

No.:

**IN THE MATTER OF THE RECEIVERSHIP
OF:**

G.I. SPORTZ INC., a legal person having its domicile at 6000 Kieran Street, in the city of Montreal, province of Quebec, H4S 2B5

-and-

TIPPMANN US HOLDCO INC., a legal person having its domicile at 2955 Adams Center Road, in the city of Fort Wayne, state of Indiana

-and-

GI SPORTZ DIRECT LLC, a Limited Liability Company having its place of business at 570 Mantua Blvd, in the city of Sewell, state of New Jersey

-and-

TIPPMANN SPORTS, LLC, a Limited Liability Company having its place of business at 2955 Adams Center Road, in the city of Fort Wayne, state of Indiana

-and-

MISSION LESS LETHAL LLC, a Limited Liability Company having its place of business at 2955 Adams Center Road, in the city of Fort Wayne, state of Indiana

-and-

TIPPMANN FINANCE LLC, a Limited Liability Company having its place of business at 2955 Adams Center Road, in the city of Fort Wayne, state of Indiana

Debtors/Respondents

-and-

GIS DEBT ACQUISITION PARTNERSHIP, a partnership formed under the laws of Ontario and having a place of business at Suite 3510, 79 Wellington Street West, in the city of Toronto, province of Ontario, Canada

Petitioner

-and-

KSV RESTRUCTURING INC., a legal person having a place of business at 150 King Street West, Suite 2308, in the city of Toronto, province of Ontario, M5H 1J9

Receiver

MOTION FOR THE APPOINTMENT OF A RECEIVER
(Section 243 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3
(“*BIA*”))

TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN COMMERCIAL DIVISION, IN AND FOR THE JUDICIAL DISTRICT OF MONTRÉAL, GIS DEBT ACQUISITION PARTNERSHIP RESPECTFULLY SUBMITS THE FOLLOWING:

I. INTRODUCTION

1. By the present Motion for the Appointment of a Receiver (the “**Motion**”), the Petitioner, GIS Debt Acquisition Partnership (the “**Partnership**”) seeks, *inter alia*, (i) the appointment, on consent, of KSV Restructuring Inc. (the “**Receiver**” or “**KSV**”) to act as receiver of the assets of G.I. Sportz Inc. (“**GI**”), Tippmann US Holdco Inc., GI Sportz Direct LLC, Tippmann Sports, LLC, Mission Less Lethal LLC and Tippmann Finance LLC (collectively, the “**Debtor**”); and (ii) an order (the “**Sealing Order**”) sealing the confidential appendix to the Receiver’s Report (as defined below).

II. FACTUAL BACKGROUND

(A) OVERVIEW

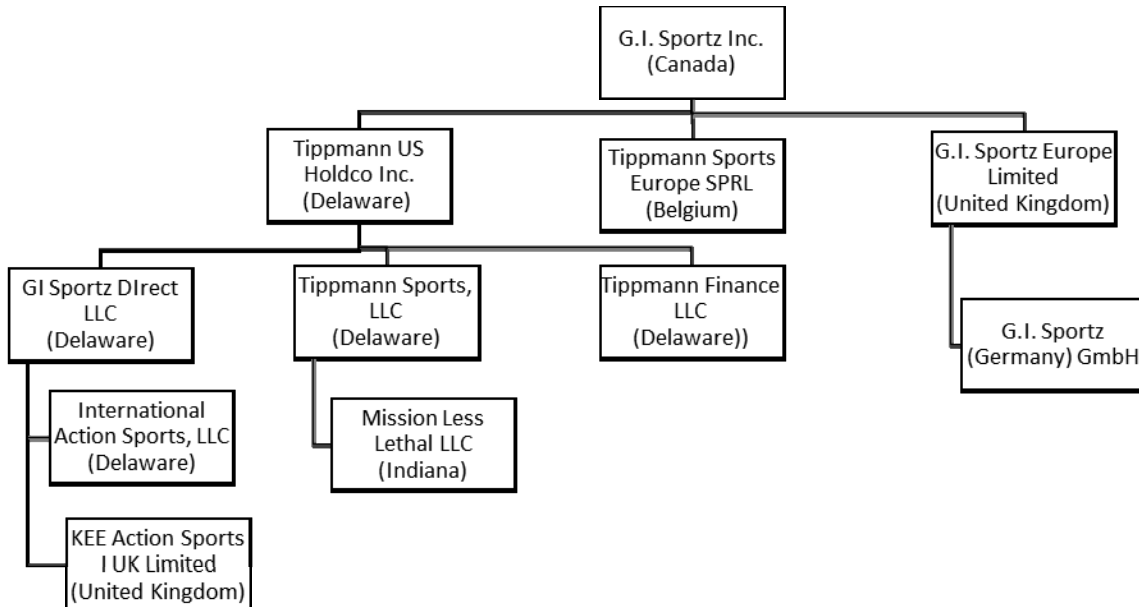
2. The Partnership is the first-ranking secured lender of the Debtor.
3. As more particularly described below, as of the date of this Motion, GI and the Guarantors (as defined below) are indebted to the Partnership, in the principal amount of approximately USD\$29,432,889 (the “**Secured Obligations**”) on a secured basis pursuant to certain credit facilities under a Credit Agreement between GI as borrower and the Bank of Montreal (“**BMO**”) as lender (the “**Credit**”).

Agreement") and related security documents, as well as related guarantees and security agreements (together with the Credit Agreement, the "**Loan Documents**") provided by the Guarantors. BMO assigned its interests under the Loan Documents to the Partnership pursuant to an Assignment Agreement dated as of September 10, 2020 (the "**Assignment Agreement**"), the whole as appears in the redacted copy of the Assignment Agreement communicated herewith as **Exhibit R-1**. An unredacted copy of the Assignment Agreement will be attached to the confidential appendix to the Receiver's Report (as defined below), subject to the issuance of the Sealing Order.

