



**Second Report of
KSV Restructuring Inc.
as Receiver of
9526722 Canada Inc. (formerly, G.I. Sportz
Inc.), Tippmann US Holdco Inc.,
GI Sportz Direct LLC, Tippmann Finance LLC,
Tippmann Sports, LLC and
Mission Less Lethal LLC**

March 9, 2022

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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-058942-208, 500-11-058944-204,
500-11-058943-206, 500-11-058941-200,
500-11-058946-209, 500-11-058945-201

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE RECEIVERSHIP
OF:

G.I. SPORTZ INC.,
TIPPMANN US HOLDCO INC.,
GI SPORTZ DIRECT LLC,
TIPPMANN FINANCE LLC,
TIPPMANN SPORTS, LLC AND
MISSION LESS LETHAL LLC

Debtors

-and-

GIS Debt Acquisition Partnership

Petitioner

-and-

KSV Restructuring Inc.

Receiver

**SECOND REPORT OF
KSV RESTRUCTURING INC.
AS RECEIVER
March 9, 2022**

1.0 Introduction

1. Pursuant to an application by GIS Debt Acquisition Partnership (“GIS”), in its capacity as the principal secured creditor of 9526722 Canada Inc. (formerly, G.I. Sportz Inc.) (“G.I. Canada”) and five of its direct and indirect US subsidiaries, being Tippmann US Holdco Inc., GI Sportz Direct LLC (“G.I. US”), Tippmann Finance LLC, Tippmann Sports, LLC and Mission Less Lethal LLC (collectively, the “US Debtors” and together with G.I. Canada, the “Companies”), the Superior Court (Commercial Division) of the Province of Quebec, District of Montreal (the “Quebec Court”) issued an order on October 15, 2020 (the “Receivership Order”) placing the Companies in receivership and appointing KSV Restructuring Inc. (“KSV”) as the receiver (the “Receiver”) of the Companies’ property, assets and undertaking. A copy of the Receivership Order is attached as Appendix “A”. (The receivership proceedings commenced in the Quebec Court are referred to herein as the “Canadian Proceedings”).

2. The Receivership Order appointed the Receiver as the “Foreign Representative” of the Companies for the purpose of commencing recognition proceedings in the United States under Chapter 15 of title 11 of the United States Code (the “US Code”) in The United States Bankruptcy Court for The District of Delaware (the “US Court”).
3. On October 19, 2020, the Receiver, as Foreign Representative, sought recognition of the Canadian Proceedings as a foreign main proceeding under the US Code. On October 19, 2020, the US Court entered an order recognizing the Canadian Proceedings as foreign main proceedings on a provisional basis. The final recognition order was granted by the US Court on November 17, 2020. The US proceedings were terminated pursuant to a US Court order entered on August 3, 2021, a copy of which is attached as Appendix “B”.
4. The primary purpose of the receivership proceedings was to complete a going-concern sale (the “Transaction”) of substantially all of the Companies’ business and assets pursuant to an Asset Purchase Agreement dated October 27, 2020 (the “APA”) between the Receiver, as vendor, and Kore Outdoor Inc. and Kore Outdoor (US) Inc. (jointly, the “Purchaser”), affiliates of Fulcrum Capital Partners (Collector) V, LP (“Fulcrum”), being the Companies’ majority shareholder and an affiliate of GIS. The Transaction was approved by the Quebec Court and the US Court on November 11, 2020 and November 17, 2020, respectively, and closed on November 30, 2020.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) provide background information about the Companies and these proceedings, including the Transaction;
 - b) provide an update on developments and matters since the First Report;
 - c) provide the Receiver’s rationale for recommending that the Companies’ Canadian Proceedings be terminated and that the Receiver be discharged as Receiver; and
 - d) recommend that the Court issue an order (the “Discharge Order”):
 - i. approving the Receiver’s activities from the commencement of these proceedings;
 - ii. terminating the Canadian Proceedings and discharging KSV as Receiver; and
 - iii. releasing the Receiver from any and all liabilities it now has or may hereafter have by reason of, or in any way arising out of, its acts or omissions, save and except for any gross negligence or wilful misconduct on the Receiver’s part.

1.2 Restrictions

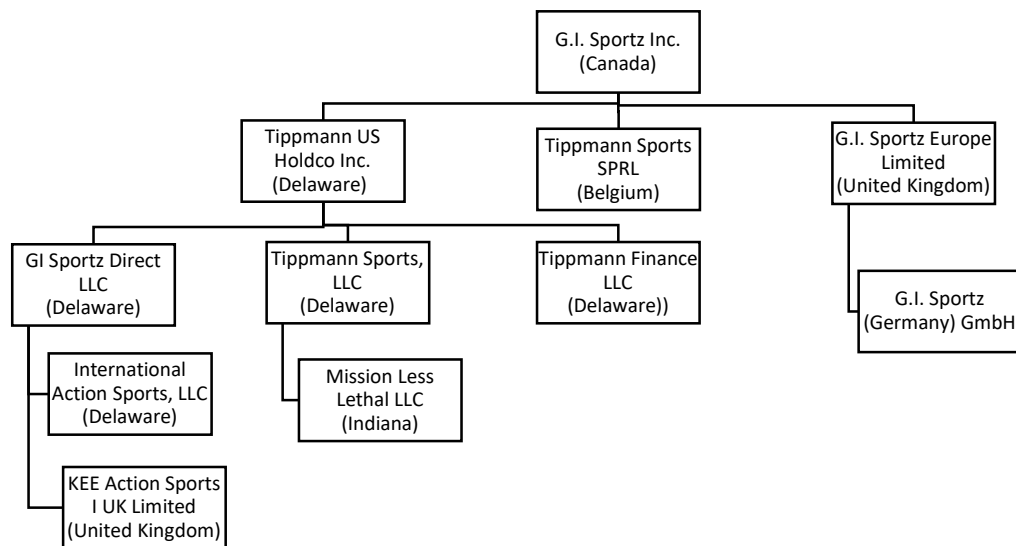
1. In preparing this Report, the Receiver has relied upon the Companies' unaudited financial information. The Receiver has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook.
2. The Receiver expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by the Receiver in preparing this Report. The Receiver shall have no responsibility for any reliance placed on the financial information presented in this Report by any present or future investor, creditor or other stakeholder of the Companies.

1.3 Currency

1. Unless otherwise noted, all currency references in this Report are in US dollars.

2.0 Background

1. The Companies manufactured and distributed paintballs, markers and related accessories from their headquarters in Montreal, Quebec. The Companies served a global customer base of over 3,000 fields and stores. G.I. Canada was recognized as a global leader in the manufacturing of high-quality paintballs. The Companies marketed their paintball products to individuals at all levels of play, from entry level to competitive play segments. The Companies sold their paintballs, gear, accessories and markers worldwide to both paintball fields and mass market channels, including Walmart, Dick's Sporting Goods and Academy Sports & Outdoors.
2. Paintball is a social event played by large groups of people and in teams. The Covid-19 pandemic significantly impaired the Companies' business due to US and Canadian government policies mandating social distancing. The Companies' operations effectively ceased between March and July 2020, and operations only started to recover, but not to pre-Covid 19 levels, late in the summer of 2020.
3. G.I. Canada's business was acquired out of an insolvency process in 2010 by Richmond Italia, a professional paintball player. Mr. Italia indirectly owns 22.76% of G.I. Canada. Fulcrum acquired a controlling interest in G.I. Canada in January 2015. Since that time, the business grew by expanding its product offerings and by acquisition. The Companies' corporate organizational chart at the commencement of these proceedings is set out below.



4. In addition to the Companies' two leased manufacturing facilities in Montreal, Quebec and Fort Wayne, Indiana, the Companies operated from nine distribution centres throughout North America and a distribution network of 25 third-party distribution partners. The Companies also operated in Europe through its European subsidiaries.
5. At the commencement of these proceedings, the Companies had 141 employees in Canada and 78 in the US. The workforce was not unionized and the Companies did not maintain any pension plans.
6. G.I. Sportz Europe Limited ("G.I. UK") and G.I. Sportz (Germany) GmbH ("G.I. Germany") were European sales and distribution arms of the Companies. G.I. UK and G.I. Germany employed six and 10 employees, respectively.
7. Fulcrum, an affiliate of GIS, owns 53.8% of G.I. Canada. On September 10, 2020, GIS, acquired the debt held by Bank of Montreal ("BMO") of approximately \$36.4 million at a substantial discount pursuant to a Debt Assignment Agreement dated September 10, 2020. GIS brought an application for the appointment of a receiver over the Companies shortly following its acquisition of BMO's debt.
8. Additional information concerning the Companies is provided in KSV's report as proposed Receiver dated October 9, 2020 (the "Prefiling Report") and the Receiver's First Report to Court dated October 27, 2020 (the "First Report"). Copies of the Prefiling Report and the First Report are provided in Appendices "C" and "D", respectively, both without appendices.
9. Court materials filed in these proceedings, including materials filed with the Quebec Court and the US Court, are available on the Receiver's website at <https://www.ksvadvisory.com/insolvency-cases/case/gisportz>.

3.0 Transaction

1. The First Report, which was filed in support of the Transaction, provides detailed information in support of the Transaction, including the basis for the Receiver's recommendation that the Quebec Court approve the Transaction. Accordingly, that information is not repeated in this Report.
2. The purchase price under the Transaction was \$1.00 plus: (a) all amounts owing to GIS as at the closing date (approximately \$36.4 million) assumed by the Purchaser; (b) amounts owing to certain trade creditors assumed by the Purchaser; and (c) the Priority Payables¹ (as defined in the APA) outstanding as at the closing date.
3. The benefits of the Transaction included facilitating the continued operations of the business on a going concern basis, the opportunity for continued employment for the majority of the Companies' employees and the assumption by the Purchaser of the majority of the Companies' unsecured trade debt.
4. Pursuant to the APA, the Receiver and the Purchaser entered into a Transition Services Agreement ("TSA"). The primary purpose of the TSA was for the Receiver to maintain in good standing certain real property lease agreements until those locations could be vacated. Certain employees remained employees of the Companies under the TSA during the transition period. As part of the TSA, the Purchaser was required to fund any costs incurred by the Receiver, including the professional fees of the Receiver and its legal counsel. The TSA required that the Purchaser fund a \$300,000 deposit, which was funded on or around the closing date of the Transaction. All locations were vacated and applicable employees were terminated or transitioned under the TSA and the TSA expired in accordance with its terms on May 31, 2021.
5. G.I. Canada's equity interest in G.I. UK was excluded from the Transaction. G.I. UK subsequently commenced insolvency proceedings in the UK. On December 8, 2021, the Purchaser acquired G.I. UK's business and assets through those insolvency proceedings.

4.0 Bankruptcy of G.I. Canada

1. The Receiver consented to a lifting of the stay of proceedings under the Receivership Order for the purpose of G.I. Canada filing an assignment in bankruptcy (the "Assignment"). Attached as Appendix "E" is a copy of the correspondence dated December 13, 2021 between the Receiver and G.I. Canada's director, which includes confirmation from G.I. Canada's director to the Receiver that there would be no prejudice to the creditors of G.I. Canada resulting from a bankruptcy.

¹ Priority Payables included any obligation ranking in priority to the GIS debt, including amounts accrued or owing for wages, vacation pay, payroll source deductions, other statutory claims and all outstanding amounts secured by the Administration Charge.

