such U.S. Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of Parent Equity Interests. U.S. Holders would generally make a QEF election with respect to the first year during which the Reorganized Parent Debtor was at any time a PFIC by filing one copy of IRS Form 8621 with the U.S. Holder's U.S. federal income tax return. The QEF election is made on a shareholder by shareholder basis and can only be revoked with the consent of the Service.

Notwithstanding any election made with respect to Parent Equity Interests, dividends received with respect to Parent Equity Interests will not constitute "qualified dividend income" if the Reorganized Parent Debtor is a PFIC in either the year of the distribution or the preceding taxable year. Dividends that do not constitute qualified dividend income are not eligible for taxation at the reduced tax rate discussed above in *" -- U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 2 -- Distributions on Parent Equity Interests."* Instead, such dividends would be subject to tax at ordinary income rates. If a U.S. Holder owns Parent Equity Interests during any year in which the Reorganized Parent Debtor is a PFIC, such U.S. Holder must also file IRS Form 8621.

U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income tax consequences of holding Parent Equity Interests if the Reorganized Parent Debtor is considered a PFIC in any taxable year.

G. U.S. Federal Income Tax Treatment of the Liquidation Trust and Liquidation Trust Beneficiaries

1. Classification of the Liquidation Trust

The Liquidation Trust will be established for the sole purpose of distributing the Liquidation Trust Assets, and any proceeds therefrom, in accordance with Treasury Regulation section 301.7701-4(d) and Revenue Procedure 94-45, with no objective to continue or engage in the conduct of a trade or business. The Liquidation Trust is intended to qualify as a liquidating trust for U.S. federal income tax purposes.

The Debtors intend to treat a U.S. Holder of Parent Equity Interests that elects Option 1 as receiving non-transferrable Beneficial Trust Interests in the Liquidation Trust as consideration, in part, for the complete redemption of Parent Equity Interests as described below under "*--U.S. Federal Income Tax Treatment of the Liquidation Trust and Liquidation Trust Beneficiaries—Creation and Funding of the Liquidation Trust*" and "*--U.S. Federal Income Tax Treatment of the Liquidation Trust and Liquidation Trust Beneficiaries-- General Tax Reporting by the Liquidation Trust and Liquidation Trust Beneficiaries*"; however, there is no authority addressing the ongoing arrangements between the Reorganized Parent Debtor and the Liquidation Trust and, therefore, no assurance can be given that the Service would not assert, or that a court would not sustain, a challenge to the ongoing arrangements between the Reorganized Parent Debtor and the Liquidation Trust. In the event of such an outcome, U.S. Holders who elect Option 1 could be treated as receiving distributions from the Liquidation Trust, if any, as if such distributions were made by the Debtor Parent on Parent Equity Interests as discussed under *"–U.S. Federal Income Tax Consequences to U.S. Holders of Parent Equity Interests Electing Option 2 - Distributions on Parent Equity Interests."*

2. Creation and Funding of the Liquidation Trust

The transfer of the Liquidation Trust Assets to the Liquidation Trust shall be made for the benefit of and on behalf of the Liquidation Trust Beneficiaries. For all U.S. federal income tax purposes, the transfer of the Liquidation Trust Assets to the Liquidation Trust shall be treated as (1) a transfer of the Liquidation Trust Assets directly to the Liquidation Trust Beneficiaries, followed by (2) the transfer of such Liquidation Trust Assets by the Liquidation Trust Beneficiaries to the Liquidation Trust in exchange for the Liquidation Trust Beneficial Interests. The Liquidation Trust Beneficiaries shall be treated as the grantors and owners of the Liquidation Trust (other than the Liquidation Trust Assets as are allocable to the Reserves).

3. General Tax Reporting by the Liquidation Trust and Liquidation Trust Beneficiaries

In general, a liquidating trust is not a separate taxable entity for U.S. federal income tax purposes, but is instead treated as a grantor trust, i.e., a pass-through entity. All parties must treat the transfer of the portion of the Liquidation Trust Assets attributable to the Liquidation Trust Beneficiaries as a transfer of such assets directly to the Liquidation Trust Beneficiaries. Consistent therewith, the Plan provides that all parties must treat the Liquidation Trust as a

grantor trust of which the Liquidation Trust Beneficiaries are the owners and grantors. Subject to the terms of the Liquidation Trust Agreement, the value of a Liquidation Trust Beneficiary's Allowed Interest (less any Cash distribution received from the Reorganized Parent Debtor) shall be the value of such Liquidation Trust Beneficiary's Liquidation Trust Beneficial Interest, and the Liquidation Trust Beneficiaries and the Liquidation Trust must consistently use this valuation for all U.S. federal income tax purposes, including for determining gain, loss or tax basis.

