Court File No. CV-16-11527-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

APPLICATION RECORD
(Returnable September 14, 2016)

GOODMANS LLP
Barristers & Solicitors
Bay Adelaide Centre
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Toronto, Canada M5H 2S7

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Lawyers for the Applicants

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Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

NOTICE OF APPLICATION
(Returnable September 14, 2016)

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following pages.

THIS APPLICATION will come on for a hearing on September 14, 2016, at 8:30 a.m. or as soon after that time as the matter may be heard at 330 University Avenue, Toronto, Ontario.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with the documents in the application, you or an Ontario lawyer acting for you must prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicants' lawyers and file it, with proof of service, in the court office where the application is to be heard, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you and your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicants' lawyers and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than two (2) days before the hearing.

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

Date: September 14, 2016

Issued by _____

Address of Court Office:
330 University Avenue
Toronto, Ontario
M5G 1R7

APPLICATION

1. Golf Town Canada Holdings Inc., Golf Town Canada Inc. ("**GT Canada**") and Golf Town GP II Inc. (collectively, the "**Applicants**") make an application for an initial order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") substantially in the form attached at Tab "2" of the within Application Record, *inter alia*:[1]

   (a) abridging the time for and validating the service of this Notice of Application and the Application Record;

   (b) declaring that the Applicants are parties to which the CCAA applies;

   (c) declaring that Golf Town Operating Limited Partnership ("**Golf Town LP**") and Golfsmith International Holdings LP (together with the Applicants, the "**Golf Town Entities**") shall have the benefit of the protections and authorizations provided to the Applicants in the Initial Order;

   (d) appointing FTI Consulting Canada Inc. ("**FTI**") as an officer of the Court to monitor the assets, business and affairs of the Golf Town Entities (the "**Monitor**");

   (e) staying all proceedings taken or that might be taken in respect of the Golf Town Entities, the directors and officers of the Golf Town Entities and of Golfsmith International Holdings GP Inc., and the Monitor;

   (f) authorizing the Golf Town Entities to borrow under an interim financing facility substantially in the form attached to the Roussy Affidavit (the "**DIP Facility**") to be provided by the lenders that have also advanced the Company's first lien credit facility (the "**Credit Facility**");

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[1] Capitalized terms used but not otherwise defined herein have the meanings given to them in the affidavit of David Roussy sworn September 13, 2016 (the "**Roussy Affidavit**") in support of this application.

(g) authorizing the Applicants to pay certain expenses incurred prior to, on or after the date of the Initial Order, subject to the provisions of the Initial Order;

(h) approving the engagements of Jefferies LLC ("**Jefferies**") and Alvarez & Marsal North America Inc. and Alvarez & Marsal Canada ULC (collectively "**A&M**") pursuant to the terms of their respective engagement letters;

(i) ratifying the execution of a guarantee (the "**KEIP Guarantee**") by GT Canada and Golf Town LP pursuant to which those entities have guaranteed certain obligations in respect of the Company's key employee incentive plan (the "**KEIP**");

(j) approving a retention plan (the "**Transition Employee Plan**") to ensure the continued participation of certain employees (the "**Transition Employees**") in connection with the completion of the Golf Town Transaction and related wind-down matters;

(k) granting the following charges over the assets, property and undertaking of the Golf Town Entities, with relative priorities as set out below:

(i) *first* – the Administration Charge in the aggregate amount of C$1.6 million in favour of the Monitor, legal counsel to the Monitor, legal counsel to the Golf Town Entities, A&M and Jefferies (with respect to its monthly fees and expenses) as security for their professional fees and disbursements;

(ii) *second* – the Priority Directors' Charge in favour of the Directors and Officers to a maximum amount of C$3.7 million;

(iii) *third* – the DIP Lenders' Charge in the maximum amount of U$135 million to secure the obligations under the DIP Facility;