2. On December 30, 2021, G.I. Canada filed the Assignment appointing KSV as Licensed Insolvency Trustee (the “Trustee”) of its bankrupt estate, subject to affirmation by the creditors at the first meeting of creditors, which was convened on January 20, 2022 (the “Meeting”).
3. KSV’s appointment as Trustee was affirmed at the Meeting.

5.0 Assets Under Administration

1. As at the date of this Report, the only known asset of the Companies is the cash in the Receiver’s bank account (approximately \$80,000) and G.I. Canada’s shares in its insolvent UK subsidiary, G.I. UK, which have no value as a result of its insolvency proceedings.
2. A copy of the Receiver’s interim statement of receipts and disbursements for the period ended March 9, 2022 is attached as Appendix “F”. As the Receivership Order authorized the Companies to continue to use their bank accounts and cash management system, the only activity in the receivership account represents the use of the funding (\$300,000) that was paid to the Receiver by the Purchaser pursuant to the TSA.

6.0 Overview of Receiver’s Activities

1. Since the commencement of these proceedings, the Receiver’s activities have included the following:
 - Corresponding extensively with GIS and its legal counsel in connection with the administration of the receivership proceedings and the Transaction;
 - Assisting the Companies to prepare a stakeholder communication strategy, including for employees, customers, suppliers and landlords;
 - Drafting the Pre-Filing Report and the First Report and filing same with the Quebec Court;
 - Seeking recognition of the Canadian Proceedings by the US Court;
 - Seeking approval of the Transaction by the Quebec Court and the US Court;
 - Carrying out the Receiver’s obligations as Foreign Representative, including working with US counsel in the administration of the Chapter 15 proceedings;
 - Overseeing the Companies’ receipts and disbursements in accordance with the Receivership Order;
 - Reviewing and negotiating multiple versions of the APA, TSA and other Transaction documents;
 - Corresponding extensively with the Purchaser and its legal counsel in respect of the Transaction;

- Working with the Purchaser to address transitional issues in accordance with the TSA, including employee and landlord matters;
- Monitoring the status of G.I. UK prior to its commencement of insolvency proceedings in the UK;
- Corresponding routinely with the Companies' management team regarding operating and cash management issues prior to completion of the Transaction;
- Responding to numerous calls and enquiries from creditors and other stakeholders; and
- Dealing with the administration of these proceedings, including filing the Receiver's statutory interim reports with the Office of the Superintendent of Bankruptcy (Canada).

7.0 Receiver's Discharge

1. The Receiver believes that it is appropriate for it to be discharged at this time for the following reasons:
 - a) all of the Companies' known assets have been realized upon;
 - b) the Receiver has discharged its duties and obligations in accordance with the Receivership Order and other orders issued in these receivership proceedings;
 - c) the US proceedings were terminated pursuant to a US Court order entered on August 3, 2021;
 - d) the Receiver's administration is complete and there are no outstanding issues; and
 - e) notwithstanding its discharge, the proposed Discharge Order provides that the Receiver will continue to have the protections afforded to it at law or pursuant to the Receivership Order and the other orders issued in these proceedings to the extent required to address any sundry matters that may arise following the termination of these proceedings. This is a standard provision in most discharge orders and the Receiver believes it is appropriate in the circumstances so that it can deal with incidental issues that may arise following its discharge.
2. Based on the foregoing, the Receiver recommends that this Honourable Court terminate the receivership proceedings and grant the Receiver its discharge.
3. Following payment of professional fees through to completion of these proceedings, the Receiver intends to distribute the balance of the funds in its possession to the Purchaser as those funds represent the unused portion of the deposit paid by the Purchaser in accordance with the TSA.

8.0 Conclusion and Recommendation

1. The Receiver respectfully recommends that the Quebec Court make an order granting the relief detailed in Section 1.1(1)(d) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER OF
9526722 CANADA INC. (FORMERLY, G.I. SPORTZ INC.), TIPPMANN US HOLDCO INC., GI
SPORTZ DIRECT LLC, TIPPMANN FINANCE LLC, TIPPMANN SPORTS, LLC AND
MISSION LESS LETHAL LLC
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “A”

SUPERIOR COURT

(Commercial Division)

CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

No. 500-11-058942-208
500-11-058944-204
500-11-058943-206
500-11-058941-200
500-11-058946-209
500-11-058945-201

DATE: October 15, 2020

PRESIDING : THE HONOURABLE MR. JUSTICE GARY D. D. MORRISON, J.S.C.

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

TRUE COPY OF MY ORDER
Gary D.D. Morrison JSC
GARY D.D. MORRISON, J.S.C.
15 OCT. 2020

Debtors

-and-

GIS DEBT ACQUISITION PARTNERSHIP

Petitioner

-and-

KSV RESTRUCTURING INC.

Receiver

ORDER APPOINTING A RECEIVER
(Section 243 of the *Bankruptcy and Insolvency Act*)

- [1] **ON READING** the Petitioner's Motion to (i) Appoint a Receiver (the "**Appointment Motion**") pursuant to Article 243 of the *Bankruptcy and Insolvency Act* (the "**BIA**"), and for (ii) a Confidentiality and Sealing Order (the "**Sealing Order**", together with the Appointment Motion, the "**Motion**") the affidavit and the exhibits in support thereof and the Receiver's pre-filing report (the "**Pre-Filing Report**");
- [2] **SEEING** the service of the Motion;
- [3] **SEEING** that Petitioner sent the Debtors a notice pursuant to the terms of Article 244 of the BIA;
- [4] **SEEING** that it is appropriate to appoint a receiver to the Property (such as defined herein) of the Debtors;

WHEREFORE THE COURT:

- [5] **GRANTS** the Motion;

SERVICE

- [6] **ORDERS** that any prior delay for the presentation of this Motion is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof;

APPOINTMENT

- [7] **APPOINTS** KSV Restructuring Inc., trustee, to act as receiver (the "**Receiver**") to the Property of G.I. Sportz Inc., Tippmann US Holdco Inc., GI Sportz Direct LLC, Tippmann Sports, LLC, Mission Less Lethal LLC and Tippmann Finance LLC (collectively, the "**Debtors**" or individually, the "**Debtor**") until one of the following events comes to pass:
- (a) the sale of all the Property; or
 - (b) the issuance of any order by the Court terminating the mandate of the Receiver;
- [8] **DECLARES** that the order (the "**Order**") and its effects shall survive the filing by the Debtors of a notice of intention to make a proposal or of a proposal pursuant to the terms of the BIA, the issuance of an initial order in regard of the Debtors pursuant to the terms of the *Companies Creditors Arrangements Act* (the "**CCAA**") or the bankruptcy of the Debtors, unless the Court orders otherwise.

RECEIVER'S POWERS

- [9] **AUTHORIZES** the Receiver to exercise the following powers:

9.1 Powers related to the possession of the Property

AUTHORIZES the Receiver to take possession of the Debtors' Property described herein (the "**Property**") and to exercise the following powers listed hereinafter in the place and stead of any of the Debtors in respect of the Property:

- (a) All the property of each of the Debtors, of every nature and kind whatsoever, wherever situated, and regardless of whose possession it may be in;
- (b) All the inventory, accounts receivable, equipment, including certain specialized equipment and moulds, and claims of each of the Debtors, wherever situated, and regardless of whose possession they may be in;
- (c) All rights under certain material agreements, patents and trademarks registered in Canada and the U.S., as well as each of the Debtors' proprietary global distribution network, wherever situated, and regardless of whose possession it may be in;

9.2 Powers related to the preservation of the Property

- (d) all the powers necessary for the preservation and for the protection of the Property;
- (e) all the powers necessary to control the Property, the place of business and the premises occupied by each of the Debtors;

- (f) all the powers necessary to grant the Receiver access, at all times, to the place of business and to the premises of each of the Debtors, to the Property, and to change the locks granting access to such premises and places of business of each of the Debtors;
- (g) all the powers necessary to grant the Receiver access to all the accounting records of each of the Debtors, as well as to any document, contract, register of any nature or kind whatsoever, wherever they may be situated and regardless of the medium on which they may be recorded (the "Records"), as well as the powers necessary to make copies of all the Records necessary or useful to the execution of the Receiver's functions;
- (h) all the powers necessary to undertake an analysis of each of the Debtors' Records;

9.3 Powers related to the Debtors' operations

- (i) carry on, all or any part of any of the Debtors' operations;
- (j) all the powers necessary to control each of the Debtors' receipts and disbursements;
- (k) all the powers necessary to collect all the accounts receivable and all the other claims of each of the Debtors and to transact in respect of same, as well as to sign any document for this purpose;
- (l) all the powers necessary to open any required bank account, pursuant to the terms and conditions the Receiver may determine, with any chartered Canadian bank, or any other financial institution, the whole, in order to cash any item payable to any of the Debtors, and to issue any payment which, in the opinion of the Receiver, is necessary or useful to any of the Debtors' operations;
- (m) all the powers necessary to exercise the rights of any of the Debtors as shareholder with respect to any shares or equity interests held by any of the Debtors;

9.4 Powers related to the disposition or sale of the Property

- (n) all the powers necessary to carry out the sale or the disposition of the Property in the ordinary course of business of each of the Debtors, to transact in that regard, and to sign any document or any contract required or useful for these purposes or meant to give effect to any such sale or disposition;
- (o) all the powers necessary to interest or solicit one or several potential buyers of all or any part of the Property, including, without limitation, the right to carry out a public call for tenders or private solicitations in order to dispose of the Property;

[10] ORDERS the Receiver to petition the Court for authorization to sell all or any part of the Debtors' Property outside the ordinary course of business, upon finding a

purchaser and pursuant to conditions it deems reasonable in the circumstances including, without limitation, the Transaction (as defined in the Pre-Filing Report);

- [11] **GRANTS** the Receiver all the powers necessary to initiate, prosecute and continue the prosecution of any and all proceedings it considers appropriate, including for the purpose of Sections 34 and 249 of the BIA, within the performance of its duties regarding the Property;
- [12] **AUTHORIZES** the Receiver to retain the services of any lawyer, or of any person or business in order to appropriately fulfil its functions;
- [13] **DECLARES** that the Receiver may provide creditors and other relevant stakeholders with information in response to requests made by them in writing. A copy of such requests must be sent to the Petitioner's attorney. Where the Receiver has been advised by the Petitioner that information is confidential, proprietary or competitive, the Receiver shall not provide such information to any person without the consent of the Petitioner unless otherwise directed by this Court.