The United States federal income tax reporting obligation of a Liquidation Trust Beneficiary is not dependent upon the Liquidation Trust distributing any cash or other proceeds. The Plan provides that the Liquidation Trust will allocate items of income, gain, loss, expense and other tax items to the Liquidation Trust Beneficiaries in accordance with their relative beneficial interest in the Liquidation Trust. Therefore, a Liquidation Trust Beneficiary may incur an income tax liability with respect to its allocable share of the income of the Liquidation Trust, if any, whether or not the Liquidation Trust has made any concurrent distribution of cash or other assets to the Liquidation Trust Beneficiary.

Taxable income or loss allocated to each Liquidation Trust Beneficiary is expected to be treated as income or loss with respect to such beneficiary's undivided interest in the Liquidation Trust Assets, and not as income or loss with respect to its prior Allowed Parent Equity Interests. The character of any income, if any, and the character and ability to use any loss will depend on the particular situation of such beneficiary. Because substantially all of the assets of the Liquidation Trust will be Retained Causes of Action, consistent with a private ruling that the Service gave another taxpayer in a similar circumstance, the Liquidation Trustee may take the position that the origin of the claim doctrine will apply to characterize the income, if any, realized by a U.S. Holder of Beneficial Trust Interests as received in respect of its Allowed Claim for Parent Equity Interests. However, private rulings may be relied upon only by the recipient, and, therefore, the private ruling is not substantive authority on which U.S. Holders or the Liquidation Trustee can rely, and the Liquidation Trustee does not intend to seek a ruling from the Service with respect to the character of income received on the Liquidation Trust Assets. Therefore, the Liquidation Trustee may take the position that the Liquidation Trust Assets are capital assets, but collections received on the Liquidation Trust Assets may constitute ordinary income because the settlement of Retained Causes of Action may not constitute a "sale or exchange" of the Retained Causes of Action such that the amount realized in respect of the settlement thereof would constitute capital gain.

The Plan requires the Liquidation Trust to file tax returns for the Liquidation Trust as a "grantor trust" pursuant to Treasury Regulation section 1.671-4(a). The Liquidation Trust may send each Liquidation Trust Beneficiary a separate statement setting forth the Liquidation Trust Beneficiary's share of items of income, gain, loss, deduction, or credit, and such Liquidation Trust Beneficiary will be responsible for any reporting requirements with respect to the allocated amounts and the payment of any taxes, if any, that result from such allocations. It is anticipated that the Liquidation Trust will allow for tax distributions to be made to U.S. Holders of Beneficial Trust Interests in the event a Liquidation Trust Beneficiary is allocated income or gain from the Liquidation Trust; however, there can be no assurance that such distribution, if any, will be sufficient to satisfy all tax liabilities of a U.S. Holder arising from an ownership of Beneficial Trust Interests.

Liquidation Trust Beneficiaries are urged to consult their own tax advisors regarding the appropriate federal income tax reporting of allocations from the Liquidation Trust.

4. U.S. Information Reporting and Backup Withholding Tax

Proceeds from a taxable disposition of Parent Equity Interests or General Unsecured Claims that are paid in the United States or by a U.S.-related financial intermediary will be subject to U.S. information reporting rules, unless a U.S. Holder is a corporation or other exempt recipient. In addition, payments that are subject to information reporting may be subject to backup withholding (currently at a 28% rate) if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded by the Service to the extent they exceed such liability, provided the required information is provided to the Service in a timely manner.

5. Additional Tax on Investment Income

U.S. Holders that are individuals, estates or trusts and whose income exceeds certain thresholds generally will be subject to an additional 3.8% tax on certain investment income, including, among other things, capital gains from the taxable disposition of Parent Equity Interests or General Unsecured Claims, subject to certain limitations and exceptions. Each U.S. Holder is urged to consult its own tax advisors regarding the possible implications of the additional tax on investment income described above.

H. **FATCA**

Sections 1471 through 1474 of the Code ("FATCA") impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. Certain countries have entered into, and other countries are expected to enter into, agreements with the United States to facilitate the type of information reporting required under FATCA. Such intergovernmental agreements may provide different rules with respect to foreign financial institutions. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners, the entity furnishes identifying information regarding each substantial U.S. owner or an exemption applies. A foreign financial institution or non-financial foreign entity's failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on certain U.S. source payments to it. It is uncertain whether the Reorganized Parent Debtor is subject to these rules. Prospective investors are urged to consult their own tax advisors regarding FATCA and its effect on them and their investment in the Reorganized Parent Debtor.