4. The Petitioner seeks the appointment of KSV as Receiver, on consent, to protect, preserve and sell the business and assets of GI and its subsidiaries in Canada and the United States (together, the "**Company**") as the Company has no ability to repay or refinance the Secured Obligations.
5. Kore Outdoor Inc. ("**Kore Outdoor**"), a party related to the Partnership, or certain subsidiaries of Kore Outdoor (the "**Purchaser**") has agreed to purchase substantially all of the Canadian and U.S. assets of the Company in exchange for the assumption by the Purchaser of the Secured Obligations owed by the Company to the Partnership (the "**Contemplated Transaction**"). The Contemplated Transaction will result in the business of the Company continuing to operate as a going concern following its completion, with minimal to no interruptions to business operations and the preservation of almost two hundred jobs.
6. KSV has advised that it is prepared to act as the Receiver in these proceedings.
7. If appointed, the Receiver intends to seek an order recognizing these receivership proceedings in the United States (the "**US Recognition Order**"), as foreign representative, in order to complete the Contemplated Transaction.
8. For the reasons set out in the Receiver's Report, KSV has advised that it supports the purpose of these receivership proceedings and the relief to be sought pursuant to the US Recognition Order. Following the issuance of the US Recognition Order, KSV will prepare and file a motion seeking an order from this Court approving the Contemplated Transaction and a subsequent report recommending the same, provided that it is satisfied that the Contemplated Transaction is fair and reasonable to the Company's stakeholders. If the sale approval order (the "**Sale Approval Order**") is granted, KSV intends to seek a further recognition order of the same in the United States.

(B) OVERVIEW OF GI AND THE GUARANTORS

9. GI is a corporation amalgamated and existing under the laws of Canada with a head office located at 6000 Kieran Street, St. Laurent, Quebec (the “**Company Headquarters**”). GI is the result of an amalgamation dated January 1, 2016 by and between 9566058 Canada Limited and G.I. Sportz Inc.
10. Set out below is an organizational chart showing the corporate structure of GI and its wholly-owned direct and indirect subsidiaries, Tippmann US Holdco Inc., GI Sportz Direct LLC, Tippmann Sports, LLC, Mission Less Lethal LLC, Tippmann Finance LLC, (collectively, the “**US Guarantors**”), G.I. Sportz Europe Limited (the “**UK Guarantor**”, and collectively with the US Guarantors, the “**Guarantors**”), International Action Sports, LLC, KEE Action Sports I UK Limited, Tippmann Sports Europe SPRL, and G.I. Sportz (Germany) GmbH.



11. The Company Headquarters and senior management of the Company – its nerve centre – are located in Quebec and housed in GI. The Company’s main manufacturing facility is also located at the Company Headquarters in Quebec. The Company’s previous major secured lender (BMO) is headquartered in Quebec, the Company’s current first-ranking secured lender (the Partnership) was created in Ontario, and the Credit Agreement to which GI and the Guarantors are a party is governed by Quebec law. Further, the shares of the subsidiaries of GI which were pledged pursuant to the Loan Documents are similarly located in Canada.

12. While the Company maintains certain business lines in the United States and distributes its products worldwide, each of the Debtor companies resides, carries on business and/or has property in Canada and accordingly its centre of main interest is in Canada.
13. The following chart provides an entity-by-entity summary of the following factors for each of GI and its U.S. subsidiaries:
 - a. The location of the corporation;
 - b. The location of the corporation's business operations and its management; and
 - c. A description of the corporation's property located in Canada.

Factor	U.S.	Canada	Details
GI			
Location			6000 Kieran Ville St. Laurent, Quebec
Business Operations and Management		X	GI is managed by officers and directors from its headquarters in Quebec and is the central location where paintballs are manufactured. Paintballs generate approximately half of GI's revenue. Essentially all significant decision making is subject to the discretion of GI's executive management located in Quebec. GI's President is based in the U.S.; however, prior to the COVID-19 pandemic, the President spent approximately two weeks each month at the Company Headquarters and he continues to maintain an office there. In addition, the Chief Financial Officer and VP Operations are both based at the Company Headquarters.
Property		X	GI maintains a bank account with BMO located in Quebec. The majority of GI's property is located at its headquarters in Quebec.
Tippmann US Holdco Inc. ("Tippmann Holdco")			
Location			2955 Adams Center Road Fort Wayne, Indiana
Business Operations and Management	X	X	Tippmann Holdco is a Delaware company wholly owned by GI. Tippmann Holdco is the main holding company for GI's U.S. operations. Its sole purpose is to hold the shares of GI's other U.S. subsidiaries, all of which are formed and operate in the U.S., but are managed by GI from Canada.
Property		X	The shares held by Tippmann Holdco were pledged in favour of BMO pursuant to the Loan Documents and, as a result, are located in Canada. Tippmann Holdco also maintains a bank account with BMO in Quebec.