DEBTORS' DUTIES

- [14] **DECLARES** that each of the Debtors has the authority, subject to the oversight and direction of the Receiver, to continue to operate the Debtors' cash management system and to utilize each of the Debtors' existing bank accounts;
- [15] **ORDERS** each of the Debtors, their directors, officers, employees, agents and representatives to forthwith provide the Receiver with access to the Property, to the places of business and to the premises of the Debtors, as well as to the Records;
- [16] **ORDERS** each of the Debtors, their directors, officers, employees, agents and representatives to cooperate with the Receiver in the exercise of the powers that are granted pursuant to the terms of the Order;
- [17] **ORDERS** each of the Debtors not to dispose, alienate, encumber or otherwise transact in any manner whatsoever, with regard to the Property, other than in the ordinary course of business or with the authorization of the Receiver;

NON-INTERFERENCE WITH THE RECEIVER, THE DEBTORS AND THE PROPERTY

- [18] **ORDERS** that subject to any other order rendered by the Court, which may only be rendered after a prior notice has been duly sent to the Receiver and to the Petitioner, no proceeding, seizure, revendication, or any other enforcement process (each, a "**Proceeding**") shall be commenced or enforced against the Property;
- [19] **ORDERS** that no person shall interrupt, modify, terminate or fail to execute its obligations pursuant to any contract, agreement, license or permit entered into with any of the Debtors without the prior consent of the Receiver or without the authorization of the Court;

- [20] **ORDERS** that all rights and remedies against any of the Debtors, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien;

CONTINUATION OF SERVICES

- [21] **ORDERS** that any person having an oral or written agreement with any of the Debtors, as well as any supplier of goods or services to any of the Debtors is hereby restrained until further order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services, as may be required by the Receiver and that the Receiver shall be authorized to continue use of each of the Debtors' current premises, telephone numbers, facsimile numbers, internet addresses, domain names and other services, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver, in accordance with the normal payment practices of each of the Debtors or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court;

EMPLOYEES

- [22] **AUTHORIZES** the Receiver to continue to engage the services of each of the Debtors' employees until the Receiver, acting for and on behalf of the relevant Debtor, terminates the employment of such employees. The Receiver shall not be liable for any employee related liabilities, including any successor-employer liabilities as provided for in sections 14.06(1.2) of the *BIA* other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) and 81.6(3) of the *BIA* or under the *Wage Earner Protection Program Act*;

PROTECTION OF PERSONAL INFORMATION

- [23] **DECLARES** that pursuant to clause 7(3)(c) of the *Canada Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information on identifiable individuals, which information it has in its possession or under its responsibility, to interested parties or to investors, financiers, prospective purchasers or potential strategic partners, as well as to their advisors, but only to the extent desirable or required, and only upon condition that the persons to whom such personal information is disclosed shall undertake to maintain and protect the privacy

of such information and limit the use of such information pursuant to confidentiality agreements entered into with the Receiver.

LIMITATION OF LIABILITY

- [24] **DECLARES** that subject to the powers granted to the Receiver pursuant to the terms of paragraph 10 of the Order, nothing herein contained shall require the Receiver to occupy or to take control, or to otherwise manage all or any part of the Property. The Receiver shall not, as a result of this Order, be deemed to be in possession of any of the Property within the meaning of environmental legislation, the whole pursuant to the terms of the *BIA*;
- [25] **DECLARES** that the powers of the Receiver shall be exercised pursuant to its sole discretion and judgment;
- [26] **DECLARES** that section 215 of the *BIA* applies *mutatis mutandis*, and hence that no action lies against the Receiver by reason of its appointment or the execution of the powers granted by the Court, except by leave of the Court. The entities related to the Receiver or belonging to the same group as the Receiver shall benefit from the protection arising under the present paragraph;

FEES

- [27] **DECLARES** that as security for the professional fees and disbursements incurred in relation to these proceedings, both before and after the date of the Order, a charge and security over the Property is hereby constituted in favour of the Receiver, of the Receiver's attorneys and other advisors, to the extent of the aggregate amount of \$750,000.00 (the "**Administration Charge**");
- [28] **DECLARES** that the Administration Charge shall rank in priority to any and all other hypothecs, mortgages, liens, security interests, priorities, charges, encumbrances or security of whatever nature or kind (collectively, the "**Encumbrances**") affecting the Property charged by such Encumbrances other than the movable hypothec without delivery granted in favour of Bank of Montreal on September, 9 2020 and registered at the Register of personal and movable real rights on September 10, 2020 under number 20-0911050-0001 (the "**BMO Hypothec**");
- [29] **DECLARES** that the Administration Charge is effective and shall charge, as of 12:01 a.m. (Montreal time) the day of the Order (the "**Effective Time**"), all the Debtors' Property present and future;
- [30] **DECLARES** that notwithstanding: (i) these proceedings and any declaration of insolvency made herein, (ii) any petition for a receiver order filed pursuant to the *BIA* in respect of any of the Debtors and any receiving order granting such petition or any assignment in bankruptcy made or deemed to be made in respect of any of the Debtors and (iii) the provisions of any federal or provincial statute, the payments or

disposition of Property made by the Receiver pursuant to the Order and the granting of the Administration Charge and the Borrowing Charge do not and will not constitute settlements, fraudulent preferences, fraudulent conveyances or other challengeable or reviewable transactions or conduct meriting a recourse for abuse under an applicable law, and shall be valid and enforceable as against any person, including any trustee in bankruptcy, and any receiver to the Property of any of the Debtors;

- [31] **AUTHORIZES** the Receiver to collect the payment of its fees and disbursements and those of its attorneys, with the consent of the Petitioner, the whole subject to taxation in conformity with the *B/A*, if applicable;

FUNDING OF THE RECEIVERSHIP

- [32] **DECLARES** that the Receiver is at liberty and it is hereby empowered to borrow money, including from the Petitioner, on such terms as it considers advisable and without personal liability, for the purpose of exercising the powers granted hereunder up to an aggregate amount of \$1,000,000.00, and that, as security therefore, the Property together with all other property and assets which may hereinafter be under the control of the Receiver be and it is hereby charged with the payment of the money borrowed (the "**Borrowing Charge**");

- [33] **DECLARES** that the Borrowing Charge shall rank in priority to any Encumbrance affecting the Property, other than the BMO Hypothec, but after the Administration Charge and any priority payables pursuant to sections 67(2) and 81.4 of the BIA;

- [34] **DECLARES** that the money authorized to be borrowed by this Order shall be evidenced by certificates substantially in the form of the draft certificate attached as Schedule "A" to this Order;

PROCEDURAL CONSOLIDATION

- [35] **ORDERS** the consolidation of these receivership proceedings (500-11-058942-208, 500-11-058944-204, 500-11-058943-206, 500-11-058941-200, 500-11-058946-209, and 500-11-058945-201) and consequently **DECLARES** that such consolidation shall be for administrative purposes only and shall not effect a consolidation of the assets and property of any of the Debtors;

SEALING ORDER

- [36] **ORDERS** that the confidential appendix (the "**Confidential Appendix**") to the Receiver's Pre-Filing Report be placed and kept under seal in the Court's records and that the Confidential Appendix shall not be part of the public record and shall not be disclosed, published or disseminated, directly or indirectly, to any person other than by order of this Court;

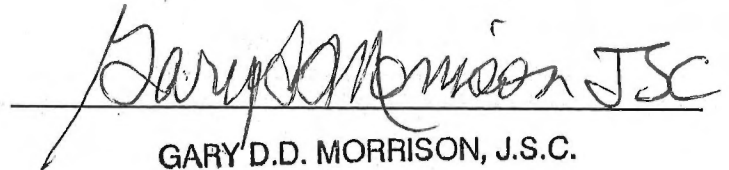
- [37] **ORDERS** that any person who has obtained access to the Confidential Appendix:

- (a) shall preserve the confidentiality of same and shall not disclose, publish or disseminate, directly or indirectly, the contents of same to any person and
- (b) shall not use, directly or indirectly, the contents of same for any purpose other than in connection with the present Court proceedings.

GENERAL

- [38]** **DECLARES** that the Order, the Motion and the affidavit do not, in and of themselves, constitute a default or failure to comply by any of the Debtors under any statute, regulation, license, permit, contract, permission, covenant, agreement, undertaking or any other written document or requirement;
- [39]** **DECLARES** that the Receiver is at liberty to serve any notice, circular or any other document in connection with these proceedings by forwarding copies by prepaid ordinary mail, courier, personal delivery or electronic transmission to persons or other appropriate parties at their respective given address as last shown in the Records; the documents served in this manner shall be deemed to be received on the date of delivery if by personal delivery or electronic transmission, on the following business day if delivered by courier, or three (3) business days after mailing if delivered by ordinary mail;
- [40]** **DECLARES** that the Receiver may serve any court materials in these proceedings on all represented parties, by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that the Receiver shall deliver "hard copies" of such materials upon request to any party as soon as practicable thereafter;
- [41]** **DECLARES** that any party interested in these proceedings may serve any court material in these proceedings by emailing a PDF or other electronic copy of such materials to counsels' email addresses, provided that such party shall deliver a "hard copy" on paper of such PDF or electronic materials to the Petitioner's and the Receiver's counsel and to any other party who may request such delivery;
- [42]** **DECLARES** that, unless otherwise provided herein, ordered by this Court, or provided by the BIA, no document, order or other material needs to be served on any person in respect of these proceedings, unless such person has served a notice of appearance on the solicitors for the Petitioner and the Receiver and has filed such notice with the Court;
- [43]** **DECLARES** that any interested Person may apply to this Court to vary or rescind the Order or seek other relief upon five (5) days notice to the Receiver, the Petitioner and any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order;
- [44]** **DECLARES** that the present Order and all other orders in these proceedings shall have full force and effect in all provinces and territories in Canada;

- [45] **DECLARES** that the Receiver shall be authorized to apply as it may consider necessary or desirable, with or without notice, to any other court or administrative body, whether in Canada, the United States of America or elsewhere, for orders which aid and complement the Order and any subsequent orders of this Court and, without limitation to the foregoing, an order under Chapter 15 of the *U.S. Bankruptcy Code*, for which the Receiver shall be the foreign representative of each of the Debtors. All courts and administrative bodies of all such jurisdictions are hereby respectively requested to make such orders and to provide such assistance to the Receiver as may be deemed necessary or appropriate for that purpose;
- [46] **REQUESTS** the aid and recognition of any Court or administrative body in any Province of Canada and any Canadian federal court or administrative body and any federal or state court or administrative body in the United States of America and any court or administrative body elsewhere, to act in aid of and to be complementary to this Court in carrying out the terms of the Order;
- [47] **ORDERS** the provisional execution of the present Order notwithstanding any appeal and without the requirement to provide any security or provision for costs whatsoever;


GARY D.D. MORRISON, J.S.C.

SCHEDULE "A"

RECEIVER CERTIFICATE

CERTIFICATE NO. _____

AMOUNT \$ _____

- [1] THIS IS TO CERTIFY that KSV Restructuring Inc., the receiver (the "**Receiver**") to the Property (as defined in the Order) of GI Sportz Inc., Tippmann US Holdco Inc., GI Sportz Direct LLC, Tippmann Sports, LLC, Mission Less Lethal LLC and Tippmann Finance LLC appointed by Order of the Superior Court of Québec (Commercial Division) (the "**Court**") dated the ___ day of October, 2020 (the "**Order**") made in an action having Court file number 500-11-_____, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ _____, being part of the total principal sum of \$ _____ which the Receiver is authorized to borrow under and pursuant to the Order.
- [2] The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded daily not in advance after the date hereof at a notional rate per annum equal to the rate of _____ per cent above the prime commercial lending rate of Bank of _____ from time to time.
- [3] Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the Bankruptcy and Insolvency Act, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.
- [4] All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.
- [5] Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.
- [6] The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.
- [7] The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the ___ day of _____, 2020.

**KSV RESTRUCTURING INC., solely in its
capacity as Receiver of the Property, and
not in its personal capacity**

Per: _____

Name:

Title:

Appendix “B”

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

In re:

G.I. SPORTZ INC., *et al.*,¹

Debtors in a Foreign Proceeding.