XX. CERTAIN CANADIAN FEDERAL INCOME TAX CONSEQUENCES AND RISKS OF THE PLAN

The following summary fairly describes, as at the date hereof, the principal Canadian federal income tax consequences of the Plan generally applicable under the *Income Tax Act* (Canada) (the "Tax Act") to a Holder of Parent Equity Interests and/or General Unsecured Claims who, for purposes of the Tax Act and at all relevant times, deals at arm's length with the Debtors and, in the case of Parent Equity Interests, holds such interests as capital property and is not "affiliated" (as defined in the Tax Act) with Debtors at all relevant times (defined as a "Canadian Holder" in the present section). Generally, the Parent Equity Interests will be considered to be capital property to a Canadian Holder provided that the Canadian Holder does not use or hold and is not deemed to use or hold the Parent Equity Interests in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Canadian resident Holders who might not otherwise be considered to hold their Parent Equity Interests as capital property may, in certain circumstances, be entitled to have their Parent Equity Interests, and all other "Canadian securities" (as defined in the Tax Act) that are held by such Canadian resident Holder, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Canadian resident Holders considering making a subsection 39(4) election are advised to speak to their own tax advisors given their particular circumstances.

This summary is based upon the provisions of the Tax Act, the regulations under the *Tax Act* in force as at the date hereof and Debtors' understanding of the current published administrative and assessing practices of the Canada Revenue Agency (the "CRA"). This summary takes into account all specific proposals to amend the Tax Act and the regulations under the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) (the "Minister") prior to the date hereof. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

On July 18, 2017, the Minister released a consultation paper that included an announcement of the Government's intention to amend the Tax Act to increase the amount of tax applicable to passive investment income earned through a private corporation. No specific amendments to the Tax Act were proposed in connection with this announcement. Canadian Holders that are private Canadian corporations should consult their own tax advisors.

This summary is not applicable to a Canadian Holder: (a) that is a "financial institution" for the purposes of the mark-to-market rules in the Tax Act; (b) that, in the case of a Canadian Holder of Parent Equity Interests, is a "specified financial institution" (as defined in the Tax Act); (c) an interest in which is a "tax shelter investment" (as defined in the Tax Act); (d) that reports its "Canadian tax results" (as defined in the Tax Act) in a currency other than the Canadian currency; or (e) that has entered or enters into a "derivative forward agreement" (as defined in the Tax Act) with respect to the Parent Equity Interests. This summary does not apply to any Canadian Holder of Parent Equity Interests who acquired such interests pursuant to an employee incentive plan and does not describe the tax consequences to any Canadian Holder

who may acquire Parent Equity Interests pursuant to an incentive plan in connection with the Plan.

This summary is of a general nature only and is not intended to be legal or tax advice to any Canadian Holder. This summary is for informational purposes only and, due to a lack of definitive judicial or administrative authority or interpretation, substantial uncertainties exist with respect to various tax consequences of the Plan as discussed herein. No opinion of counsel has been sought or obtained with respect to any tax consequences of the Plan. No rulings or determinations of the CRA or any other tax authorities have been sought or obtained with respect to any tax consequences of the Plan, and the discussion below is not binding on the CRA or any other authority. As a result, there can be no assurance that the CRA (or other relevant tax authority) will not disagree with or challenge any of the conclusions reached and described herein and that a court would not sustain such a challenge. This summary is not exhaustive of all possible income tax considerations under the Tax Act that may affect a Canadian Holder. Consequently, Canadian Holders should consult their own tax advisors about the implications of the contemplated Plan in light of their particular circumstances.

Canadian Tax Consequences to the Debtors

Subject to the comments that follow, the Canadian Debtors do not currently anticipate material Canadian federal or provincial income tax liabilities to arise as a result of the Plan Transactions.