(iv) *fourth (on a pari passu basis*) – the KEIP Guarantee Charge in the amount of US$1,803,750 to secure the obligations of GT Canada and Golf Town LP under the KEIP Guarantee, and the Transition Employee Charge in the

amount of C$80,000 to secure the obligations of the Golf Town Entities under the Transition Employee Plan;

(v) *fifth* – the Directors' Charge in favour of the Directors and Officers to a maximum amount of C$3.0 million;

(vi) *sixth* – the Financial Advisor Charge in the maximum amount of US$1,062,500 to secure that portion of Jefferies' Transaction Fee that has been allocated to Canada; and

(vii) *seventh* – an Intercompany Charge to secure any amounts payable to the U.S. Debtors by the Golf Town Entities arising from and after the date of the Initial Order; and

(l) such further and other relief as this Court deems just.

2. The grounds for the Application are:

(a) GT Canada (together with its subsidiaries, "**Golf Town**") and Golfsmith International Holdings, Inc. (together with its subsidiaries and Golf Town USA LLC, "**Golfsmith**") are leading North American specialty retailers of golf equipment and merchandise. Golf Town operates 55 stores across nine Canadian provinces and Golfsmith operates 109 stores across 29 U.S. states;

(b) the Golf Town Entities are insolvent;

(c) despite recent industry and business improvements, the capital structure and working capital requirements of Golf Town and Golfsmith (together, the "**Company**") cannot be sustained by current operating performance;

(d) the Golf Town Entities are initiating CCAA proceedings to implement a going concern sale of the Golf Town Business (the "**Golf Town Transaction**") to an entity controlled by Fairfax Financial Holdings Limited and certain funds managed by CI Investments Inc.;

(e) the completion of the Golf Town Transaction will create stability for the Golf Town Business and its stakeholders, provide the Golf Town Business with a sustainable capital structure and retail footprint moving forward, and enable the Golf Town Entities to repay a substantial portion of the Credit Facility;

(f) concurrently with this application, certain Golfsmith entities (the "**U.S. Debtors**") will file voluntary petitions for relief pursuant to title 11, chapter 11 of the United States Code ("**Chapter 11**") to provide stability while the U.S. Debtors advance and implement a financial and operational restructuring of the Golfsmith Business (the "**Golfsmith Restructuring**");

(g) the Company has entered into a Support Agreement with Fairfax and CI, which collectively own approximately 40% of the Company's second lien Secured Notes, to support the Golfsmith Restructuring and the Golf Town Transaction;

(h) the Golf Town Transaction and the Golfsmith Restructuring are the result of an extensive exploration of strategic alternatives carried out by the Company and its professional advisors to address the financial and operational challenges of the Business, including a comprehensive Operational and Strategic Review, the pursuit of recapitalization and restructuring alternatives, and a comprehensive Sale Process;

(i) the Golf Town Transaction and the Golfsmith Restructuring provide an overall going concern solution for the Company for the benefit of its suppliers, employees, customers and other key stakeholders;

(j) the Company requires access to the DIP Facility on an immediate basis to ensure the continued operation of the Business without disruption as it seeks to advance and implement the transactions;

(k) as a condition to the DIP Facility, the Company has agreed to undertake a dual track sale process in the Chapter 11 proceedings to explore the potential for an alternative transaction for the Golfsmith Business that maximizes value for the benefit of all stakeholders;

(l) concurrently with the Chapter 11 sale process, the Company intends to advance the Golfsmith Restructuring with the Supporting Noteholders and to take steps to refinance or repay the Credit Facility obligations in connection with the completion of the restructuring;

(m) the Golf Town Entities require a stay of proceedings to ensure stability and protect the value and operations of the Golf Town Business pending completion of the Golf Town Transaction and other wind-down activities;

(n) if the Initial Order is granted, the Golf Town Entities intend to bring a motion before this Court as soon as possible and on notice to all affected parties seeking approval of the Golf Town Transaction;