Factor	U.S.	Canada	Details
<i>GI Sportz Direct LLC ("GI Sportz Direct")</i>			
Location		570 Mantua Blvd., Sewell, New Jersey	
Business Operations and Management	X	X	GI Sportz Direct is a Delaware limited liability company wholly owned by Tippmann Holdco. As GI is the sole shareholder and manager of Tippmann Holdco, GI, in Canada, is effectively the sole manager of GI Sportz Direct. GI Sportz Direct is the main U.S. operating subsidiary of GI. Its main business operation consists of the sale of paintballs and paintball accessories.
Property		X	GI Sportz Direct is the sole owner of International Action Sports, LLC and KEE Action Sports I UK Limited, both of which are dormant companies which are currently in the process of being dissolved. The shares held by GI Sportz Direct were pledged in favour of BMO pursuant to the Loan Documents and, as a result, are located in Canada. GI Sportz Direct also maintains a bank account with BMO in Quebec.
<i>Tippmann Sports, LLC ("Tippmann Sports")</i>			
Location		2955 Adams Center Road Fort Wayne, Indiana	
Business Operations and Management	X	X	Tippmann Sports is wholly owned by Tippmann US Holdco. As GI is the sole shareholder and manager of Tippmann Holdco, GI, in Canada, is effectively the sole manager of Tippmann Sports. Tippmann Sports' sole purpose is as the managing member of Mission Less Lethal LLC.
Property		X	Tippmann Sports is the sole shareholder of Mission Less Lethal LLC. The shares held by Tippmann Sports were pledged in favour of BMO pursuant to the Loan Documents and, as a result, are located in Canada. Tippmann Sports also maintains a bank account with BMO in Quebec.
<i>Mission Less Lethal LLC ("Mission Less Lethal")</i>			
Location		2955 Adams Center Road Fort Wayne, Indiana	
Business Operations and Management	X	X	Mission Less Lethal is an Indiana limited liability company wholly owned by Tippmann Sports, which is indirectly, beneficially owned and managed by GI. As Tippmann Sports is effectively managed by GI from Canada, so too is its direct subsidiary, Mission Less Lethal. Mission Less Lethal operates the Business' "Less Lethal" business segment and sells "Less Lethal" products to various entities in Canada and the United States.
Property		X	Mission Less Lethal maintains a bank account with BMO in Quebec.
<i>Tippmann Finance LLC ("Tippmann Finance")</i>			
Location		2955 Adams Center Road Fort Wayne, Indiana	
Business Operations and Management		X	Tippmann Finance is a Delaware limited liability company wholly owned by Tippmann US Holdco. It is currently inactive, but as GI is its sole shareholder and manager, it is effectively managed from Canada.

Factor	U.S.	Canada	Details
Property		X	Tippmann Finance maintains a bank account with BMO in Quebec.

(i) The Business and Assets of the Company

14. The Company is in the business of manufacturing and distributing paintballs, markers, and related accessories (the “**Paintball Business**”). In addition to its paintball products, the Company also offers “Less Lethal” products under the Mission Less Lethal brand through its subsidiary, Mission Less Lethal. “Less Lethal” products include carbon dioxide powered launchers and non-lethal rounds typically used for crowd control or other less lethal alternatives to the use of deadly force, and are primarily sold to government, law enforcement agencies and private security providers (together with the Paintball Business, the “**Business**”).
15. The Company maintains two manufacturing facilities, one at the Company Headquarters in Montreal, Quebec and the other in Fort Wayne, Indiana. The Company has nine distribution centres throughout North America and Europe, as well as a distribution network of 25 third-party distribution partners.
16. The Company’s most valuable tangible assets are its inventory, accounts receivable and equipment, including certain specialized equipment and moulds. In addition, the Company’s assets include its rights under certain material agreements, patents and trademarks registered in Canada and the U.S., as well as its proprietary global distribution network.
17. The Company serves a global customer base of over 3,000 fields and stores, through its network of distribution centers. GI is recognized as a global leader in quality paintballs and markets its paintball products to individuals at all levels of play, from entry level to competitive play market segments.
18. The sale of paintballs manufactured by GI is one of GI’s largest sources of revenue. Paintballs are a high margin, consumable product, reordered on a weekly or monthly basis; however, the Business has struggled in recent years, and more recently its operations were significantly impacted by the COVID-19 pandemic.
19. GI is able to produce over 4 billion paintballs annually by using 22 soft-gel encapsulation machines located at its facility within the Company Headquarters

in Quebec, nearly four times as many machines as its next closest competitor. The Company sells its paintballs, gear, accessories and markers worldwide to both paintball fields and mass market channels, including to Walmart, Dick's Sporting Goods and Academy Sports & Outdoors.

20. The Company also sells its "Less Lethal" products worldwide, primarily to government, law enforcement agencies and private security, including U.S. Customs & Border Protection, the U.S. Department of Homeland Security, the U.S. State Department, German riot police and the Canadian prison services, among others.

(ii) Facilities

21. The Company does not own any real property. It operates from the following leased locations:
 - a. The Company Headquarters and paintball plant located at 6000 Kieran Ville St. Laurent, Quebec, leased by GI from 8012261 Canada Inc.;
 - b. Marker manufacturing plant premises located at 2955 Adams Center Road Fort Wayne, Indiana, leased by Tippmann Sports LLC from Dennis Tippman, Sr. Family, LLC;
 - c. U.S. headquarters located at 888 SE 3rd Ave Suite 500, Ft. Lauderdale, Florida, leased by G.I. Sportz Direct LLC from G.I. Group Florida, L.P.;
 - d. Premises used for distribution at 4747 Boulevard Cote-Vertu Ouest, Saint-Laurent, Quebec, leased by GI from Fiberlinks;
 - e. Premises used for distribution at 14101 Rosecrans Ave Suite D, La Mirada, California, leased by G.I. Sportz Direct LLC from Valley View Farms Business Center Venture LLC;
 - f. Premises used for distribution at 59 SW 12th Ave, Unit 103, Dania, Florida, leased by G.I. Sportz Direct LLC from G.I. Group Florida L.P.;
 - g. Premises used for distribution at 2955 Adams Center Road, Fort Wayne, Indiana, leased by G.I. Sportz Direct LLC from Dennis Tippmann SR Family Partnership LP;
 - h. Premises used for distribution at 11723 Lime Kiln Rd., Neosho, Missouri, leased by G.I. Sportz Direct LLC from Ozark Terminal Inc.;

- i. Premises used for distribution at Unit 3 Squires Farm Industrial Estate Palehouse Common, Uckfield, United Kingdom, leased by G.I. Sportz Europe Ltd., from K2 Transport and Logistics Ltd.;
- j. Premises used for distribution at 14820 Carmenita Rd, Norwalk, California, leased by G.I. Sportz Direct LLC from 3-Way Logistics Inc.;
- k. Premises used for distribution at 11950 SW Leveton Dr., Tualatin, Oregon, leased by G.I. Sportz Direct LLC from Javelin Logistics;
- l. Premises used for distribution at 570 Mantua Blvd., Sewell, New Jersey, leased by G.I. Sportz Direct LLC from Spirit Realty Capital;
- m. Premises used for distribution at 10580 Newkirk Suite 303, Dallas, Texas, leased by G.I. Sportz Direct LLC from Vincnt J. Stagliano, John Gourley and Peggy Stagliano;
- n. Premises used for distribution and housing offices at Adrenaline House, Brooklands Park, Farningham Road, Crowborough, ast Sussex, United Kingdom, leased by G.I. Sportz Europe Ltd. from Paper Products Limited; and
- o. Premises used for distribution and housing offices at Am Strassback 1, D-61169 Friedberg, Germany, leased by G.I. Sportz GmbH from Ulrich Grundstücksvermaltungsgesellschaft mbH.