The Plan provides that the Liquidation Trust Assets will be deemed to be distributed to Holders of Allowed Parent Equity Interests who elect Option 1 followed immediately by a deemed contribution by such Holders of the Liquidation Trust Assets to the Liquidation Trust. The transfer of such Liquidation Trust Assets within the Debtor group and/or the deemed distribution of such Liquidation Trust Assets in respect of Holders of Allowed Parent Equity Interests who elect Option 1 may result in Canadian federal income tax consequences to one or more of the Canadian Debtors (including the realization of income or gain). The precise Canadian and federal income tax consequences to the Canadian Debtors in this regard will depend on a number of factors, including the nature of the Liquidation Trust Assets, where such Liquidation Trust Assets are held within the Debtor corporate group, and the value of such Liquidation Trust Assets. A good faith determination of the value of the Liquidation Trust Assets will be made and that amount will be used, along with an assessment of any other relevant factors, in determining the Canadian federal tax consequences to the Canadian Debtors of transferring any such Liquidation Trust Assets within the Debtor corporate group and of the deemed distribution of such Liquidation Trust Assets to Canadian Holders of Allowed Parent Equity Interests who elect Option 1. This determination of the value of the Liquidation Trust Assets, and the reporting position taken by the Canadian Debtors with respect to the deemed transfer or distribution of such Liquidation Trust Assets, will not be binding on the CRA (or any other relevant taxing authority) and there can be no assurance that the CRA (or other relevant taxation authority) will agree with such determination of value or any reporting position taken by the Debtors in this respect or otherwise with respect to implementation of the Plan, in which case material Canadian federal or provincial income tax may arise.

In addition, the Canadian Debtors may realize income or gain in connection with any proceeds to which they are entitled on the settlement or determination of any litigation claims and may be subject to material Canadian or provincial income tax as a result.

Residents of Canada

The following part of the summary is applicable to a Canadian Holder who, at all relevant times, is resident or deemed to be resident of Canada for purposes of the Tax Act (a "Resident Holder").

Parent Equity Interests Electing Option 1 – Liquidation Trust

Pursuant to the Plan, holders of Parent Equity Interests may elect to receive Beneficial Trust Interests (and a right to receive their Pro Rata share of the Liquidation Trust Expense Reserve and any other Shareholder Distributable Assets in accordance with the Plan) in exchange for all of such holders' Parent Equity Interests. The Canadian tax consequences of such alternative are uncertain, though such consequences are generally expected to be adverse (subject to the comment below with respect to the acceleration of any loss). These uncertainties include those with respect to the character for Canadian tax purposes of any return realized by a Resident Holder of Beneficial Trust Interests (which character may be different than the return to Resident Holders who retain their Parent Equity Interests). However, notwithstanding such uncertainty, a Resident Holder of Parent Equity Interests may be able to accelerate the realization of any loss such holder has in respect of their Parent Equity Interests by electing Option 1. Therefore, Resident Holders who are considering making such election are strongly urged to consult their own tax advisors for advice having regard to their own particular circumstances.

As noted above, the treatment for Canadian income tax purposes of the Liquidation Trust and of a Resident Holder's Beneficial Trust Interest in such Liquidation Trust is unclear. The Liquidation Trust may be deemed, for certain purposes of the Tax Act, to be resident in Canada. To the extent the Liquidation Trust realizes any income or capital gain (including with respect to Liquidation Trust Assets), the Liquidation Trust may be liable for Canadian income tax on such income or gains if the Liquidation Trust does not qualify as an "exempt foreign trust" and less than all of such income or gain is paid or made payable to the beneficiaries in the relevant taxation year. The Liquidation Trust should qualify as an exempt foreign trust if the only beneficiaries of the Liquidation Trust who may receive income or capital of the Liquidation Trust are beneficiaries that hold an interest in the Liquidation Trust that qualify as a "fixed interest" and each such fixed interest that is outstanding was issued by the Liquidation Trust in exchange for consideration that was not less than 90% of the interest's proportionate share of the net asset value of the property of the Liquidation Trust at the time of issuance. For these purposes a "fixed interest" would generally include an interest in the Liquidation Trust where no amount of the income or capital of the Liquidation Trust to be distributed at any time in respect of any interest in the Liquidation Trust depends on a person exercising (or failing to exercise) any discretionary power other than a power in respect of which it is reasonable to conclude that (a) the power is consistent with normal commercial practice, (b) the power is consistent with terms that would be acceptable to beneficiaries under the Liquidation Trust if the beneficiaries were dealing with each other at arm's length, and (c) the exercise of, or failure to exercise, the

power will not materially affect the value of an interest as a beneficiary under the Liquidation Trust relative to the value of other such interests under the Liquidation Trust.