(o) the KEIP and Transition Employee Plan are necessary to ensure the continued retention of the Key Management Employees and Transition Employees, who are critical to the completion of the Golf Town Transaction and the orderly transition of the Golf Town Business;

(p) the circumstances that exist make the Initial Order sought by the Golf Town Entities appropriate;

(q) the provisions of the CCAA and this Court's equitable and statutory jurisdiction thereunder;

(r) Rules 2.03, 3.02, 14.05(2) and 16 of the Ontario *Rules of Civil Procedure*, R.S.O. 1990, Reg. 194, as amended;

(s) Rule 137(2) of the Ontario *Courts of Justice Act*, R.S.O. 1990, c C.43; and

(t) such further and other grounds as counsel may advise and this Court may permit.

3. The following documentary evidence will be used at the hearing of the application:

(a) the Roussy Affidavit and the exhibits attached thereto;

(b) the Monitor's Pre-Filing Report and the appendices attached thereto;

(c) the consent of FTI to act as Monitor; and

(d) such further and other materials as counsel may advise and this Court may permit.

Date: September 14, 2016

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Lawyers for the Applicants

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

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ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

Proceeding commenced at Toronto

NOTICE OF APPLICATION
(Returnable September 14, 2016)

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Lawyers for the Applicants

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Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE	**)**	**WEDNESDAY, THE 14TH**
	)	
JUSTICE NEWBOULD	**)**	**DAY OF SEPTEMBER, 2016**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

INITIAL ORDER

THIS APPLICATION, made by Golf Town Canada Holdings Inc., Golf Town Canada Inc. ("**GT Canada**") and Golf Town GP II Inc. (collectively, the "**Applicants**"), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of David Roussy sworn September 13, 2016 and the exhibits thereto (the "**Roussy Affidavit**") and the pre-filing report dated September 13, 2016 of the proposed monitor, FTI Consulting Canada Inc. (the "**Monitor**") and on hearing the submissions of counsel for the Golf Town Entities (as hereinafter defined), the Monitor, the First Lien Agent and such other counsel as were present and wished to be heard, and on reading the consent of FTI Consulting Canada Inc. to act as the Monitor,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Roussy Affidavit.

APPLICATION

3. **THIS COURT ORDERS AND DECLARES** that the Applicants are companies to which the CCAA applies. Although not Applicants, Golf Town Operating Limited Partnership ("**Golf Town LP**") and Golfsmith International Holdings LP ("**Holdings LP**" and, together with the Applicants and Golf Town LP, the "**Golf Town Entities**" and each a "**Golf Town Entity**") shall have the benefit of the same protections and authorizations provided to the Applicants by this Order.

PLAN OF ARRANGEMENT

4. **THIS COURT ORDERS** that the Golf Town Entities shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

5. **THIS COURT ORDERS** that the Golf Town Entities shall remain in possession and control of their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Golf Town Entities shall continue to carry on business in a manner consistent with the preservation of their business (the "**Business**") and Property. The Golf Town Entities are authorized and empowered to continue to retain and employ the employees, consultants, advisors, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by them, with liberty to retain such

further Assistants as they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. **THIS COURT ORDERS** that the Golf Town Entities shall be entitled to continue to utilize the cash management system currently in place as described in the Roussy Affidavit or replace it with another substantially similar central cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Golf Town Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Golf Town Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

7. **THIS COURT ORDERS** that, in accordance with the Approved Budget (as defined in the DIP Agreement), the Golf Town Entities shall be entitled but not required to pay the following expenses and satisfy the following obligations whether incurred prior to, on or after the date of this Order to the extent that such expenses are incurred and payable by the Golf Town Entities:

(a) all outstanding and future wages, salaries, commissions, compensation, incentive payments, employee benefits (including, without limitation, employee medical, dental, vision and similar benefit plans or arrangements), vacation pay and expenses, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements and all payroll processing expenses;