(iii) Employees

22. The Company currently employs approximately 235 full time employees in Canada, the United States and Europe. The following chart provides an overview of the employees, by the entity which employs them and their location:

Company	Location	Number of Employees
G.I. Sportz Inc.	Quebec, Canada	140
G.I. Sportz Inc.	Ontario, Canada	1
G.I Sportz Direct LLC	United States	78
G.I. Sportz Europe Limited	United Kingdom	6

G.I. Sportz (Germany) GmbH	Germany	10
	Total	235

23. None of the employees is represented by a union or covered by a collective bargaining agreement. The Company currently maintains health and benefit plans made available to all of its full-time employees in Canada and the United States. All of the Company's employees in the United States are employed by GI Sportz Direct, which maintains a 401(K) provided by Fidelity for full-time employees. The Company and the Purchaser intend to continue to maintain the available employee plans on the same terms and conditions currently in effect.
24. All employee obligations are current, other than accrued vacation pay which totaled approximately \$521,000 as at August 31, 2020.

(iv) Share Capital

25. The authorized capital structure of GI includes an unlimited number of common shares. As at October 8, 2020, GI had approximately 5,000,000 common shares outstanding consisting of 3,530,000 Class A common shares, 1,347,418 Class B common shares and 122,582 Class C common shares. All classes of common shares have identical voting rights.
26. As at October 8, 2020, the common shares of GI were held according to the following table:

Shareholder	Percentage of common shares held
Fulcrum Capital Partners (Collector) V, LP	53.80%
The RIFT No. 1 ¹	22.76%
Export Development Canada	9.72%
Liborio Argentio Investments Inc.	4.41%
Mitchell Greenspoon	2.92%

¹ Richmond Italia Family Trust No. 1

NWM Private Equity Limited Partnership	1.91%
Mitch Greenspoon (2011) Family Trust	1.52%
Draxxus Direct Limited	1.22%
Summer Salt Pty Ltd.	0.73%
Arend Pilon	0.61%
Darrin Rosenthal	0.40%
Total	100.00%

27. GI also maintains an employee stock option plan representing up to 15% of the issued and outstanding share capital of GI. As at September 10, 2020, 637,500 options were currently outstanding.

(C) THE CREDIT FACILITY

(i) The Credit Facility and GI Security

28. As of September 14, 2018, GI and BMO entered into the Credit Agreement pursuant to which four credit facilities were created, the whole as appears from a copy of the Credit Agreement communicated herewith as **Exhibit R-2**. Facility 1 is a committed, margined revolving credit facility in the aggregate principal amount of up to USD\$20,000,000. Facility 2 is a committed, non-revolving reducing term credit facility in the aggregate principal amount of up to USD\$30,000,000. Facility 3 is a demand treasury facility, at the sole discretion of BMO, up to an aggregate principal amount not to exceed USD\$3,000,000 in deemed risk content, and Facility 4 is a demand MasterCard facility at the sole discretion of BMO up to an aggregate principal amount of USD\$250,000 (the **“MasterCard Facility”**). As at the date of this Motion, GI’s indebtedness under the Credit Agreement was in the principal amount of approximately USD\$29,432,889 (excluding fees, expenses and taxes, which continue to accrue).

29. As security for payment of the principal and interest outstanding under the Credit Agreement, GI entered into a movable hypothec dated as of September 12, 2018, governed by the laws of the Province of Quebec (the **“Movable**

Hypothec") and granted a first ranking hypothec in favour of BMO, over all of GI's present and future movable property, rights and assets, corporeal and incorporeal, the whole as appears from a copy of the Movable Hypothec communicated herewith as **Exhibit R-3**.

30. On September 13, 2018, BMO registered notice of its security against "G.I. Sportz Inc." at the Register of Personal and Moveable Real Rights under number 18-1008310-0001, the whole as appears from a copy of such registration communicated herewith as **Exhibit R-4**.
31. As further security for the Secured Obligations, GI charged all of its shares held in the UK Guarantor to BMO pursuant to a Share Charge dated September 14, 2018, the whole as appears from a copy of the Share Charge communicated herewith as **Exhibit R-5**.

(ii) The Guarantor Security

32. As a condition precedent to BMO entering into the Credit Agreement, the Guarantors guaranteed payment of, among other things, the principal and interest owing under the Credit Agreement and all other amounts owing to BMO under the Loan Documents pursuant to two guarantee agreements, dated as of September 14, 2018, governed by the laws of New York and England, respectively (the "**Guarantees**"), the whole as appears from a copy of the Guarantees communicated herewith as **Exhibit R-6**.
33. As security for the Guarantees, the Guarantors entered into the following documents in favour of BMO (collectively, the "**Guarantor Security Agreements**"), the whole as appears from a copy of the Guarantor Security Agreements communicated herewith *en liasse* as **Exhibit R-7**:
 - a. a general security agreement governed by the laws of the State of New York dated as of September 14, 2018 with the US Guarantors in favour of BMO, granting a security interest in all the current and after-acquired movable property of the US Guarantors;
 - b. a trademarks and service marks security agreement and a patents security agreement, each governed by the laws of the State of New York, dated as of September 14, 2018, with GI, Tippmann Sports, LLC and Mission Less Lethal, LLC in favour of BMO, granting a security interest in, among other things, all marks, licences, inventions, letters patent and foreign patents;

- c. a debenture governed by the laws of England dated as of September 14, 2018 with the UK Guarantor in favour of BMO, granting BMO a security interest in the Charged Assets and the Charged Property, as such terms are defined in the debenture;
- d. a pledge agreement over shares in a GmbH governed by the laws of Germany, dated as of October 25, 2018, pursuant to which the UK Guarantor pledged in favour of, and granted a security interest to, BMO over all present and future shares of the UK Guarantor in G.I. Sportz (Germany) GmbH; and
- e. a security transfer agreement dated as of November 6, 2018, pursuant to which the UK Guarantor transferred title to certain present and after-acquired assets to BMO.