Chapter 15

Case No. 20-12610 (CSS)

(Jointly Administered)

Docket Ref. Nos. 42, 43, & 44

**ORDER CLOSING CHAPTER 15 CASES
AND WAIVING CERTAIN NOTICE REQUIREMENTS**

Upon consideration of the motion (the “**Motion**”)² of KSV Restructuring Inc., in its capacity as the court-appointed receiver and authorized foreign representative (“**KSV**” or the “**Receiver**”) of the above-captioned debtors (collectively, the “**G.I. Sportz Debtors**”) in the proceeding (the “**Canadian Proceeding**”) commenced under Canada’s *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3 (as amended, the “**BIA**”), and pending before the Superior Court (Commercial Division) of the Province of Québec, District of Montréal (the “**Québec Court**”), pursuant to sections 105, 350(a), 1517(d) and 1518(1) of title 11 of the United States Code (the “**Bankruptcy Code**”), Rule 5009 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”), and Rule 5009-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”) for entry of an order closing the G.I. Sportz Debtors’ chapter 15 cases (the “**Chapter 15 Cases**”)

¹ The last four digits of the United States Tax Identification Number, or similar foreign identification number, as applicable, follow in parentheses: G.I. Sportz Inc. (8551), Tippmann US Holdco Inc. (5037), GI Sportz Direct LLC (5359), Tippmann Sports, LLC (0385), Mission Less Lethal LLC (4604), and Tippmann Finance LLC (n/a). The G.I. Sportz Debtors’ executive headquarters is located at 6000 Kieran Street, St. Laurent, Québec.

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Motion.

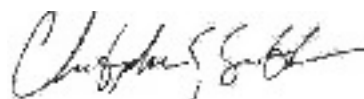
and relief from certain noticing requirements; and the accompanying *Affidavit of Service* [Docket No. 44]; and upon consideration of the Final Report and the Certification of No Objection; and the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware* dated as of February 29, 2012, (b) this matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2), and (c) notice of the Motion was due and proper under the circumstances; and it appearing that the relief requested in the Motion is in the best interest of the G.I. Sportz Debtors, their creditors and other parties-in-interest; and after due deliberation, and good and sufficient cause appearing therefor:

IT IS HEREBY ORDERED, ADJUDGED and DECREED that:

1. The Motion is GRANTED as set forth herein.
2. The requirement that notice of the Final Report and Motion be served on all parties to litigation pending in the United States in which the G.I. Sportz Debtors are party, as set forth in Bankruptcy Rule 5009(c) and Local Rule 5009-2, is waived.
3. The Final Report is approved.
4. The Chapter 15 Cases are hereby closed.
5. This Order is without prejudice to the rights of any party to seek to reopen the Chapter 15 Cases for cause pursuant to section 350(b) of the Bankruptcy Code.
6. Any orders heretofore entered by this Court in the Chapter 15 Cases shall survive the entry of this Order.

7. This Court shall retain jurisdiction with respect to its prior orders in the Chapter 15 Cases, the enforcement, amendment or implementation of this Order or requests for any additional relief in or related to the Chapter 15 Cases.

Dated: August 3rd, 2021
Wilmington, Delaware



CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE

Appendix “C”



**Report of
KSV Restructuring Inc.
as Proposed Receiver of
G.I. Sportz Inc., Tippmann US Holdco Inc.,
GI Sportz Direct LLC, Tippmann Finance LLC,
Tippmann Sports, LLC and
Mission Less Lethal LLC**

October 9, 2020

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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No: _____

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE RECEIVERSHIP
OF:

G.I. SPORTZ INC.,
TIPPMANN US HOLDCO INC.,
GI SPORTZ DIRECT LLC,
TIPPMANN FINANCE LLC,
TIPPMANN SPORTS, LLC AND
MISSION LESS LETHAL LLC

Debtors

-and-

GIS Debt Acquisition Partnership

Petitioner

-and-

KSV Restructuring Inc.

Proposed Receiver

**REPORT OF
KSV RESTRUCTURING INC.
AS PROPOSED RECEIVER
October 9, 2020**

1.0 Introduction

1. This report (“Report”) is filed by KSV Restructuring Inc. (“KSV”) as proposed receiver (the “Receiver”) of the property, assets and undertaking of G.I. Sportz Inc. (“G.I. Canada”) and five of its direct and indirect US subsidiaries, being Tippmann US Holdco Inc. (“Tippmann Holdco”), G.I. Sportz Direct LLC (“G.I. US”), Tippmann Finance LLC (“Tippmann Finance”), Tippmann Sports LLC (“Tippmann Sports”) and Mission Less Lethal LLC (“MLL”) (collectively, the “US Debtors” and together with G.I. Canada, the “Companies”).
2. KSV understands that GIS Debt Acquisition Partnership (“GIS”), the Companies’ principal secured creditor, intends to bring a receivership application before the Superior Court (Commercial Division) of the Province of Quebec, District of Montreal (the “Quebec Court”) for an order (the “Receivership Order”), *inter alia*, placing the Companies in receivership and appointing KSV as Receiver of the Companies’ property, assets and undertakings (the “Canadian Proceedings”). KSV has consented to act as Receiver should the Quebec Court grant the Receivership Order.

3. The proposed Receivership Order, if granted, would also appoint KSV as the Companies' foreign representative. If the Quebec Court grants the Receivership Order, the Receiver intends to immediately file petitions, in its capacity as foreign representative of the Companies, seeking recognition of the Canadian Proceedings as foreign main proceedings under Chapter 15 of title 11 of the United States Code in The United States Bankruptcy Court for The District of Delaware (the "US Court") (the "US Proceedings" and together with the Canadian Proceedings, the "Proceedings").
4. The primary purpose of these Proceedings is to complete a going-concern sale between the Receiver, as vendor, and Kore Outdoor Inc. and Kore Outdoor (US) Inc., affiliates of Fulcrum Capital Partners (Collector) V, LP ("Fulcrum"), the Companies' majority shareholder and an affiliate of GIS, as purchaser (collectively, the "Purchaser"), for substantially all of the Companies' business and assets pursuant to an Asset Purchase Agreement to be entered into, subject to the Quebec Court's approval, between the Receiver and the Purchaser (the "Transaction").
5. Immediately following provisional recognition of the Canadian Proceedings by the US Court, the Receiver intends to bring a motion before the Quebec Court recommending that it approve the Transaction. If the Quebec Court issues an order approving the Transaction, the Receiver intends to immediately seek recognition of that order by the US Court.

1.1 KSV's Prior Mandate

1. On April 30, 2020, KSV¹ was engaged by Fulcrum, in its capacity as the Companies' controlling shareholder, to consider restructuring options for the Companies. KSV's engagement letter contemplates that its mandate will terminate immediately upon its appointment as court officer in any insolvency proceeding involving the Companies, following which KSV's duties and obligations would be governed by statute and by any court order appointing it.
2. In carrying out its prior mandate, KSV obtained background information concerning the Companies' business and operations and performed financial analyses. KSV was cognizant throughout its prior mandate that the Companies are insolvent and that it is likely that it would be appointed as a court officer in these proceedings. The information KSV obtained about the Companies during its prior mandate forms the basis for its recommendations, including concerning the contemplated Transaction.

1.2 Purposes of this Report

1. The purposes of this Report are to:
 - a) provide information about the Companies and the pending receivership proceedings;
 - b) provide evidence that Quebec is the centre of main interest ("COMI") and that the Quebec Court should have principal jurisdiction for these proceedings;

¹ KSV's affiliate, KSV Advisory Inc., was engaged for this advisory mandate. KSV is a wholly-owned subsidiary of KSV Advisory Inc.

- c) discuss a debt assignment transaction between GIS and Bank of Montreal (“BMO”) completed on September 10, 2020, whereby BMO’s debt of approximately \$36.4 million was assigned at a significant discount to GIS (the “Debt Assignment”);
- d) summarize security opinions provided by Canadian and US legal counsel to the Receiver, in respect of GIS’s security in the Province of Quebec and in the States of New York, Delaware and Indiana;
- e) summarize the Administration Charge and the Receiver’s Borrowing Charge (each as defined in Section 5 below); and
- f) recommend that the Quebec Court issue an order appointing the Receiver as foreign representative of the Companies for the purpose of the US Proceedings, approving the Administration Charge and the Receiver’s Borrowing Charge, sealing the Confidential Appendix to this Report and approving the proposed procedural consolidation of the Companies’ receivership proceedings.

1.3 Restrictions

1. In preparing this Report, KSV has relied upon the Companies’ unaudited financial information. KSV has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook.
2. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Reliance on the financial information in this Report by any third party for investment or credit purposes shall not be considered sufficient and such parties are strongly advised to perform their own due diligence. KSV shall have no responsibility for any reliance placed on the financial information presented in this Report by any investor, creditor or other stakeholder.
3. Future oriented financial information relied upon in this Report is based upon assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. Future events include consumer, supply chain, governmental and other macro-economic factors resulting from the Covid-19 pandemic. The full impact of Covid-19 is unknown and cannot be determined at this time.

1.4 Currency

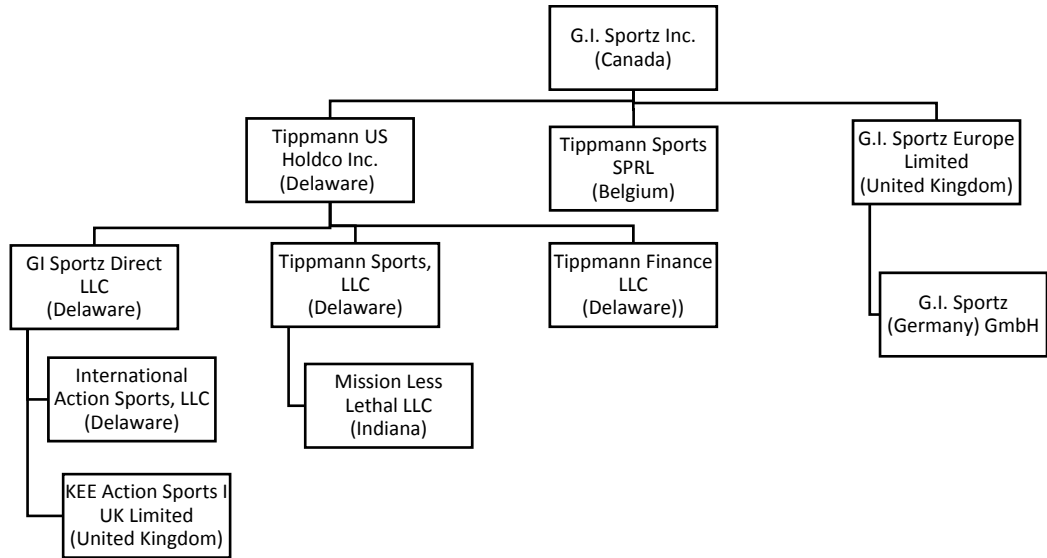
1. Unless otherwise noted, all currency references in this Report are in US dollars.