(b) all outstanding and future contributions to or payments in respect of the Group RRSP and the DPSP in the ordinary course of business and consistent with existing compensation policies and arrangements;

(c) the fees and disbursements of any Assistants retained or employed by the Golf Town Entities in respect of these proceedings or any other similar or ancillary proceedings in other jurisdictions or in respect of related corporate matters, in accordance with the terms of their respective engagements;

(d) all outstanding and future amounts owing in respect of Customer Programs and Customer Deposits or other amounts on account of similar customer programs or obligations;

(e) all outstanding and future amounts related to honouring gift cards;

(f) with the consent of the Monitor, amounts owing for goods or services supplied to the Golf Town Entities prior to the date of this Order by:

(i) logistics or supply chain providers, including transportation providers, customs brokers and freight forwarders;

(ii) providers of credit, debit, gift card or other payment processing services; and

(iii) other third party suppliers if, in the opinion of the Golf Town Entities, such payment is necessary to maintain the uninterrupted operations of the Business or the Golf Town Entities.

8. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Golf Town Entities shall be entitled but not required to pay all reasonable expenses incurred by the Golf Town Entities in carrying on the Business in the ordinary course on or after the date of this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and directors and officers run-off insurance), maintenance and security services; and

(b) payment for goods or services supplied or to be supplied to the Golf Town Entities on or after the date of this Order or to obtain the release of goods contracted for prior to the date of this Order.

9. **THIS COURT ORDERS** that the Golf Town Entities shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan and (iv) income taxes;

(b) all goods and services taxes, harmonized sales taxes or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Golf Town Entities in connection with the sale of goods and services by the Golf Town Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not remitted until on or after the date of this Order; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Golf Town Entities.

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Golf Town Entities are hereby directed, until further Order of this Court to:

(a) make no payments of principal, interest thereon or otherwise on account of amounts owing by the Golf Town Entities to any of their creditors as of this date, provided however that the Golf Town Entities are authorized and directed to make all such payments as required pursuant to and in accordance with the DIP Agreement (as

hereinafter defined), including, without limitation, payments on account of principal, interest, fees and reimbursable costs in respect of the Credit Facility;

(b) grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and

(c) not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order or any other Order of this Court.

RESTRUCTURING

11. **THIS COURT ORDERS** that the Golf Town Entities shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Definitive Documents (as hereinafter defined) or the Golf Town APA, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of their Business or operations, and to dispose of redundant or non-material assets not exceeding $1 million in any one transaction or $2 million in the aggregate;

(b) sell assets not exceeding $1 million in any one transaction or $2 million in the aggregate;

(c) terminate the employment of such of their employees or temporarily or indefinitely lay off such of their employees as they deem appropriate;

(d) subject to the requirements of the CCAA and paragraphs 13 and 14 of this Order, vacate, abandon or quit any leased premises and disclaim or resiliate any real property lease and any ancillary agreements relating to any leased premises;

(e) disclaim, in whole or in part, such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the Golf Town Entities deem appropriate, in accordance with Section 32 of the CCAA, provided that the Golf Town Entities shall not be permitted to disclaim any of the DIP Definitive Documents;

(f) with the consent of the Monitor, engage an agent and/or consultant (a "**Consultant**") to assist in respect of a sale of inventory, furniture, equipment and fixtures forming part of the Property; and

(g) pursue all avenues of refinancing of their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Golf Town Entities to proceed with an orderly restructuring of the Business.

REAL PROPERTY LEASES

12. **THIS COURT ORDERS** that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Golf Town Entities shall pay, without duplication, all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease but, for greater certainty, excluding accelerated rent or penalties, fees or other charges arising as a result of the insolvency of the Golf Town Entities or the making of this Order) or as otherwise may be negotiated between the applicable Golf Town Entity and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

13. **THIS COURT ORDERS** that each Golf Town Entity shall provide each of the relevant landlords with notice of such Golf Town Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes such Golf Town Entity's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and such Golf Town Entity, or by further Order of this Court upon application by such Golf Town Entity on at least two (2) days' notice to such landlord and any such secured creditors. If such Golf Town

Entity disclaims or resiliates the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer or resiliation of the lease shall be without prejudice to such Golf Town Entity's claim to the fixtures in dispute.