(D) THE DEBT ASSIGNMENT

- 34. Following certain events of default under the Loan Documents by GI which are continuing, as more fully discussed below, the Partnership approached BMO to discuss the possibility of purchasing BMO's rights and obligations under the Loan Documents. These discussions resulted in the execution of the Assignment Agreement.
- 35. Prior to the above-noted debt assignment, KSV, as proposed Receiver, sought and obtained security opinions from independent legal counsel, with respect to the security granted pursuant to the Loan Documents in the U.S. and Canada, the results of which will be summarized in the Receiver's Report to be filed with the Court.
- 36. Pursuant to the Assignment Agreement, BMO sold and assigned to the Partnership all of its rights and obligations under the Loan Documents (other than (i) any Letters of Credit or L/C Agreements, (ii) the SBA PPP Loan, (iii) any Hedge Contracts (as such terms are defined in the Credit Agreement), as these were terminated and (iv) the MasterCard Facility which was excluded but remains available to GI and has been cash collateralized).
- 37. As a result of the Assignment Agreement, the Partnership has assumed all of BMO's rights and obligations under the Loan Documents and to the Secured Obligations.
- 38. Immediately prior to the assignment, none of the facilities remained available (other than the MasterCard Facility), and as a result, none of the facilities remain

available to the Debtor to make further draws to the date of this Motion (other than the MasterCard Facility). Moreover, the Partnership has no intention of making fresh advances to the Debtor under these facilities and are permitting the use of current cash-on-hand to pay the carrying costs of the Business.

39. The Debtor presently has sufficient cash to fund operations but continues to incur negative cash flow. The Debtor requires additional funding to restructure and grow the Business. The Partnership is prepared to advance such additional funds to the Debtor, but only if the Business can be successfully restructured pursuant to the Contemplated Transaction.

(E) INDEBTEDNESS TO OTHER CREDITORS

(i) Other Secured Creditors

40. There are no known creditors that have priority over the Partnership with respect to the collateral of the Company.
41. On October 6, 2020, a search was conducted at the Register of Personal and Movable Real Rights for the Province of Quebec against GI. The search discloses that the following parties have registered security interests over certain assets of GI, other than the Partnership, as appears from extracts of the Register of Personal and Movable Real Rights communicated herewith as **Exhibit R-8**:
- a. BMO holds a registration registered on September 10, 2020, in respect of the cash collateral securing the MasterCard Facility which was excluded from the Assignment Agreement, as discussed above;
 - b. Paccar Financial Services Ltd. holds two registrations registered on July 29, 2015 and July 29, 2016, respectively, in respect of two motor vehicles; and
 - c. Xerox Canada Ltd. holds a registration registered on December 28, 2015, in respect of a leased Xerox machine.
42. GI is also subject to a Debenture issued to Export Development Canada ("**EDC**" and together with BMO, Paccar Financial Services Ltd. and Xerox Canada Ltd., the "**Other Secured Creditors**") on or about September 1, 2016 in the principal amount of USD\$2,500,000 (the "**EDC Debenture**"). The EDC Debenture is subordinated to the Secured Obligations pursuant to a Subordination Agreement dated September 13, 2018, the whole as appears from a copy of the Subordination Agreement communicated herewith as **Exhibit R-9**.

43. EDC (i) is a minority shareholder in GI, as noted above, (ii) is aware of these receivership proceedings and the Contemplated Transaction and (iii) as of the date of this Motion, has not expressed opposition to any of the relief sought.

(ii) Unsecured Creditors

44. As at August 31, 2020, the Company had trade payable obligations in the amount of approximately USD\$2.7 million, including USD\$1.1 million owing by Canadian subsidiaries of the Debtor and USD\$1.6 million owing by U.S. subsidiaries of the Debtor. The Company's internal financial statements as at August 31, 2020 also reflect approximately USD\$2.5 million of accrued vendor payables for inventory that is either in transit or has been received, but the corresponding invoice has not yet been posted into the payable system. The Company does not have the ability to satisfy these payables.
45. GI Sportz Direct is currently indebted to the US federal government in the principal amount of \$1.16 million pursuant to the SBA PPP Loan. Such obligation is unsecured and remains outstanding to the date of this Motion. GI Sportz Direct is prepared to submit an application for forgiveness of such amount to the online portal once the US federal government makes it available. The Company believes it has met the criteria for forgiveness of the SBA PPP Loan.
46. The Company also has an outstanding liability in respect of accrued but unpaid vacation pay owing to its employees. As at August 31, 2020, this liability was approximately \$521,000.

(F) THE FINANCIAL SITUATION OF THE COMPANY

47. The Company is currently unable to service its obligations as they come due, including its debt obligations under the Credit Agreement. The Business was under considerable stress prior to the emergence of the COVID-19 pandemic, having incurred losses totaling over USD\$45 million since January 1, 2018, according to its year-end financial statements for the periods ending December 31, 2018 and December 31, 2019 and its year-to-date internal financial statements for the eight-month period ended August 31, 2020.
48. As paintball is a social sport played by a large number of participants, often in teams and in relatively confined areas, the COVID-19 pandemic has had a significant negative impact on the Business due to Canadian and U.S. government policies mandating social distancing. As a result, net losses have continued in fiscal 2020 (approximately USD\$2 million for the eight month period

ended August 31, 2020). The Company's operations effectively ceased between March and July of 2020 and have only recently started to recover.