2.0 Background

1. The Companies manufacture and distribute paintballs, markers and related accessories. Paintball is played in large groups of people and in teams. As a result, the Covid-19 pandemic has had a significant negative impact on the Companies due to US and Canadian government policies mandating social distancing. The Companies' operations effectively ceased between March and July 2020 and only resumed in August, with Covid-19 continuing to present a risk to the business.
2. G.I. Canada's business was acquired out of an insolvency process in 2010 by Richmond Italia, a prominent professional paintball player. Mr. Italia indirectly owns 20.76% of G.I. Canada. Since Fulcrum's acquisition in 2015 of G.I. Canada, the business grew through expansion of its product offering and by acquisition. The Companies' current corporate organizational chart is set out in Section 2.1 below.
3. The Companies serve a global customer base of over 3,000 paintball fields and stores. G.I. Canada is recognized as a global leader in the manufacturing of high-quality paintballs. G.I. Canada markets its paintball products to individuals at all levels of play, from entry level to competitive play market segments.
4. G.I. Canada is able to produce over four billion paintballs annually by using 22 soft-gel encapsulation machines, nearly four times as many machines as its next closest competitor. It 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.
5. Fulcrum, an affiliate of GIS, is the Companies' majority shareholder by virtue of its 53.8% interest in G.I. Canada. On September 10, 2020, GIS acquired BMO's secured debt of approximately \$36.4 million at a substantial discount pursuant to the Debt Assignment.
6. On September 14, 2020, GIS demanded repayment of the loan and issued a Notice of Intention to Enforce Security pursuant to Section 244 of the *Bankruptcy and Insolvency Act* ("BIA"). GIS has also provided the Companies with *Prior Notice of the Exercise of the Hypothecary Right of Sale by Judicial Authority* under the *Civil Code of Quebec* ("Civil Code") of its intention to sell by judicial authority and seek the appointment of a receiver. KSV understands that the notice periods under the BIA and the Civil Code have elapsed.
7. Subject to obtaining court approval in Canada and the US, the Transaction will see substantially all of the Companies' business and assets in Canada and the US sold to the Purchaser on a going-concern basis. For reasons that will be provided in a subsequent report, the Receiver supports the Transaction.

2.1 Organizational Chart

- The Companies' corporate organizational chart is provided below.



- The business of each entity is as follows:

- G.I. Canada is the parent and main operating company in the group. G.I. Canada employs 140 employees in Quebec, representing approximately 60% of the Companies' total workforce of 235 employees. The workforce is not unionized and it does not maintain any pension plans.

G.I. Canada operates from leased premises in Montreal, Quebec, which serves as the Companies' head office and main production facility. The landlord is an entity owned by Mr. Italia. Mr. Italia is a shareholder of the Companies and of the Purchaser.

- G.I. US is a Delaware company which operates as a distributor of paintball products throughout the US. It employs 78 employees in the US.
- Tippmann Sports was acquired in 2013. It operates from leased premises in Indiana. G.I. US employs the individuals involved in Tippmann Sports' operations. "Tippmann" is a well-known paintball marker and accessory brand. Tippmann Sports' products are manufactured from a leased production facility in Fort Wayne, Indiana.
- MLL offers "Less Lethal" products under the *Mission Less Lethal* brand. Less Lethal products include carbon dioxide powered launchers and non-lethal rounds typically used for crowd control or other less lethal alternatives primarily sold to government, law enforcement agencies and private security providers. MLL's launchers are manufactured at the Companies' leased production facility in Fort Wayne, Indiana.

- e) G.I. Sportz Europe Limited (“G.I. UK”) and G.I. Sportz (Germany) GmbH (“G.I. Germany”) are the European sales and distribution arm of the Companies. G.I. UK and G.I. Germany employ six and 10 employees, respectively.
 - f) Tippmann Finance and Tippmann Holdco are inactive companies. KEE Action Sports I UK Limited, Tippmann Sports Europe, SPRL and International Action Sports LLC are also inactive and are in the process of being dissolved.
3. In addition to the Companies’ two manufacturing facilities in Montreal, Quebec and Fort Wayne, Indiana, the Companies have nine distribution centres throughout North America and Europe, as well as a network of 25 third-party distribution partners.

3.0 Financial Information

3.1 Balance Sheet

1. The Companies’ consolidated balance sheet as at August 31, 2020 is presented below.

Description	US\$000s
<u>Assets</u>	
Cash	10,321
Accounts receivable	7,541
Inventory	13,116
Prepaid expenses and other	2,435
Machinery and equipment	6,860
Intangible assets	2,534
Total Assets	<u>42,807</u>
<u>Liabilities and Equity</u>	
Bank indebtedness	36,063
Accounts payable and accrued liabilities	7,039
Income taxes payable	(1,184)
Export Development Corporation loan	2,638
Paycheck Protection Program loan	1,163
Vendor Take Back Notes	2,943
Total Liabilities	<u>48,662</u>
Shareholders’ Equity/(deficiency)	<u>(5,855)</u>
Total Liabilities and Shareholders’ Equity	<u>42,807</u>

2. Other than cash, the Companies’ working capital assets are its inventory (book value of approximately \$13 million), which is principally comprised of paintball, marker and airsoft products, and accounts receivable owing from various customers, including paintball field operators, specialty stores and mass market retailers. As at August 31, 2020, the book value was approximately \$7.5 million.
3. The Companies’ long-term assets are primarily comprised of machinery and equipment located at production facilities in Montreal and Indiana, and intangible assets, including goodwill, patents and trademarks.

4. The Companies' August 31, 2020 balance sheet reflects negative equity of approximately \$6 million, reflecting accumulated losses of more than \$45 million since January 1, 2018, as discussed in Section 3.5 below.

3.2 Creditors

3.2.1 GIS

1. As at August 31, 2020, GIS was owed approximately \$36.1 million under the credit facilities it acquired from BMO pursuant to the Debt Assignment (the "Senior Credit Facility"). The amount owing as at the date of this Report is approximately \$29.4 million, before interest and costs which continue to accrue. Cash on hand was applied to reduce the amount owing under the Senior Credit Facility.
2. A redacted version of the Debt Assignment Agreement is attached to the Affidavit filed by GIS in support of its receivership application. An unredacted version is attached as Confidential Appendix "1" to this Report. The Receiver recommends that the unredacted version of the Debt Assignment Agreement be filed with the Quebec Court on a confidential basis and remain sealed until further order of the Quebec Court. This will preserve the confidentiality of the amount paid by GIS to BMO in order to address the risk that the availability of this information may negatively impact future recoveries if the Transaction is not completed. The Receiver does not believe that any stakeholder will be prejudiced if the information is sealed at this time.
3. In anticipation of these proceedings, and as part of its diligence on the Companies and the Transaction, KSV retained and instructed independent Canadian and US legal counsel to review the security held by GIS. The results of those opinions are summarized below.
 - a) **Quebec:** Lapointe Rosenstein Marchand Melançon LLP reviewed the security held by GIS in Quebec and issued an opinion providing that, subject to customary assumptions and qualifications contained therein, the security granted under the Senior Credit Facility is valid and enforceable against G.I. Canada's assets in Quebec.
 - b) **Delaware:** Young Conaway Stargatt & Taylor, LLP reviewed the security held by GIS in Delaware and issued an opinion providing that, subject to customary assumptions and qualifications contained therein, the security granted under the Senior Credit Facility is valid and enforceable against the Companies' assets in Delaware.
 - c) **New York and Indiana:** Kramer Levin Naftalis & Frankel LLP reviewed the security held by GIS in the States of New York and Indiana and issued an opinion providing that, subject to customary assumptions and qualifications contained therein, the security granted under the Senior Credit Facility is valid and enforceable against the Companies' assets in New York and Indiana.
4. Copies of the security opinions can be made available to the Quebec Court should it wish to review them.

3.2.2 Export Development Canada

1. On or around September 1, 2016, G.I. Canada issued a secured debenture to Export Development Canada (“EDC”) in the principal amount of \$2.5 million (the “EDC Debenture”). As at August 31, 2020, the Companies’ obligations owing under the EDC Debenture totaled approximately \$2.64 million, plus interest and costs which continue to accrue. The amounts owing to EDC are secured by substantially all of the Companies’ business and assets.
2. Pursuant to a Subordination Agreement dated September 13, 2018, the EDC Debenture is subordinated to the credit facility acquired by GIS from BMO under the Debt Assignment.
3. EDC also has a 9.72% equity interest in G.I. Canada.
4. EDC will be served with GIS’ receivership application materials.

3.2.3 Other

1. Other than GIS and EDC, creditors with registered security interests in certain of the Companies’ assets are reflected in the table below.

Creditor	Registration Date	Asset
BMO	September 10, 2020	BMO holds a registration in respect of the cash collateral securing a \$60,000 MasterCard facility (the “BMO Security”)
Paccar Financial Services Ltd.	July 29, 2015 and July 29, 2016	Two motor vehicles
Xerox Canada Ltd.	December 28, 2015	Photocopier

3.2.4 Unsecured Creditors

1. The book value of the Companies’ trade payables totaled approximately \$2.7 million as at August 31, 2020, which is broken down by entity in the table below.

Entity	0 – 30 Days	31 – 60 Days	61 – 90 Days	91+ Days	Total
GI Canada	642,672	(13,078)	58,645	411,372	1,099,611
GI US	873,645	77,767	65,442	(196,163)	820,691
Tippmann Sports	732,016	12,461	(2,054)	25,613	768,036
MLL	-	493	-	(2,218)	(1,725)
Total	2,248,333	77,643	122,033	238,604	2,686,613

2. The table below reflects that the ten largest vendor balances represent approximately \$1.55 million (56%) of the total accounts payable as at August 31, 2020.

Vendor	Company	Accounts Payable (\$)
G-Shang Metal Corporation	GI US	419,673
Indorama Ventures PTA Montreal LP	GI Canada	318,298
Dow Chemical Canada ULC	GI Canada	193,042
IMCD Canada Limited	GI Canada	146,152
Wise Industrial Company Limited	Tippmann Sports	91,837
Worlite Industry Co. Ltd.	GI US	85,632
On Time Transport	GI Canada	82,900
Tippmann Arms Co. LLC	Tippmann Sports	75,149
Ascent Global Logistics International	GI US	70,325
Hangzhou Silver Bird Sporting Goods	Tippmann Sports	69,116
Total		1,552,124

3. In addition to vendor obligations listed in the table, the Companies' August 31, 2020 internal financial statements also reflect approximately \$2.5 million of accrued payables owing for inventory that was either in transit or received but the corresponding invoice was not yet posted in the payables system.
4. The Companies also have the obligations summarized below.

a) Vendor Take Back Notes ("VTB Notes")

In February 2017, G.I. UK, a subsidiary of G.I. Canada, acquired Manic Paintball Europe LLP and Dark Sports Limited (UK) and G.I. Germany, a subsidiary of G.I. UK, acquired MAXS GmbH. As consideration, G.I. UK and G.I. Germany issued promissory notes to the vendors totaling approximately \$2.94 million. The notes are payable on the fifth anniversary of the transaction (being February 2022). G.I. Canada guaranteed the VTB Notes.

b) Paycheck Protection Program ("PPP") loan

PPP is a program established by the US federal government to provide assistance for small businesses as a result of the Covid-19 pandemic. In April 2020, G.I. US applied for, and received, a PPP loan of approximately \$1.16 million. The Receiver understands that the PPP loan owing by G.I. US is unsecured and remains outstanding as at the date of this Report.

3.3 Income Statement

1. The table below summarizes the Companies' consolidated operating results for its fiscal years ended December 31, 2018 and 2019 and for the eight-month period ending August 31, 2020.

	2020 (eight months) (unaudited)	2019 unaudited	2018 (audited)
Sales	38,584	71,849	80,443
Cost of sales	(26,380)	(48,341)	(53,373)
Gross margin	12,204	23,508	27,070
Gross margin (%)	31.6%	32.7%	33.7%
Operating expenses	(11,351)	(26,024)	(25,103)
EBITDA	853	(2,516)	1,967
Interest	(1,894)	(2,493)	(2,223)
Depreciation and other	(1,412)	(9,709)	(29,007) ²
Income taxes/recovery	448	860	118
Net profit/(loss)	(2,005)	(13,858)	(29,145)

2. The Companies' operating results reflect, *inter alia*:
 - a) losses since January 1, 2018 total approximately \$45 million;
 - b) losses have continued in the current fiscal year, in part due to the Covid-19 pandemic crisis; and
 - c) since 2018, the Companies have generated negative or negligible EBITDA, which has not been sufficient to service the Companies' debt.