14. **THIS COURT ORDERS** that if a notice of disclaimer or resiliation is delivered pursuant to Section 32 of the CCAA by any Golf Town Entity, then (a) during the notice period prior to the effective time of the disclaimer or resiliation, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the relevant Golf Town Entity and the Monitor 48 hours' prior written notice, and (b) at the effective time of the disclaimer or resiliation, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against such Golf Town Entity in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE GOLF TOWN ENTITIES OR THE PROPERTY

15. **THIS COURT ORDERS** that until and including October 14, 2016 or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of any of the Golf Town Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the applicable Golf Town Entity and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the Golf Town Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of any

of the Golf Town Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the applicable Golf Town Entity and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the Golf Town Entities to carry on any business which the Golf Town Entities are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the filing of any registration to preserve or perfect a security interest or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the Golf Town Entities except with the written consent of the Golf Town Entities and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy and/or exemption in favour of a Golf Town Entity shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

CONTINUATION OF SERVICES

18. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Golf Town Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, warranty services, transportation services, freight services, utility, customs clearing, warehouse and logistics services or other services, to the Business or the Golf Town Entities are 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 Golf Town Entities, and that the Golf Town Entities shall be entitled to the continued use of their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, 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 Golf Town Entities in accordance with normal payment practices of the

Golf Town Entities or such other practices as may be agreed upon by the supplier or service provider and each of the Golf Town Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Golf Town Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA. Nothing in this Order shall alter, impair, limit, affect or stay the rights of the DIP Agent, the DIP Lenders, the First Lien Agent or the First Lien Lenders with respect to the OMERS LC, including the right to draw the OMERS LC following the occurrence of an LC Draw Event (as defined in the DIP Agreement).

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

20. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Golf Town Entities or of Golf Town International Holdings GP Inc. ("**Holdings GP**") with respect to any claim against such directors or officers that arose before the date hereof and that relates to any obligations of the Golf Town Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

21. **THIS COURT ORDERS** that the Golf Town Entities shall indemnify (i) the current directors and officers of the Golf Town Entities and Holdings GP and (ii) all directors and officers who served as directors and officers of the Golf Town Entities or Holdings GP in the six month period prior to the date of this Order (collectively, the "**Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the Golf Town Entities or Holdings GP after the commencement of the within proceedings, including, without limitation,

in respect of any failure to pay wages and source deductions, vacation pay, severance and termination amounts or other payments of the nature referred to in paragraphs 7 to 9 of this Order, except to the extent that, with respect to any Director or Officer, the obligation or liability was incurred as a result of the Director's or Officer's gross negligence or wilful misconduct.

22. **THIS COURT ORDERS** that the Directors and Officers shall be entitled to the benefit of and are hereby granted a charge on the Property, which charge shall not exceed an aggregate amount of $3.7 million, as security for the indemnity provided in paragraph 21 of this Order in respect of any failure to pay wages and source deductions, vacation pay, severance and termination amounts, other employee-related amounts or Sales Taxes (the "**Priority Directors' Charge**"), and a charge on the Property, which charge shall not exceed an aggregate amount of $3.0 million, as security for the indemnity provided in paragraph 21 of this Order (the "**Directors' Charge**" and together with the Directors' Priority Charge, the "**Directors' Charges**"). The Directors' Charges shall have the priority set out in paragraphs 51 and 53 herein.

23. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charges and (b) the Directors and Officers shall only be entitled to the benefit of the Directors' Charges to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 21 of this Order.