Alternatively, if the Liquidation Trust does qualify as an "exempt foreign trust", the Liquidation Trust may, for certain purposes of the Tax Act, be deemed to be a non-resident corporation and the Resident Holders of the Liquidation Trust deemed to be shareholders. This deeming rule may require Resident Holders (and certain other categories of persons or entities, including controlled foreign affiliates of Canadian residents or partnerships of which a Canadian resident person is a member) of a Beneficial Trust Interest in the Liquidation Trust to include in their income for Canadian tax purposes their proportionate share of any "foreign accrual property income" of the Liquidation Trust on a current basis in certain circumstances. Any such Resident Holders who are considering electing Option 1 are advised to consult their tax advisor for advice having regard to their own particular circumstances.

Parent Equity Interests Option 2 – Retained Parent Equity Interests

All Holders of Parent Equity Interests who do not elect Option 1 or who are deemed to have elected Option 2 shall retain their Parent Equity Interests through the Final Distribution Date. All distributions to Resident Holders may be effected through reductions of the stated capital of the Retained Parent Equity Interests. The amount or value of the funds or property distributed to a Resident Holder on a reduction of stated capital will not be deemed to be a taxable dividend, but a return of capital, to the extent it does not exceed the paid-up capital of the shares for purposes of the Tax Act.

Resident Holders will reduce the adjusted cost base of their Parent Equity Interests by the amount or value of the funds or property received upon a reduction of stated capital. To the extent that the amount or value of the funds or property received by a Resident Holder on a reduction of stated capital is greater than the adjusted cost base of their Parent Equity Interests, the excess will be deemed to be a capital gain of the Resident Holder for the year from the disposition of the Parent Equity Interest and the adjusted cost base of the Parent Equity Interest to the Resident Holder will then be nil. The taxation of capital gains is described below.

The amount or value of the funds or property distributed to a Resident Holder in connection with the Plan in excess of the paid-up capital of the Retained Parent Equity Interests for purposes of the Tax Act held by such Resident Holder, if any, will be deemed to be a taxable dividend.

A Resident Holder will be required to include in computing the Resident Holder's income for a taxation year any dividend received or deemed to be received on the Parent Equity Interest. In the case of a Resident Holder that is an individual (other than certain trusts), such dividend will be subject to the gross-up and dividend tax credit rules normally applicable under the Tax Act to taxable dividends received. In the case of a Resident Holder that is a corporation, the amount of any such dividend that is included in its income for a taxation year will generally be deductible in computing its taxable income for that taxation year. A Resident Holder that is a "private corporation" or a "subject corporation," as defined in the Tax Act, will generally be liable to pay a refundable tax of 38 1/3% under Part IV of the Tax Act on dividends received or deemed to be received on the Parent Equity Interest to the extent such dividends are deductible in

computing the Resident Holder's taxable income for the year. In certain circumstances, however, subsection 55(2) of the Tax Act will treat a dividend received or deemed to be received by a Resident Holder that is a corporation as proceeds of disposition or a capital gain. Resident Holders that are corporations should consult their own tax advisors having regard to their own circumstances.

Pursuant to the Tax Act, a Resident Holder will be considered to have disposed of their Parent Equity Interests on the redemption or cancellation of the Parent Equity Interests for proceeds equal to the fair market value of the funds or property distributed to such Resident Holder at that time. The Resident Holder will be deemed to have received a dividend equal to the amount by which the fair market value of the property received or receivable exceeds the paid-up capital of such holder's Parent Equity Interests for purposes of the Tax Act at that time. In addition, the cancellation of the Parent Equity Interests will also give rise to a capital gain (or capital loss) equal to the amount by which the fair market value of the property received or receivable, net of reasonable costs of disposition and the amount of any deemed dividend referred to above, exceeds (or is exceeded by) the adjusted cost base of such Parent Equity Interests to the Resident Holder at that time.

Generally, one-half of a capital gain must be included in income as a taxable capital gain and one-half of a capital loss is an allowable capital loss. An allowable capital loss for a year normally may be deducted by the Resident Holder in computing income to the extent of any taxable capital gains for the year. Any allowable capital loss not deductible in the year may be deducted against taxable capital gains in computing taxable income for any of the three preceding years or any subsequent year (in accordance with the rules contained in the Tax Act).

Where a Resident Holder that is a corporation or a trust (other than certain trusts) disposes of a Parent Equity Interest, the Resident Holder's capital loss from the disposition may be reduced by the amount of dividends previously received by the Resident Holder except to the extent that a loss on a previous disposition of Parent Equity Interests has been reduced by those dividends. Analogous rules apply where a Resident Holder that is a corporation or a trust (other than certain trusts) is a member of a partnership that disposes of Parent Equity Interests.