4.0 Center of Main Interest

1. The Receiver is of the view that Montreal is the COMI for the Companies for the following reasons:
 - a) essentially all of the Companies' strategic decision-making and management functions occur in Montreal. The North American operations, including those of the US Debtors, are managed from G.I. Canada's registered office in Montreal, Quebec;
 - b) G.I. Canada has entered into the majority of the Companies' significant contracts and agreements, including the credit agreements with BMO (since assigned to GIS), and has guaranteed the Companies' leases in the US;

² In fiscal 2018, the Companies recorded a \$23.2 million goodwill and intangible asset impairment charge.

- c) the majority of the principals, directors and officers of each of the Companies, including the US Debtors, are Canadian residents, including the majority of the boards of directors. While the CEO is a US resident living in Florida, he often attends at the head office, including for Board meetings. Prior to the Covid-19 pandemic, the CEO spent approximately half of each month at the Montreal head office. The CEO also maintains an office at the head office;
 - d) meetings of the Boards of Directors for each of the Companies are typically convened or chaired in Canada;
 - e) As at the date of this Report, G.I. Canada is the principal obligor on all of the Companies' secured debt;
 - f) the principal secured creditor, GIS, is Canadian and the only other material secured creditor, EDC, is also Canadian;
 - g) all of the paintball inventory, the Company's main product line, is manufactured by G.I. Canada in Quebec. Paintball sales represented 50% of the Companies' annual revenue for the fiscal year ended December 31, 2019;
 - h) the majority of the Companies' administrative functions, including general accounting, financial reporting, budgeting and cash management, is performed by G.I. Canada;
 - i) the Company's human resource function is centralized and managed by G.I. Canada;
 - j) the Companies' main bank accounts are located at a BMO branch in Montreal, Quebec. All of the US Debtors have property and/or bank accounts in Quebec and the treasury management function is centralized at the head office in Montreal, Quebec; and
 - k) the US Debtors are funded by G.I. Canada using a cash management process it coordinates and controls.
2. Each of the US Debtors is a guarantor of the secured obligations owing to GIS, and accordingly, the US Debtors are each insolvent. As well, as noted above, each of the US Debtors has recently opened bank accounts in Canada with nominal deposits and therefore each meet the definition of an "insolvent person" under the BIA. Accordingly, the Quebec Court has the jurisdiction to appoint a receiver over those entities.
3. The Receiver is also of the view that the contemplated cross-border proceeding provides a centralized, fair and cost-efficient process to reorganize the business of the Companies as opposed to concurrent and separate processes in Canada and the US under their respective reorganization legislation.

5.0 Funding of these Proceedings

1. As at the date of this Report, the Companies have approximately \$5.4 million of cash in their bank accounts. These funds are intended to be used to fund Canadian and US operations during these proceedings and the costs of these proceedings. The cash is subject to the security of GIS and funding is in its discretion.
2. The Receivership Order does not contemplate the Receiver opening new bank accounts to control receipts and disbursements. It is contemplated that the Companies will continue to use their existing bank accounts and cash management system in Canada and the US. The Receiver believes this is appropriate because: (a) GIS, the principal economic stakeholder, has consented to this arrangement; (b) it will limit the operational disruption caused by opening new bank accounts in the name of the Receiver; and (c) it will reduce the administrative burden on management and costs involved for the Receiver to control the Companies' receipts and disbursements in Canada and the US. The Receiver intends to monitor the bank account activity throughout the Proceedings.
3. The proposed Receivership Order contemplates two charges on the Companies' business and assets:
 - a) a \$750,000 charge in favour of the Receiver and its counsel, as security for payment of their respective fees and disbursements, which shall form a first charge on the Companies' property (the "Administration Charge"), other than the BMO Security. The Receiver's Charge is customary in Canadian receivership proceedings to protect the professionals involved for their fees and costs if for any reason they are not paid during the proceeding. Given that the receivership proceedings are brought in Quebec, the Transaction documents are governed by Ontario law and the intention is to seek recognition of the Canadian Proceedings in the US, the Receiver has retained Quebec, Ontario and US Counsel. None of the professionals involved in these proceedings has received a retainer; and
 - b) a \$1 million charge to secure any funding provided by GIS during these proceedings (the "Receiver's Borrowing Charge"). Pursuant to the Receivership Order, any such advances, if required, are to be secured by a charge subordinate only to the Administration Charge and the BMO Security, and evidenced by the issuance of Receiver's Certificates by the Receiver. As at the date of this Report, it is not contemplated that funding under the Receiver's Borrowing Charge will be required.
4. The Receiver is of the view that both of these charges are reasonable and appropriate as they are consistent with the model receivership order and will facilitate the orderly administration of these proceedings.

6.0 Procedural Consolidation

1. The proposed Receivership Order contemplates that the Canadian Proceedings will be procedurally consolidated into one file with the Quebec Court.

2. The Receiver believes this is appropriate as it will assist to streamline the Canadian Proceedings, avoid duplicative materials filed in six separate Quebec Court files and provides for the Canadian Proceedings to be administered in a cost-efficient manner.

7.0 Conclusion and Recommendation

1. Based on the foregoing, the Receiver respectfully recommends that the Quebec Court make an order granting the relief detailed in Section 1.2 (f) of this Report.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS THE PROPOSED COURT-APPOINTED RECEIVER OF
G.I. SPORTZ INC., TIPPMANN US HOLDCO INC., GI SPORTZ DIRECT LLC,
TIPPMANN FINANCE LLC, TIPPMANN SPORTS, LLC AND MISSION LESS LETHAL LLC
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “D”



**First Report of
KSV Restructuring Inc.
as Receiver of
G.I. Sportz Inc., Tippmann US Holdco Inc.,
GI Sportz Direct LLC, Tippmann Finance LLC,
Tippmann Sports, LLC and
Mission Less Lethal LLC**

October 27, 2020

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CANADA
PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL
No.: 500-11-058942-208, 500-11-058944-204,
500-11-058943-206, 500-11-058941-200,
500-11-058946-209, 500-11-058945-201

SUPERIOR COURT
(Commercial Division)

IN THE MATTER OF THE RECEIVERSHIP
OF:

G.I. SPORTZ INC.,
TIPPMANN US HOLDCO INC.,
GI SPORTZ DIRECT LLC,
TIPPMANN FINANCE LLC,
TIPPMANN SPORTS, LLC AND
MISSION LESS LETHAL LLC

Debtors

-and-

GIS Debt Acquisition Partnership

Petitioner

-and-

KSV Restructuring Inc.

Receiver

**FIRST REPORT OF
KSV RESTRUCTURING INC.
AS RECEIVER
October 27, 2020**

1.0 Introduction

1. Pursuant to an application by GIS Debt Acquisition Partnership (“GIS”), the principal secured creditor of G.I. Sportz Inc. (“G.I. Canada”) and five of its direct and indirect US subsidiaries, being Tippmann US Holdco Inc., GI Sportz Direct LLC (“G.I. US”), Tippmann Finance LLC, Tippmann Sports, LLC and Mission Less Lethal LLC (collectively, the “US Debtors” and together with G.I. Canada, the “Companies”), the Superior Court (Commercial Division) of the Province of Quebec, District of Montreal (the “Quebec Court”) issued an order on October 15, 2020 (the “Receivership Order”) placing the Companies in receivership and appointing KSV Restructuring Inc. (“KSV”) as the receiver (the “Receiver”) of the property, assets and undertaking of the Companies. A copy of the Receivership Order is attached as Appendix “A” (The receivership proceedings commenced in the Quebec Court are referred to herein as the “Canadian Proceedings”).

2. The Receivership Order appointed the Receiver as the “Foreign Representative” of the Companies for the purpose of commencing recognition proceedings in the United States under Chapter 15 of title 11 of the United States Code (the “US Code”) in The United States Bankruptcy Court for The District of Delaware (the “US Court”).
3. On October 19, 2020, the Receiver, as Foreign Representative, sought recognition of the Canadian Proceedings as a foreign main proceeding under the US Code. On October 19, 2020, the US Court entered an order granting the Foreign Representative provisional relief (the “Provisional US Recognition Order”). A copy of the Provisional US Recognition Order is attached as Appendix “B”. A motion for Final Recognition is scheduled to be heard by the US Court on November 17, 2020.
4. The primary purpose of these receivership proceedings is to complete a going-concern sale of substantially all of the Companies’ business and assets pursuant to an Asset Purchase Agreement dated October 27, 2020 (the “APA”) between the Receiver, as vendor, and Kore Outdoor Inc. and Kore Outdoor (US) Inc. (jointly, the “Purchaser”), affiliates of Fulcrum Capital Partners (Collector) V, LP (“Fulcrum”), being the Companies’ majority shareholder and an affiliate of GIS (the “Transaction”). The Transaction is subject to the approval of the Quebec Court and the US Court.

1.1 Purposes of this Report

1. The purposes of this report (“Report”) are to:
 - a) provide information about the Companies and these proceedings, including a debt assignment transaction between GIS and Bank of Montreal (“BMO”) completed on September 10, 2020, whereby BMO’s debt of approximately \$36.4 million was assigned to GIS at a significant discount (the “Debt Assignment Transaction”);
 - b) discuss the results of a sale process (the “Sale Process”) for the Companies conducted by Lazard Middle Market LLC (“Lazard”) from September 2017 to July 2018;
 - c) summarize the results of liquidation analyses of the Companies’ business and assets performed by Raymond Chabot Grant Thornton Consulting Inc. (the “Consultant”) retained by BMO prior to the date of the Debt Assignment Transaction and by KSV based on the Companies’ financial position as at August 31, 2020¹ (the “KSV Liquidation Analysis”);
 - d) detail the terms of the Transaction;
 - e) provide the Receiver’s rationale for recommending that the Quebec Court and the US Court approve the Transaction; and

¹ All amounts other than cash and the GIS debt are as at this date, being the date of the Companies’ most recent internally prepared financial information. The cash and GIS debt balances are as at October 8, 2020.

- f) recommend that the Quebec Court issue an Order:
 - i. approving the APA and the Transaction;
 - ii. authorizing the Receiver to execute the APA and any other documents necessary to give effect to the Transaction;
 - iii. vesting absolutely all rights, title and interest in and to the Purchased Assets (as defined in the APA) in the Purchaser, free and clear of and from any and all claims, liabilities, liens, and encumbrances; and
 - iv. sealing the Confidential Appendices to this Report until unsealed pursuant to a further order of the Quebec Court.

1.2 Restrictions

1. In preparing this Report, KSV has relied upon the Companies' unaudited financial information. KSV has not audited, reviewed or otherwise verified the accuracy or completeness of the information in a manner that would comply with Generally Accepted Assurance Standards pursuant to the Chartered Professional Accountants Canada Handbook.
2. KSV expresses no opinion or other form of assurance with respect to the financial information presented in this Report or relied upon by KSV in preparing this Report. Reliance by any third party on the financial information in this Report for investment or credit purposes shall not be considered sufficient and such parties are strongly advised to perform their own due diligence. KSV shall have no responsibility for any reliance placed on the financial information presented in this Report by any present or future investor, creditor or other stakeholder of the Companies.
3. Future oriented financial information relied upon in this Report is based upon assumptions regarding future events; actual results achieved may vary from this information and these variations may be material. Future events include consumer, supply chain, governmental and other macro-economic factors related to the COVID-19 pandemic. The full impact of Covid-19 is unknown and cannot be determined at this time.