APPROVAL OF JEFFERIES ENGAGEMENT

24. **THIS COURT ORDERS** that the agreement dated as of June 6, 2016 (the "**Jefferies Engagement Letter**") pursuant to which GT Canada has engaged Jefferies LLC ("**Jefferies**") to provide the services referenced therein is hereby approved as of the date of the Jefferies Engagement Letter, including, without limitation, the payment of fees and expenses contemplated thereby, and GT Canada is authorized to continue the engagement of Jefferies on the terms set out in the Jefferies Engagement Letter.

25. **THIS COURT ORDERS** that Jefferies shall be entitled to the benefit of and is hereby granted a charge (the "**Financial Advisor Charge**") on the Property, which charge shall not exceed an aggregate amount of US$1,062,500, as security for the Transaction Fee. The Financial Advisor Charge shall have the priority set out in paragraphs 51 and 53 hereof. The monthly fees and reasonable expenses of Jefferies payable to Jefferies pursuant to the Jefferies Engagement Letter shall be entitled to the benefit of the Administration Charge (as defined below).

26. **THIS COURT ORDERS** that any claims of Jefferies under the Jefferies Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**") in respect of the Golf Town Entities.

APPROVAL OF A&M ENGAGEMENT

27. **THIS COURT ORDERS** that the agreement dated as of September 13, 2016 (the "**A&M Engagement Letter**") pursuant to which GT Canada has engaged Alvarez & Marsal North America, LLC and Alvarez & Marsal Canada ULC (collectively, "**A&M**") to provide the services referenced therein, including, without limitation, the services of Brian E. Cejka as chief restructuring officer of GT Canada (the "**CRO**"), is hereby approved as of the date of the A&M Engagement Letter, including, without limitation, the payment of fees and expenses contemplated thereby, and GT Canada is authorized to continue the engagement of A&M and the CRO on the terms set out in the A&M Engagement Letter.

28. **THIS COURT ORDERS** that A&M shall be entitled to the benefit of the Administration Charge (as hereinafter defined) in respect of any obligations of GT Canada under the A&M Engagement Letter, whether for payment of compensation, fees, expenses, indemnities or otherwise.

29. **THIS COURT ORDERS** that any claims of A&M under the A&M Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under the BIA in respect of the Golf Town Entities.

APPOINTMENT OF MONITOR

30. **THIS COURT ORDERS** that FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Golf Town Entities with the powers and obligations set out in the CCAA and as set forth herein and that the Golf Town Entities and their shareholders, affiliates, officers, directors, advisors and Assistants shall advise the Monitor of all material steps taken by the Golf Town Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and the discharge of its obligations and shall provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

31. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the Golf Town Entities' receipts and disbursements, including advances and availability under the DIP Facility, compliance with the DIP Definitive Documents and Approved Budget and the operation of the Cash Management System;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business and such other matters as may be relevant to the proceedings herein;

(c) assist the Golf Town Entities, to the extent required by the Golf Town Entities, in their dissemination to the DIP Agent and its counsel on a periodic basis of financial and other information as agreed to between the Golf Town Entities and the DIP Agent under the DIP Definitive Documents or otherwise including reporting on a basis to be agreed with the DIP Agent;

(d) advise the Golf Town Entities in their preparation of the Golf Town Entities' cash flow statements and reporting required by the DIP Agent, which information shall be reviewed with the Monitor and delivered to the DIP Agent and its counsel on a periodic basis in accordance with the terms of the DIP Definitive Documents;

(e) advise and assist the Golf Town Entities in (i) their development and implementation of the Plan and any amendments to the Plan, and (ii) the development and implementation of a claims process if necessary;

(f) assist the Golf Town Entities, to the extent required by the Golf Town Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Company, to the extent that is necessary to adequately assess the Golf Town Entities' business and financial affairs (including the Cash Management System) or to perform its duties arising under this Order;

(h) monitor and consult with the Golf Town Entities, any Consultant and the Assistants, to the extent required, with any and all wind-down or store closure activities and/or any marketing or sale of any of the Property or Business of the Golf Town Entities;