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10 2/3% on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains realized on the disposition of Parent Equity Interests. Capital gains and taxable dividends received or deemed to be received by a Resident Holder who is an individual (other than certain trusts) may result in such Resident Holder being liable for alternative minimum tax under the Tax Act. Such Resident Holders should consult their own tax advisors in this regard.

It should be noted that there may be a time gap between the date of one or more initial distributions and the resulting final distribution (if any). As such, a Resident Holder may be considered to have received one or more distributions in connection with the Plan at a particular moment in time, yet not be considered to have disposed of their Parent Equity Interests until a much later moment in time in connection with the formal dissolution of the Parent Debtor. This

would delay the realization of any capital loss which a Resident Holder may have in respect of their Parent Equity Interests.

General Unsecured Claims

Generally, a Resident Holder who receives Cash in satisfaction of its General Unsecured Claim may realize ordinary income to the extent that any portion of such consideration is characterized as interest, but generally only if (i) such amount has not otherwise been included in the Resident Holder's income for the taxation year or a preceding taxation year, or (ii) such amounts was previously included in the Resident Holder's income for a taxation year but a deduction for a bad debt or uncollectable loan amount was claimed by the Resident Holder in respect of such interest.

The income tax consequences arising as a result of the non-payment of any interest owing to a Resident Holder of a General Unsecured Claim will be dependent on the particular circumstances of the Resident Holder, including the method followed in computing its income for tax purposes and whether it has previously claimed a bad debt deduction or doubtful debt reserve in respect of such interest. Such Resident Holders are encouraged to consult their own tax advisors in light of their particular circumstances.

A Resident Holder whose General Unsecured Claim is held as capital property for the purposes of the Tax Act and who receives Cash in satisfaction of the principal amount of such General Unsecured Claim will be considered to have disposed of such General Unsecured Claim for proceeds of disposition equal to the amount of such Cash. Generally, such Resident Holder will realize a capital gain (or capital loss) for Canadian federal income tax purposes equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Claim, determined immediately prior to the time such General Unsecured Claim is settled pursuant to the Plan. Please see above under "*Parent Equity Interests Option 2 – Retained Parent Equity Interests*" for a general discussion of capital gains and losses under the Tax Act.

Generally, in the case of a Resident Holder whose General Unsecured Claim arose in the course of a business carried on by it and who has, for purposes of the Tax Act, included an amount in income for the year or a previous year in respect of such General Unsecured Claim, the Canadian income tax consequences to such Resident Holder of receiving Cash in satisfaction of the principal amount of such General Unsecured Claim will depend on the Resident Holder's particular circumstances, including the method regularly followed in computing income for tax purposes and whether it has previously claimed a bad debt deduction or doubtful debt reserve in respect of such General Unsecured Claim. Where such a Resident Holder has previously claimed such a deduction in respect of its General Unsecured Claim, the Resident Holder may be required to include in computing its income (in the taxation year in which such property is received) an amount equal to such Cash. Such Resident Holders are encouraged to consult their own tax advisors in light of their particular circumstances.

Non-Residents of Canada

The following summary is applicable to a Canadian Holder who, for purposes of the Tax Act and any applicable tax treaty, and at all relevant times, is not resident, or deemed to be resident, in Canada and does not use or hold and is not deemed to use or hold the Parent Equity Interests and/or the General Unsecured Claims in connection with a trade or business that the Holder carries on, or is deemed to carry on, in Canada (a "Non-Resident Holder"). This summary does not address the considerations relevant to a Non-Resident Holder (a) that is an insurer carrying on business in Canada and elsewhere, or (b) to whom the relevant General Unsecured Claim constitutes "taxable Canadian property" (as defined in the Tax Act). This summary also assumes that no amounts that are paid or payable to a Non-Resident Holder in respect of a General Unsecured Claim is on account of "participating debt interest" (as defined in the Tax Act).

Parent Equity Interests Electing Option 1 – Liquidation Trust

Non-Resident Holders of Parent Equity Interests who elect Option 1 under the Plan shall receive their Pro Rata share of the Liquidation Trust Assets (and a right to receive their Pro Rata share of the Liquidation Trust Expense Reserve and any other Shareholder Distributable Assets in accordance with the Plan) (collectively such assets, the "PSG Distributed Assets") in exchange for and in redemption of their Parent Equity Interests. In general, a Non-Resident Holder will be deemed to have received a dividend equal to the amount by which the fair market value of the PSG Distributed Assets exceeds the paid-up capital of such holder's Parent Equity Interests for purposes of the Tax Act at that time. Any such deemed dividend will be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention. Please see above under "Canadian Tax Consequences to the Debtors" for a discussion related to the valuation of the PSG Distributed Assets.