49. Moreover, the value of the Company is substantially less than the Secured Obligations on both a going-concern and liquidation basis. It is no longer feasible for the Company to service the Secured Obligations, nor does the Company have the capacity to satisfy the principal amount owing thereunder.
50. The Company has insufficient liquidity to meet its obligations including the repayment of amounts due under the Credit Agreement, and has defaulted on various covenants under the Credit Agreement, as evidenced by the Events of Default (as hereinafter defined).
51. Interest continues to accrue under the Credit Agreement. Without additional financing, and/or indulgences from the Partnership, the Company has no ability to service the Indebtedness together with its other obligations, including those owed to the above-noted Other Secured Creditors and Unsecured Creditors.

(G) CONTEMPLATED TRANSACTION

52. In an effort to preserve the Business on a going concern basis, the Debtor and the Partnership agreed upon these receivership proceedings, and the Contemplated Transaction. In the absence of the Contemplated Transaction the Company will be forced to liquidate, resulting in a significant shortfall to the Partnership, the loss of 219 jobs in Canada and the United States and the discontinuation of the Business.
53. The Receiver, the Purchaser, and the Partnership have agreed in principle to a form of asset purchase agreement (the "**APA**") for the sale of substantially all of the assets of the Company to the Purchaser, which can only be effective upon (i) the issuance of the receivership order pursuant to this Motion, (ii) KSV's appointment as Receiver by this Court, (iii) the issuance of the US Recognition Order, (iv) the issuance of the Sale Approval Order and (iv) the issuance of the US Sale Recognition Order.
54. Pursuant to the APA, (i) Kore Outdoor (US) Inc., a wholly-owned U.S. subsidiary of Kore Outdoor, will acquire the U.S.-based assets of the Business in exchange for a demand non-interest-bearing note (the "**US Note**") having a principal amount equal to the value of such assets; and (ii) Kore Outdoor will assume the Company's liability for the Secured Obligations in exchange for the transfer of the Canadian assets of the Business and the US Note (the "**Purchased Assets**").

55. With the necessary consents, the Purchaser will assume certain of the Company's contracts with its suppliers and landlords and, if the Contemplated Transaction is approved, the Purchaser intends to offer employment to approximately 180 of the Company's employees in Canada and the United States.
56. Following completion of the Transaction, Kore Outdoor will be the sole beneficial owner of the Purchased Assets and the Partnership will be the sole secured lender to Kore Outdoor, the beneficial owner of such assets.
57. The Partnership has agreed to provide further funding to facilitate the continued operation of the Business following completion of the Contemplated Transaction.
58. Prior to the execution of the APA with the Purchaser, numerous strategic alternatives were considered by the Company, but the Contemplated Transaction was considered to be in the best interest of the Company and its various stakeholders, including the majority of the Company's employees who are located in Quebec. Additionally, the value of the Company's assets in a liquidation is materially lower than their value as a going-concern. Further evidence concerning the rationale for the Contemplated Transaction will be provided in a report to be filed by the Receiver.
59. The Contemplated Transaction will result in the retention of approximately 120 jobs in Quebec. This was of material import when considering various alternatives to the Contemplated Transaction as the Purchaser, the Partnership and the Company are committed to the preservation of jobs in Quebec.

III. EVENTS LEADING TO THE PRESENT MOTION

(A) EVENTS OF DEFAULT

60. The Company is in default under the Credit Agreement for defaulting on its obligations under the Loan Documents (the "**Events of Default**"). Upon the occurrence of any event of default which is continuing under the Credit Agreement and for so long as the event of default shall continue, the lender has the right to declare the entire principal amount of all advances outstanding, all unpaid accrued interest and all fees and other amounts to be paid to the lender, to be immediately due and payable. As of the date of this Motion, the Events of Default remain unremedied.
61. Pursuant to an amended and restated forbearance agreement between GI, the Guarantors and BMO, dated as of May 22, 2020, GI and the Guarantors have

acknowledged and admitted that they were in default of their obligations under the Loan Documents, that such defaults had not been cured and are continuing and that the Secured Obligations were immediately due and owing, the whole as appears from a copy of the amended and restated forbearance agreement communicated herewith as **Exhibit R-10**. The term of the forbearance period expired on July 1, 2020 and was not renewed or extended.

(i) Capital Requirement Defaults

62. Under the Credit Agreement, GI is required to maintain the Senior Funded Debt to EBITDA Ratio set out in Section 9.3(a) and the Fixed Charge Coverage Ratio set out in Section 9.3(b) (the “**Financial Ratio Covenants**”). GI has been offside its Financial Ratio Covenants from the fiscal quarter ending December 31, 2018 to the date of this Motion. GI failed to maintain the ratios required by the Financial Ratio Covenants for any of the fiscal quarters in such periods, each of which is an Event of Default under the Credit Agreement.
63. Under Section 9.3(d)(ii) of the Credit Agreement, GI is also required to maintain EBITDA of USD\$1,050,000 calculated on a year-to-date basis (for the fiscal year commencing January 1, 2019). GI failed to maintain such EBITDA for the fiscal quarter ending December 31, 2019. Such failure is also an Event of Default under the Credit Agreement.
64. GI also failed to confirm a USD\$2,000,000 scheduled injection of capital, which constitutes a further Event of Default under the Credit Agreement.
65. As of the date of this Motion, the Company has failed to repay the Indebtedness (as defined below), having received demand for same. The Company has no reasonable prospects of being able to repay such Indebtedness and has acknowledged this fact in the Section 244 Notices (as defined below).

(B) ENFORCEMENT STEPS

66. Section 10.2 of the Movable Hypothec permits the holder of the hypothec to exercise any and all of the rights and recourses it may have at law, upon the occurrence of an event of default which is continuing. The Partnership is thus seeking the appointment of the Receiver under the BIA.
67. On September 14, 2020, in reliance on the Events of Default described above, Davies Ward Phillips & Vineberg LLP (“**Davies**”), on behalf of the Partnership, provided the Company with a prior notice of the exercise of hypothecary right of

sale by judicial authority (the “**Prior Notice**”), a copy of which is communicated herewith as **Exhibit R-11**.