1.3 Currency

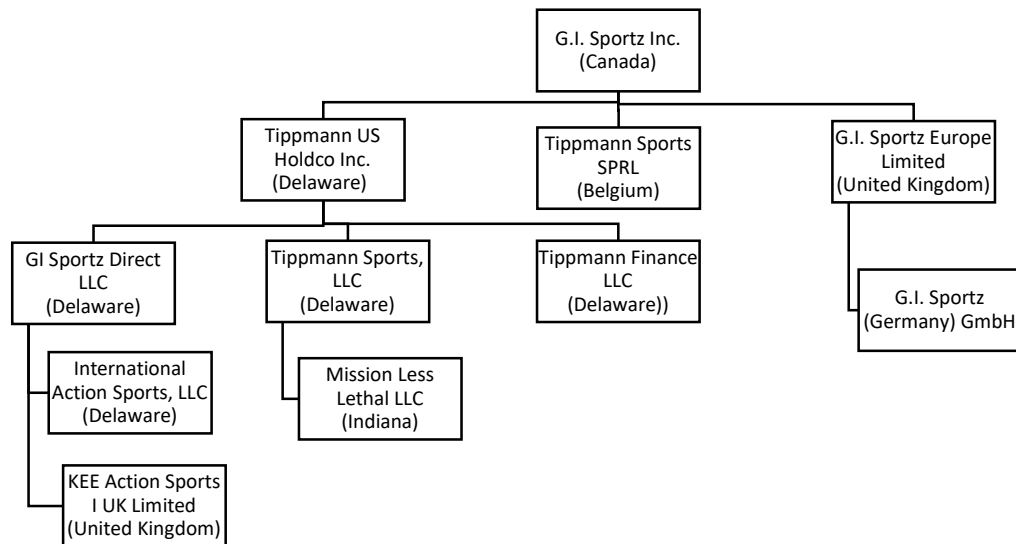
1. Unless otherwise noted, all currency references in this Report are in US dollars.

2.0 Executive Summary

1. The Companies manufacture and distribute paintballs, markers and related accessories to paintball venues, players and retailers across the world. The Companies' business is headquartered in Montreal, Quebec. The Companies' business has incurred losses of approximately \$45 million since the start of Fiscal 2018 and has been significantly impacted by the Covid-19 pandemic. As a result of the pandemic, operations were suspended from March to July 2020, and have only recently started to recover, but not to pre-Covid 19 levels.
2. On April 30, 2020, KSV was retained by Fulcrum, the Companies' largest shareholder, to consider restructuring options for the Companies. At the date of KSV's engagement, the Companies owed more than \$36 million to BMO. BMO had retained the Consultant to assist it to consider its restructuring options, including whether it should enforce its security over the Companies' business and assets.
3. During the summer of 2020, Fulcrum and BMO engaged in protracted negotiations around the assignment of BMO's security and the Debt Assignment Transaction. The consideration paid by Fulcrum under the Debt Assignment Transaction considered a prior Sale Process conducted by Lazard, the liquidation value of the Companies' assets and other factors affecting the saleability of the business on a going-concern basis (including the scheduled expiry of the head office lease in Montreal at the end of 2021). Based on these considerations, on September 10, 2020, BMO assigned its debt to GIS at a significant discount to the amount then owing by the Companies to BMO at the time (being \$36.4 million).
4. On October 15, 2020, GIS brought an application in the Quebec Court to have KSV appointed as Receiver. The purpose of the receivership is to seek approval of the Transaction by the Quebec Court and the US Court. The Transaction has numerous benefits: it allows the business to continue as a going-concern, the majority of the Companies' employees will be offered employment by the Purchaser and the majority of the unsecured trade debt will be assumed by the Purchaser. As of the date of this Report, no party has advised the Receiver that it opposes the Transaction.
5. As discussed in further detail herein, the Receiver believes that the Transaction maximizes recoveries in the circumstances. The Receiver does not believe that further time marketing the Companies' business and assets will result in a superior transaction, and certainly not one that will exceed the obligations presently owing to GIS. The Receiver's considerations include the results of the Lazard process (which was carried out at a time when the operating performance of the business was significantly better than it is presently), the liquidation value of the Companies' business and assets and the Covid-19 pandemic which continues to adversely affect the business.

3.0 Background

1. The Companies are headquartered in Montreal, Quebec and manufacture and distribute paintballs, markers and related accessories. The Companies serve a global customer base of over 3,000 fields and stores. G.I. Canada is recognized as a global leader in the manufacturing of high-quality paintballs. The Companies market their paintball products to individuals at all levels of play, from entry level to competitive play segments.
2. Paintball is played in large groups of people and teams. As a result, the Covid-19 pandemic has had a significant and negative impact on the Companies' business due to US and Canadian government policies mandating social distancing. The Companies' operations effectively ceased between March and July 2020, and operations have only recently started to recover, but not to pre-Covid 19 levels.
3. G.I. Canada's business was acquired out of an insolvency process in 2010 by Richmond Italia, a professional paintball player. Mr. Italia indirectly owns 22.76% of G.I. Canada. Fulcrum acquired a controlling interest in G.I. Canada in January 2015. Since that time, the business has grown by expanding its product offerings and by acquisition. The Companies' current corporate organizational chart is set out below.



4. G.I. Canada annually produces over four billion paintballs by using 22 soft-gel encapsulation machines, nearly four times as many as its next closest competitor. All of the Companies' paintballs are manufactured at the head office location in Montreal. Paintball sales account for approximately 50% of the Companies' revenue. G.I. Canada 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.

5. In addition to the Companies' two leased manufacturing facilities in Montreal, Quebec and Fort Wayne, Indiana, the Companies have nine distribution centres throughout North America and Europe, as well as a distribution network of 25 third-party distribution partners.
6. As of the commencement date of these proceedings, the Companies had 141 employees in Canada (140 in Quebec) and 78 in the US. The workforce is not unionized and the Companies do not maintain any pension plans.
7. G.I. Sportz Europe Limited ("G.I. UK") and G.I. Sportz (Germany) GmbH ("G.I. Germany") are European sales and distribution arms of the Companies. G.I. UK and G.I. Germany employ six and 10 employees, respectively.
8. Fulcrum, an affiliate of GIS, owns 53.8% of G.I. Canada. On September 10, 2020, GIS acquired BMO's debt of approximately \$36.4 million at a substantial discount pursuant to the Debt Assignment Transaction.
9. The Companies' largest unsecured creditor is Export Development Corporation ("EDC"). EDC is owed approximately \$2.6 million, plus interest and costs which continue to accrue. EDC also owns 9.72% of G.I. Canada.
10. Mr. Italia owns the head office facility in Montreal. This location is integral to the Companies' business as it is the sole location at which the Companies manufacture paintballs.
11. Additional information on the Companies is provided in KSV's report as proposed Receiver dated October 9, 2020 (the "Prefiling Report"). The Prefiling Report includes a summary of the Companies' financial position and operating results. A copy of the Prefiling Report is provided in Appendix "C", without appendices. A copy of the unredacted Debt Assignment Agreement was also attached on a confidential basis to the Prefiling Report and is subject to a sealing order. A copy of the Debt Assignment Agreement is also attached hereto as Confidential Appendix "1".

4.0 Lazard Sale Process

1. Lazard was engaged by the Companies to conduct the Sale Process. Lazard is one of North America's leading independent financial advisory firms. Lazard provides strategic, M&A, wealth management and fundraising advice and services to governments, companies and individuals worldwide.
2. The Sale Process launched in September 2017. During their fiscal year ending December 31, 2017, the Companies generated EBITDA of approximately \$13 million and were projecting significant sales and EBITDA growth. In contrast, since January 1, 2018, the Companies have generated cumulative EBITDA of approximately \$304,000 and cumulative net losses of approximately \$45 million.

3. An overview of the Sale Process is as follows:
 - a) Lazard initially contacted 26 parties, including 19 strategic and seven financial targets. Lazard prepared a confidential information memorandum (“CIM”), which was made available to interested parties that executed a confidentiality agreement (“CA”);
 - b) while the Sale Process was being conducted, the Companies under-performed relative to their budgets and projections that were provided to interested parties;
 - c) in March 2018, the Companies and Lazard expanded the marketing process by reaching out to 177 parties, comprised of 34 strategic and 143 financial buyers;
 - d) the deadline for interested parties to submit non-binding letters of intent (“LOI”) was April 24, 2018;
 - e) parties that submitted LOIs were provided an opportunity to attend at the Companies’ production facilities in Quebec and Indiana, visit other distribution centers, meet with the Companies’ management and conduct other additional due diligence; and
 - f) prospective purchasers were requested to submit revised LOIs on June 19, 2018. The deadline was extended to July 18, 2018.
4. The Sale Process results are summarized as follows:
 - a) 63 parties executed a CA and performed due diligence;
 - b) eight parties submitted non-binding LOIs in April 2018;
 - c) between May 2, 2018 and May 24, 2018, seven parties attended management meetings; and
 - d) no LOIs were submitted by the July 18, 2018 offer deadline. Accordingly, the Sale Process was terminated at that time.

5.0 Operating Results

- The table below summarizes the Companies' consolidated operating results for its fiscal years ended December 31, 2018 and 2019, and for the eight-month period ending August 31, 2020.

(\$000's)	2020		
	(eight months) (unaudited)	2019 (unaudited)	2018 (audited)
Sales	38,584	71,849	80,443
Cost of sales	(26,380)	(48,341)	(53,373)
Gross margin	12,204	23,508	27,070
Gross margin (%)	31.6%	32.7%	33.7%
Operating expenses	(11,351)	(26,024)	(25,103)
EBITDA	853	(2,516)	1,967
Interest	(1,894)	(2,493)	(2,223)
Depreciation and other	(1,412)	(9,709)	(29,007)
Income taxes/recovery	448	860	118
Net profit/(loss)	(2,005)	(13,858)	(29,145)

- The Companies' operating results reflect, *inter alia*:
 - losses since January 1, 2018 totaling approximately \$45 million;
 - losses which have continued in the current fiscal year, in part due to the Covid-19 pandemic crisis; and
 - since 2018, the Companies have generated negative or negligible EBITDA, which has not been sufficient to service the Companies' debt.
- In addition to the foregoing losses, the Covid-19 pandemic significantly disrupted the Companies' business starting in March 2020, resulting in the Companies suspending substantially all operations. The impact of the pandemic on the industry has been significant, as paintball venues largely discontinued operations due to social distancing concerns and requirements.