(i) assist the Golf Town Entities in connection with the Golf Town Transaction;

(j) assist the Golf Town Entities with respect to any insolvency proceedings commenced by or with respect to any entities forming part of the Company in the United States or any other foreign jurisdiction (collectively, "**Foreign Proceedings**"), monitor and report to this Court, as it deems appropriate, on the Foreign Proceedings with respect to matters relating to the Golf Town Entities;

(k) be at liberty to serve as a "foreign representative" of the Golf Town Entities in any Foreign Proceedings;

(l) be at liberty to engage independent legal counsel, agents, experts, or such other persons as the Monitor deems necessary or advisable, including the services or employees of its affiliates, respecting the exercise of its powers and performance of its obligations under this Order;

(m) assist the Company and A&M in monitoring amounts secured by the Charges (as defined below) and in tracking receipts, paydowns of the DIP Facility and costs, expenses and disbursements pursuant to the Cash Management System or otherwise during the CCAA Proceedings and Chapter 11 Proceedings and reporting to the Court, as it deems appropriate, with respect to the allocation of such amounts, receipts, paydowns, costs, expenses and disbursements by and between the Golf Town Entities and the Golfsmith Entities; and

(n) perform such other duties as are required by this Order or by this Court from time to time.

32. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

34. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Golf Town Entities and the DIP Agent with information provided by the Golf Town Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Golf Town Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Golf Town Entities may agree.

35. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

36. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Golf Town Entities, A&M and Jefferies (collectively, the "**Administrative Parties**") shall be paid their reasonable fees and disbursements, in each case on the terms set forth in their respective engagement letters and at their standard rates and charges and whether incurred prior to, on or after the date hereof, by the Golf Town Entities as part of the costs of these proceedings. The Golf Town Entities are hereby authorized and directed to pay the accounts of the Administrative Parties in accordance with the payment terms agreed between the Golf Town Entities and such parties and, in addition, the Golf Town Entities are hereby authorized to have paid to each of the Monitor, the Monitor's counsel and A&M a retainer to be held as security for the payment of the fees and disbursements outstanding to the Monitor, the Monitor's counsel and A&M, as applicable, from time to time.

37. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

38. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, counsel to the Golf Town Entities, A&M and Jefferies (in respect of its monthly fees and expenses, but not in respect

of the Transaction Fee) shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of $1.6 million, as security for the professional fees and disbursements of the Monitor, counsel to the Monitor, counsel to the Golf Town Entities and A&M (incurred at their standard rates and charges and on the terms set forth in their respective engagement letters) and the monthly fees and expenses of Jefferies (in accordance with the Jefferies Engagement Letter), both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs 51 and 53 hereof.

DIP FINANCING

39. **THIS COURT ORDERS** that the Golf Town Entities are hereby authorized and empowered to obtain and borrow under a credit facility (the "**DIP Credit Facility**") pursuant to the Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement (as it may be amended, the "**DIP Agreement**") among the Applicants, Golf Town Operating Limited Partnership and the other credit parties thereto, Antares Capital LP (the "**DIP Agent**") and the lenders party thereto (the "**DIP Lenders**"), for the purposes set out in the DIP Agreement and the Approved Budget, provided that borrowings under the DIP Credit Facility shall not exceed US$135 million unless permitted by further Order of this Court.

40. **THIS COURT ORDERS** that the DIP Credit Facility shall be on the terms and subject to the conditions of the DIP Agreement in substantially the form attached as Exhibit "E" to the Roussy Affidavit.