68. Concurrently with the Prior Notice, the Partnership sent Notices of Intention to Enforce Security under section 244 of the BIA (the “**Section 244 Notices**”) to GI and the US Guarantors, respectively. Additionally, Davies, on behalf of the Partnership, demanded payment of the Indebtedness as it then was, being the amount of USD\$36,432,889, plus interest and costs which continue to accrue, in the form of demand letters addressed to GI and the US Guarantors, respectively.
69. In the demand letters Davies notified GI and the US Guarantors of the Events of Default and advised that the Secured Obligations, including the aggregate principal amount drawn under the credit facilities and any accrued interest thereon (the “**Indebtedness**”) was payable immediately and no later than September 25, 2020.
70. GI and each of the US Guarantors have (i) acknowledged receipt of the Section 244 Notices, (ii) acknowledged the amounts due under such notices are payable to the Partnership, (iii) acknowledged that they cannot pay the amounts due, even if further delay was given, (iv) expressly waived any delay of repayment, and (v) consented to the immediate enforcement by the Partnership of its security. These notices and demand letters, including the executed acknowledgements by GI and the US Guarantors, are communicated herewith *en liasse* as **Exhibit R-12**.
71. As of the date of this Motion, the Events of Default have not been cured and are continuing and the Indebtedness remains unpaid.

IV. REASONS TO APPOINT A RECEIVER

72. As at the date of this Motion the total amount of the outstanding Indebtedness was USD\$29,432,889 plus accrued interest and costs (which continue to accrue), and the Events of Default have not been cured and are continuing.
73. As described above, the Company’s going concern and liquidation value is significantly less than the Secured Obligations. The purpose of these proceedings is to appoint the Receiver with a view to completing the Contemplated Transaction, ensuring that the Business continues as a going concern and resulting in the retention of approximately 180 jobs, including 120 jobs in Quebec.

74. As the Company has no reasonable prospects of sourcing fresh capital, or otherwise satisfying the Secured Obligations, the appointment of the Receiver is necessary in order to protect, preserve and sell the business and assets of the Company.
75. If appointed in Canada, the Receiver, as foreign representative, intends to seek the US Recognition Order for the purposes of implementing the Contemplated Transaction. There is currently no intention to commence foreign proceedings in any other jurisdiction.
76. As described above (i) the Partnership is permitted to appoint a receiver; (ii) the Partnership has provided GI with notice of its intention to exercise this remedy; (iii) the Debtor has consented to these proceedings; (iv) the ten-day period set out in the Section 244 Notices and the BIA has expired; and (v) the twenty-day period set out in the Prior Notice and the *Civil Code of Québec* has similarly expired.
77. KSV has consented to act as the Receiver, if appointed.

V. PROPOSED COURT ORDERED CHARGES AND FUNDING OF THE RECEIVERSHIP

78. The Partnership has agreed to a court-ordered charge (the “**Administrative Charge**”) in favour of the Receiver (if appointed), each of its counsel, as security for payment of their respective fees and disbursements, in each case at their standard rates and charges, which shall form a first charge on the property of the Company in priority to the claims of the Company’s secured creditors.

(A) FUNDING OF THE RECEIVERSHIP

79. While there is currently sufficient cash on hand to fund operations during the receivership, if necessary, the Partnership has agreed to provide the Receiver with financing to fund the receivership through receiver certificates. A condition to the financing of the receivership, if required, is that the receiver certificates have priority over the claims of the Company’s secured creditors. This charge would rank behind the Administrative Charge and any priority payables (i.e. obligations of the Company secured by statutory deemed trusts or liens ranking in priority to the Partnership’s existing security).
80. Subject to the approval of the Court, it is proposed that any financing would be reflected in certificates substantially in the form attached as Schedule “A” to the draft receivership order communicated herewith as **Exhibit R-13**.

VI. PROCEDURAL CONSOLIDATION

81. In order to facilitate these proceedings as well as the efforts related to the restructuring of the affairs, the Debtors seek a procedural consolidation for GI's, Tippmann US Holdco Inc.'s, GI Sportz Direct LLC's, Tippmann Sports, LLC's, Mission Less Lethal LLC's and Tippmann Finance LCC's Court files, in order for these files to be consolidated in one single Court file.
82. The Petitioner submits that a procedural consolidation of the respective Debtors' insolvency files, such as proposed above, will facilitate, among other things, the restructuring process, while limiting duplications and therefore the costs generated by same.

VII. CONCLUSIONS

83. In light of the foregoing, the Partnership hereby respectfully seeks the issuance of an Order substantially in the form of the draft order (Exhibit R-13).
84. The Partnership proposes that KSV act as a receiver.
85. KSV is qualified to act as receiver in this matter as it holds a licence to act as trustee under the *Bankruptcy and Insolvency Act* and has agreed to act in this matter if appointed by this Court.
86. The present Motion is well-founded in fact and in law.

WHEREFORE THE PETITIONER REQUESTS THAT THIS HONOURABLE COURT:

- [1] **GRANT** the present *Motion for the Appointment of a Receiver*;
- [2] **ISSUE** an order in the form of the draft Order attached to this Motion as **Exhibit R-13**;
- [3] **WITHOUT COSTS**, save and except in case of contestation.

MONTREAL, October 8, 2020

Davies Ward Phillips & Vineberg LLP

DAVIES WARD PHILLIPS & VINEBERG LLP

Attorneys for the Petitioner, GIS Debt
Acquisition Partnership

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R C O U R T
(Commercial Division)

No.: 500-

IN THE MATTER OF THE RECEIVERSHIP
OF:

G.I. SPORTZ INC.

-and-

TIPPMANN US HOLDCO INC.

-and-

GI SPORTZ DIRECT LLC

-and-

TIPPMANN SPORTS, LLC

-and-

MISSION LESS LETHAL LLC

-and-

TIPPMANN FINANCE LLC

Debtors/Respondents

-and-

GIS DEBT ACQUISITION PARTNERSHIP

Petitioner

-and-

KSV RESTRUCTURING INC.