6.0 Liquidation Analysis

1. As discussed in the Prefiling Report, KSV² was engaged by Fulcrum to assist it to consider restructuring options for the Companies.
2. Prior to these proceedings, BMO retained the Consultant to advise it regarding its advances to the Companies. The Consultant's mandate included preparing a liquidation analysis of the Companies' business and assets as at May 22, 2020 (the "Consultant's Liquidation Analysis"). The Consultant retained Hilco Valuation Services and SIS Services Inc. to appraise the Companies' inventory and fixed assets, respectively.
3. The Consultant's Liquidation Analysis reflects that the net realizable value of the Companies' assets in a liquidation is materially less than the amount that was owing to BMO at the date of the Consultant's Liquidation Analysis (approximately \$36.6 million as at May 22, 2020).
4. KSV reviewed the Consultant's Liquidation Analysis and prepared a summary of potential adjustments that were not captured in the Consultant's analysis. KSV's review identified material costs and other adjustments that in KSV's view understated the loss that BMO would suffer in a liquidation. KSV discussed these adjustments with BMO. BMO did not dispute KSV's adjustments.
5. Based on its discussions with BMO, KSV is also aware that BMO's decision to enter into the Debt Assignment Transaction was also influenced by the results of the Sale Process, the capital required to operate the business during a sale process and the uncertainty related to the Covid-19 pandemic.
6. BMO was also cognizant that the Companies' head office lease was scheduled to expire at the end of 2021. Any purchaser of the business would require a new lease to be executed given the head office location is responsible for approximately 50% of the Companies' revenue and is the sole manufacturer of paintballs. In conducting a new sale process, there could be no certainty that Mr. Italia would be willing to enter into a new lease with any party. Assigning the existing lease to a purchaser would provide no benefit beyond its termination.³
7. KSV, as Receiver, has prepared the KSV Liquidation Analysis based on the Companies' balance sheet as at August 31, 2020⁴. The KSV Liquidation Analysis reflects that the net realizable value of the Companies' assets continues to be substantially less than the amount owing to GIS, which is approximately \$29.4 million as at the date of this Report. A copy of the KSV Liquidation Analysis is provided in Confidential Appendix "2".

² KSV's affiliate, KSV Advisory Inc., was engaged for this advisory mandate.

³ The Receiver understands that the entity that owns the head office real property has since extended the lease pursuant to an amending agreement which will be assumed by the Purchaser under the Transaction.

⁴ The KSV Liquidation Analysis is based on the Companies' most recent internal financial statements (August 31, 2020), other than cash and the GIS debt balance, which were updated as at October 8, 2020.

6.1 Sealing

1. The Receiver recommends that the KSV Liquidation Analysis be filed with the Court on a confidential basis and remain sealed until further order of the Quebec Court. KSV is of the view that this is required to address the risk that the availability of this information may negatively impact any future recoveries in these proceedings if the Transaction does not close. The Receiver does not believe that any stakeholder will be prejudiced if the information is sealed at this time.

7.0 Transaction⁵

1. A summary of the APA is as follows:
 - a) **Purchaser:** Fulcrum (or its affiliate) is the majority shareholder of the Purchaser. Other shareholders include members of management, including Mr. Italia, or entities owned by these individuals.
 - b) **Purchased Assets:** Substantially all assets of the Companies, including the assets used to operate the business in Canada and the US.
 - c) **Purchase Price:** The purchase price is comprised of:
 - \$1.00 plus: (a) the amount of the Assumed Debt (being all amounts owing to GIS as at the closing date); (b) the amount of the Canadian Closing Payables assumed by the Purchaser; (c) the amount of the Priority Payables⁶ outstanding as at the closing date; and (d) the amount of the US Closing Payables assumed by the Purchaser. The Receiver understands that the Purchaser intends to assume a substantial portion of the trade payables outstanding at the date of the Receivership Order.
 - d) **Assumed Liabilities:** Other than the Assumed Debt, the Priority Payables, the amount of Canadian Closing Payables and US Closing Payables, the Purchaser intends to offer employment to the majority of the Companies' employees and will assume all employee related obligations for Transferred Employees.
 - e) **Foreign Subsidiaries:** The shares of G.I. UK may be excluded from the Transaction. G.I. UK is the sole shareholder of G.I. Germany. The Receiver understands that the Purchaser is in discussions with the principals of G.I. Germany concerning the future of that entity. If the Purchaser decides to acquire the shares of G.I. UK, the APA contemplates that the Receiver will file a separate Receiver's Certificate confirming, *inter alia*, the acquisition of those shares by the Purchaser, failing which the shares of G.I. UK would not be conveyed to the Purchaser under the Transaction.

⁵ Defined terms in this section of the Report have the meanings provided to them in the APA.

⁶ Priority Payables includes any obligation which ranks prior to the Assumed Debt, including amounts accrued or owing for wages, vacation pay, payroll source deductions, and other statutory or other claims that have priority over the Encumbrances created in connection with the Assumed Debt, and all outstanding amounts owing to the Receiver as secured by the Administration Charge.

- f) **Locations:** The Purchaser will not assume the leases for the Companies' distribution centers in Missouri, California and New Jersey.
 - g) **Employees:** The Receiver understands that the Purchaser intends to offer employment to approximately 178 individuals (including 122 in Quebec) presently employed by G.I. Canada and G.I. US.
 - h) **Representation and Warranties:** Consistent with the terms of a standard insolvency transaction, i.e., on an "as is, where is" basis, with limited representations and warranties.
 - i) **Closing:** Closing is to occur no later than November 30, 2020 or such other date as may be agreed to in writing by the Receiver and the Purchaser.
 - j) **Material Conditions:** The only material condition precedent is that the Quebec Court shall have issued a Sale Approval and Vesting Order, which order shall be recognized by the US Court.
2. **Transition Services Agreement:** The APA contemplates that the Receiver and the Purchaser will enter into a Transition Services Agreement ("TSA"). The purpose of the TSA is for the Receiver to maintain in good standing, during these proceedings, certain contracts and real property lease agreements until those locations can be vacated, at which time those leases are intended to be disclaimed by the Receiver. Certain employees will remain employees of the Companies under the TSA during the transition period as the Purchaser has not yet determined if these employees will be offered employment by the Purchaser. As part of the TSA, the Purchaser is required to fund any costs incurred by the Receiver, including the professional fees of the Receiver and its legal counsel. The TSA also requires that the Purchaser fund a deposit to the Receiver equal to one month of the estimated transition costs.
3. A copy of the APA is attached as Appendix "D". The TSA is a schedule to the APA.
4. The Receiver is also recommending that the two schedules to the APA that list the transferred and excluded employees be sealed pending closing of the Transaction to avoid any disruption that may result from those schedules being publicly disclosed prior to the completion of the Transaction. The Receiver does not believe that any stakeholder will be prejudiced if the employee information is sealed at this time. Those schedules are attached as Confidential Appendix "3" to this Report.

8.0 Recommendation

1. The Receiver recommends that the Quebec Court issue an order approving the Transaction for the following reasons:
 - a) the purchase price under the Transaction materially exceeds the liquidation value of the Companies' business and assets based on the Consultant's Liquidation Analysis and the KSV Liquidation Analysis;

- b) the Sale Process conducted by Lazard did not generate any offers and was carried out when the Companies' financial results were far better than they are presently. Additionally, the Covid-19 pandemic creates significant uncertainty for the business which would impair its saleability in a sale process at this time;
 - c) EDC will not recover any of its unsecured debt of approximately \$2.6 million or realize on its minority equity interest. By letter dated October 13, 2020, EDC consented to the Transaction. A copy of the EDC letter is attached as Appendix "E";
 - d) the Purchaser intends to offer employment to approximately 178 existing employees, including 122 in Quebec;
 - e) the Purchaser intends to assume a significant portion of the Companies' unsecured trade vendor debt. These obligations would receive no recovery in a liquidation;
 - f) the business has been materially affected by the Covid-19 pandemic and it is critical that steps be taken immediately to restructure the business in the present environment. Fulcrum's willingness to support the business is contingent on the successful completion of the Transaction; and
 - g) the Receiver does not believe that there is any prospect that a sale process for the Companies at this time would generate recoveries greater than the GIS debt.
2. Based on the foregoing, the Receiver recommends that this Honourable Court approve the Transaction.

9.0 Conclusion and Recommendation

- 1. The Receiver respectfully recommends that the Quebec Court make an Order granting the relief detailed in Section 1.1(1)(f) of this Report.
- 2. Subject to Quebec Court approval, the Receiver, as Foreign Representative, intends to seek US recognition of the Sale Approval and Vesting Order, which is a condition precedent to the Transaction. If US Court approval is obtained, the Transaction is expected to close shortly thereafter.

* * *

All of which is respectfully submitted,

KSV Restructuring Inc.

**KSV RESTRUCTURING INC.,
IN ITS CAPACITY AS THE COURT-APPOINTED RECEIVER OF
G.I. SPORTZ INC., TIPPMANN US HOLDCO INC., GI SPORTZ DIRECT LLC,
TIPPMANN FINANCE LLC, TIPPMANN SPORTS, LLC AND MISSION LESS LETHAL LLC
AND NOT IN ITS PERSONAL CAPACITY**

Appendix “E”

From: Greg Collings <Greg.Collings@fulcrumcapital.ca>
Sent: December 13, 2021 4:06 PM
To: David Sieradzki <dsieradzki@ksvadvisory.com>
Cc: Bobby Kofman <bkofman@ksvadvisory.com>; RNicholls@dwpv.com
Subject: RE: GI Sportz bankruptcy

Hi David,
I can confirm that I am not aware of any existing creditor that would be impacted by the bankruptcy filing.

Greg

Greg Collings | Partner
Fulcrum Capital Partners Inc.
D 416.864.3194
M 416.662.5451

From: David Sieradzki <dsieradzki@ksvadvisory.com>
Sent: December 13, 2021 1:58 PM
To: Greg Collings <Greg.Collings@fulcrumcapital.ca>
Cc: Bobby Kofman <bkofman@ksvadvisory.com>; RNicholls@dwpv.com
Subject: GI Sportz bankruptcy

Greg,

We understand that you, as director of GI Sportz Inc. (the "Company") would like to assign the Company into bankruptcy. The current receivership order stays all proceedings involving the Company or its property unless the Receiver consents in writing to permit the proceeding. In deciding whether or not to agree to lift the stay for the purpose of permitting the filing of the assignment into bankruptcy, the Receiver needs to consider the potential impact of the bankruptcy on creditors.

In this respect, we appreciate that pursuant the Asset Purchase Agreement dated October 27, 2020, the Purchaser assumed the vast majority of liabilities of the Company, including all Priority Payables outstanding at the Time of Closing. Accordingly, we are not aware of any remaining obligations of the Company who would lose priority in a bankruptcy (i.e. certain priority tax amounts, wages, vacation pay etc). Can you please confirm that you are also not aware of any existing creditor of the Company (i.e. in respect of tax amounts, wages, vacation pay) that would be impacted by the Company filing an assignment into bankruptcy?

Thanks,
David



David Sieradzki
Managing Director

T	416.932.6030
M	416.428.7211
E	dsieradzki@ksvadvisory.com

KSV Advisory Inc.
150 King Street West
Suite 2308, Box 42
Toronto, Ontario, M5H 1J9

T 416.932.6262 | F 416.932.6266 | www.ksvadvisory.com

Appendix “F”

9526722 Canada Inc. (formerly, G.I. Sportz Inc.)
Interim Statement of Receipts and Disbursements
For the period October 15, 2020 to March 9, 2022
(Unaudited; \$C)

Receipts

Deposit under Transition Services Agreement	300,000
Insurance refund	68,261
Interest	<u>1,091</u>
<i>Total Receipts</i>	<u>369,352</u>

Disbursements

Professional fees	141,074
Expense reimbursements paid to Purchaser	110,412
Sales taxes on disbursements	14,735
Transfer to License Insolvency Trustee of 9526722 Canada Inc.	15,000
Sundry expenses	<u>3,837</u>
<i>Total Disbursements</i>	<u>285,057</u>

Balance in the Receiver's account

84,295