In addition to the above, a Non-Resident Holder will also be considered to have disposed of their Parent Equity Interests upon the redemption in accordance with the Plan. For the purpose of determining the Non-Resident Holder's capital gain or capital loss, the Non-Resident Holder's proceeds of disposition will be equal to the fair market value of the PSG Distributed Assets less the amount of any deemed dividend referred to above. A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition of Parent Equity Interests unless the Parent Equity Interests constitute "taxable Canadian property" and do not constitute "treaty-protected property" of the Non-Resident Holder, as defined in the Tax Act.

Generally, the Parent Equity Interests will not constitute "taxable Canadian property" to a Non-Resident Holder at a particular time unless at any particular time during the 60-month period that ends at that time more than 50% of the fair market value of the Parent Equity Interests was derived, directly or indirectly, from one or any combination of: (i) real or immoveable property situated in Canada, (ii) "Canadian resource properties" (as defined in the Tax Act), (iii) "timber resource properties" (as defined in the Tax Act) and (iv) options in respect of, or interests in, or for civil law rights in, property in any of the foregoing whether or not the property exists (the "Real Property Condition"). The Debtors do not believe that the Parent Equity Interests satisfy the Real Property Condition in the current circumstances. Notwithstanding the foregoing, in certain circumstances set out in the Tax Act, Parent Equity

Interests could be deemed to be "taxable Canadian property." Non-Resident Holders whose Parent Equity Interests may constitute "taxable Canadian property" should consult their own tax advisors.

Even if the Parent Equity Interests are considered to be taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of the Parent Equity Interests will not be included in computing the Non-Resident Holder's income for purposes of the Tax Act if the Parent Equity Interests constitute "treaty-protected property" of the Non-Resident Holder, as defined in the Tax Act. Parent Equity Interests owned by a Non-Resident Holder will generally be "treaty-protected property" if the gain from the disposition of such property would, because of an applicable income tax treaty, be exempt from tax under Part I of the Tax Act. Non-Resident Holders whose Parent Equity Interests may constitute taxable Canadian property should consult their own tax advisors regarding the availability of any relief under any applicable income tax treaty in their circumstances.

In the event that Parent Equity Interests constitute taxable Canadian property but not treaty-protected property of a particular Non-Resident Holder, the tax consequences as described above related to capital gains and losses will generally apply. A Non-Resident Holder who disposes of taxable Canadian property should consult its own tax advisors regarding any resulting Canadian reporting requirements.

The treatment for Canadian income tax purposes of the Liquidation Trust and of a Non-Resident Holder's Beneficial Trust Interest in such Liquidation Trust is unclear. The Liquidation Trust may be deemed, for certain purposes of the Tax Act, to be resident in Canada. To the extent the Liquidation Trust realizes any income or capital gain (including with respect to Liquidation Trust Assets), the Liquidation Trust may be liable for Canadian income tax on such income or gains if the Liquidation Trust does not qualify as an "exempt foreign trust" and less than all of such income or gain is not paid or made payable to the beneficiaries in the relevant taxation year. Please see the discussion above under "*Residents of Canada - Parent Equity Interests Electing Option 1 – Liquidation Trust*" for a discussion of the requirements to be an exempt foreign trust. In addition, in the event that the Liquidation Trust does not qualify as an exempt foreign Trust, Non-Resident Holders of a Beneficial Trust interest may be subject to 25% Canadian withholding tax in respect of distributions from the trust. No assurances can be given that the Liquidation Trust will qualify as an "exempt foreign trust" for these purposes.

Parent Equity Interests Option 2 – Retained Parent Equity Interests

The summary of the principal Canadian federal income tax consequences arising in connection with Option 2 discussed above under the heading "*Residents of Canada - Parent Equity Interests Option 2 – Retained Parent Equity Interests*" also applies to Non-Resident Holders. Accordingly, a Non-Resident Holder may realize a return of capital, capital gain or capital loss on the disposition or deemed disposition of Parent Equity Interests, and/or be deemed to have been paid a dividend, in the same manner and in the same circumstances described above.