Receiver

AFFIDAVIT OF GREGORY COLLINGS

I, the undersigned, Gregory Collings, exercising my occupation at Fulcrum Capital Partners (Collector) V, LP ("**Fulcrum**"), solemnly declare as follows:

1. I am a Partner of Fulcrum, the majority shareholder of the Debtors and an affiliated entity of certain general partners of the Petitioner;
2. All the facts alleged in the present *Motion for the Appointment of a Receiver* are true.

AND I HAVE SIGNED:



Gregory Collings

SOLEMNLY AFFIRMED before me in
Repentigny, Province of Québec, this 8th day
of October 2020, by Gregory Collings, whose
oath was taken in Toronto, Province of Ontario,
and received in Repentigny, the whole by
technology means and in accordance with the
memorandum of the Québec Ministry of Justice
dated March 20, 2020



Commissioner of Oaths for the Province of Québec



CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R C O U R T
(Commercial Division)

No.:

IN THE MATTER OF THE RECEIVERSHIP
OF:

G.I. SPORTZ INC.

-and-

TIPPMANN US HOLDCO INC.

-and-

GI SPORTZ DIRECT LLC

-and-

TIPPMANN SPORTS, LLC

-and-

MISSION LESS LETHAL LLC

-and-

TIPPMANN FINANCE LLC

Debtors/Respondents

-and-

GIS DEBT ACQUISITION PARTNERSHIP

Petitioner

-and-

KSV RESTRUCTURING INC.

Receiver

NOTICE OF PRESENTATION

TO : **G.I. SPORTZ INC.**
6000 Kieran Street, Montreal,
Quebec, H4S 2B5

Debtor

AND : **Mtre Jane Dietrich**
Cassels Brock & Blackwell LLP
Suite 2100, Scotia Plaza
40 King Street West
Toronto, ON, M5H 3C2

Attorney for Receiver

Mtre Melissa Rivest
Mtre Antoine Leduc, Ad. E.
Lapointe Rosenstein Marchand
Melançon LLP
1 Place Ville Marie Bureau 1300,
Montréal, QC H3B 0E6

Attorneys for Receiver

AND : Gabriel Sirois
Export Development Canada
150 Slater
Ottawa, ON, K1A 1K3

AND : Vincenzo Carrozza
Revenu Québec
C.P. 5000, succursale Place-
Desjardins, Montréal (Québec) H5B
1A7

AND : Mtre Chantal Comtois
Agence du Revenu du Canada
200, René-Lévesque West
boulevard, Tour west, 9th floor
Montréal, (Québec) H2Z 1X4

AND : Mtre Marc Duchesne
Mtre Claudine Milette
Borden Ladner Gervais, LLP
1000, De la Gauchetière Street
West Suite 900
Montréal (Québec) H3B 5H4

Attorneys for Bank of Montreal

TAKE NOTICE that the attached *Motion for the Appointment of a Receiver* will be presented for adjudication before Honourable Justice Michel A. Pinsonnault of the Superior Court, in and for the judicial District of Montréal, via videoconference, on October 15, 2020 at 2:15 pm. Coordinates for the virtual hearing will be communicated to the Service List once provided by the Court.

DO GOVERN YOURSELVES ACCORDING.

MONTREAL, October 8 2020

Davies Ward Phillips & Vineberg LLP

DAVIES WARD PHILLIPS & VINEBERG LLP

Attorneys for the Petitioner, GIS Debt
Acquisition Partnership

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R C O U R T
(Commercial Division)

No.:

IN THE MATTER OF THE RECEIVERSHIP
OF:

G.I. SPORTZ INC.

-and-

TIPPMANN US HOLDCO INC.

-and-

GI SPORTZ DIRECT LLC

-and-

TIPPMANN SPORTS, LLC

-and-

MISSION LESS LETHAL LLC

-and-

TIPPMANN FINANCE LLC

Debtors/Respondents

-and-

GIS DEBT ACQUISITION PARTNERSHIP

Petitioner

-and-

KSV RESTRUCTURING INC.

Receiver

LIST OF EXHIBITS

EXHIBIT R-1	Assignment Agreement
EXHIBIT R-2	Copy of the Credit Agreement
EXHIBIT R-3	Copy of the Movable Hypothec
EXHIBIT R-4	Copy of the registration of the notice at the Register of Personal and Movable Real Rights
EXHIBIT R-5	Copy of the Share Charge
EXHIBIT R-6	Copy of the Guarantees

- EXHIBIT R-7 Copy of the Guarantor Security Agreements
- EXHIBIT R-8 Copy of extracts of the Register of Personal and Movable Real Rights
- EXHIBIT R-9 Copy of the Subordination Agreement
- EXHIBIT R-10 Copy of the amended and restated forbearance agreement
- EXHIBIT R-11 Copy of the Prior Notice
- EXHIBIT R-12 Notices and Demand Letters
- EXHIBIT R-13 Draft receivership order

MONTREAL, October 8, 2020

Davies Ward Phillips & Vineberg LLP

DAVIES WARD PHILLIPS & VINEBERG LLP

Attorneys for the Petitioner, GIS Debt
Acquisition Partnership

No.
S U P E R I O R C O U R T
Commercial Division
District of Montréal

IN THE MATTER OF THE RECEIVERSHIP OF:

G.I. SPORT ZINC.

-and-

TIPPMANN US HOLDCO INC.

-and-

GI SPORTZ DIRECT LLC

-and-

TIPPMANN SPORTS, LLC

-and-

MISSION LESS LETHAL LLC

-and-

TIPPMANN FINANCE LLC

Debtors/Respondents

-and-

GIS DEBT ACQUISITION PARTNERSHIP

Petitioner

-and-

KSV RESTRUCTURING INC.

Receiver

**MOTION FOR THE APPOINTMENT OF A
RECEIVER**

ORIGINAL

DAVIES

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DAVIES WARD PHILLIPS & VINEBERG LLP

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