A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain realized on the disposition or deemed disposition of Parent Equity Interests unless the Parent

Equity Interests constitute "taxable Canadian property" and do not constitute "treaty-protected property" of the Non-Resident Holder, as defined in the Tax Act. Please see above under the discussion "*Parent Equity Interests Electing Option 1 – Liquidation Trust*".

To the extent that a Non-Resident Holder is deemed to have received a dividend, such deemed dividend will be subject to Canadian withholding tax at the rate of 25%, subject to reduction under the provisions of an applicable income tax treaty or convention.

General Unsecured Claims

A Non-Resident Holder will not realize any Canadian federal income tax consequences as a result of the settlement of a General Unsecured Claim pursuant to the Plan.

XXI. CONCLUSION AND RECOMMENDATION OF DEBTORS, EQUITY COMMITTEE, CREDITORS' COMMITTEE AND THE MONITOR

THE DEBTORS, THE EQUITY COMMITTEE AND THE CREDITORS' COMMITTEE EACH BELIEVE THAT CONFIRMATION AND CONSUMMATION OF THE PLAN IS IN THE BEST INTERESTS OF CREDITORS AND HOLDERS OF EQUITY INTERESTS AND THAT THE PLAN SHOULD BE CONFIRMED. THE DEBTORS AND THE COMMITTEES EACH BELIEVE THAT CONFIRMATION OF THE PLAN IS PREFERABLE TO ALL OTHER ALTERNATIVES BECAUSE IT WILL PROVIDE RECOVERIES TO CREDITORS AND HOLDERS OF PARENT EQUITY INTERESTS IN EXCESS OF THOSE WHICH WOULD OTHERWISE BE AVAILABLE IF THE CHAPTER 11 CASES AND CCAA PROCEEDINGS WERE DISMISSED OR CONVERTED TO CASES UNDER CHAPTER 7 OF THE BANKRUPTCY CODE AND BANKRUPTCY AND INSOLVENCY ACT, RESPECTIVELY. THE DEBTORS AND COMMITTEES EACH THEREFORE RECOMMEND THAT ALL CREDITORS AND EQUITY INTEREST HOLDERS RECEIVING A BALLOT VOTE IN FAVOR OF THE PLAN.

THE MONITOR WILL PREPARE A REPORT TO THE CANADIAN COURT OUTLINING ITS SUPPORT OF THE PLAN BASED ON THE MONITOR'S OWN ANALYSIS AND CONCLUSIONS, SUBJECT TO THE DISCLAIMERS THAT WILL BE OUTLINED THEREIN.

Dated: Wilmington, Delaware
August 25, 2017

Respectfully submitted,
OLD BPSUSH INC., et al.

_____
Brian J. Fox
Chief Restructuring Officer

EXHIBIT 1

List of Debtors and Debtors in Possession

Old BPSUSH Inc. (f/k/a BPS US Holdings Inc.)
Old BH Inc. (f/k/a Bauer Hockey, Inc.)
Old EBS Inc. (f/k/a Easton Baseball / Softball Inc.)
Old BHR Inc. (f/k/a Bauer Hockey Retail Inc.)
Old BPSU Inc. (f/k/a Bauer Performance Sports Uniforms Inc.)
Old PLG Inc. (f/k/a Performance Lacrosse Group Inc.)
Old BPSCI Inc. (f/k/a BPS Diamond Sports Inc.)
Old PSGI Inc. (f/k/a PSG Innovation Inc.)
Old BHR Wind-down Corp. (f/k/a Bauer Hockey Retail Corp.)
Old EBS Wind-down Corp. (f/k/a Easton Baseball / Softball Corp.)
Old PSGI Wind-down Corp. (f/k/a PSG Innovation Corp.)
Old BPSDS Wind-down Corp. (f/k/a BPS Diamond Sports Corp.)
Old BPSU Wind-down Corp. (f/k/a Bauer Performance Sports Uniforms Corp.)
Old PLG Wind-down Corp. (f/k/a Performance Lacrosse Group Corp.)
Old PSG Wind-down Ltd. (f/k/a Performance Sports Group Ltd., and also representing the estates of the Debtors formerly known as KBAU Holdings Canada, Inc., Bauer Hockey Corp., and BPS Canada Intermediate Corp., respectively)

EXHIBIT 2

The Plan

EXHIBIT 3

Prepetition Corporate Organization Chart

EXHIBIT 4

Liquidation Analysis

EXHIBIT 5

Disclosure Statement Order