41. **THIS COURT ORDERS** that the Golf Town Entities are hereby authorized and empowered to execute and deliver the DIP Agreement and such other credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other documents (collectively, and together with the DIP Agreement, the "**DIP Definitive Documents**") as may be reasonably required by the DIP Agent on behalf of the DIP Lenders in connection with the DIP Credit Facility, and the Golf Town Entities are hereby authorized and directed to pay and perform all of their indebtedness, interest, fees, liabilities and obligations to the DIP Agent and the DIP Lenders under and pursuant to the DIP Credit Facility and the DIP Definitive

Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

42. **THIS COURT ORDERS** that the DIP Credit Facility and the DIP Agreement are hereby approved and the DIP Lenders shall be entitled to the benefit of and are hereby granted a charge (the "**DIP Lenders' Charge**") on the Property as security for the Golf Town Entities' obligations to the DIP Lenders pursuant to the DIP Credit Facility and the DIP Definitive Documents, which DIP Lenders' Charge shall not secure an obligation that exists before this Order is made. The DIP Lenders' Charge shall have the priority set out in paragraphs 51 and 53 hereof.

43. **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP Lenders may take such steps from time to time as they may deem necessary or appropriate to file, register, record or perfect the DIP Lenders' Charge or any of the DIP Definitive Documents;

(b) upon the occurrence of an event of default under the DIP Definitive Documents or the DIP Lenders' Charge, the DIP Agent may, on behalf of the DIP Lenders, (i) cease making advances to the Golf Town Entities; and (ii) upon three (3) business days' written notice to the Golf Town Entities and the Monitor, exercise any and all of the respective rights and remedies of the DIP Agent and the DIP Lenders against the Golf Town Entities or the Property under or pursuant to the DIP Definitive Documents and the DIP Lenders' Charge, including without limitation (and without limiting the generality of paragraph 6 hereof), to set off and/or consolidate any amounts owing by the DIP Lenders to the Golf Town Entities against the obligations of the Golf Town Entities to the DIP Lenders under the DIP Definitive Documents or the DIP Lenders' Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the Golf Town Entities and for the appointment of a trustee in bankruptcy of the Golf Town Entities; and

(c) the foregoing rights and remedies of the DIP Agent on behalf of the DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of any of the Golf Town Entities or the Property.

44. **THIS COURT ORDERS AND DECLARES** that, unless otherwise agreed to in writing by the DIP Agent on behalf of the DIP Lenders, the DIP Agent and the DIP Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the Golf Town Entities under the CCAA, or any proposal filed by the Golf Town Entities under the BIA, with respect to any advances made pursuant to the DIP Facility or the DIP Definitive Documents.

KEIP GUARANTEE CHARGE

45. **THIS COURT ORDERS** that the execution of the KEIP Guarantee by GT Canada and Golf Town LP is hereby ratified and approved and GT Canada and Golf Town LP are hereby authorized and directed to perform their obligations under the KEIP Guarantee as such obligations may arise.

46. **THIS COURT ORDERS** that the beneficiaries of the KEIP are hereby granted a charge (the "**KEIP Guarantee Charge**") on the Property, which charge shall not exceed an aggregate amount of US$1,803,750, to secure the obligations of GT Canada and Golf Town LP under the KEIP Guarantee. The KEIP Guarantee Charge shall have the priority set out in paragraphs 51 and 53 hereof.

TRANSITION EMPLOYEE PLAN

47. **THIS COURT ORDERS** that the Transition Employee Plan described in the Roussy Affidavit is hereby approved and the Golf Town Entities are authorized to make payments to such of their employees as they may designate with the consent of the Monitor (the "**Transition Employees**") in accordance with the terms and conditions of the Transition Employee Plan.

48. **THIS COURT ORDERS** that the Transition Employees are hereby granted a charge (the "**Transition Employee Charge**") on the Property, which charge shall not exceed an aggregate amount of $80,000, to secure the obligations of the Golf Town Entities under the

Transition Employee Plan. The Transition Employee Charge shall have the priority set out in paragraphs 51 and 53 hereof.

INTERCOMPANY CHARGE

49. **THIS COURT ORDERS** that to the extent that a Golf Town Entity (in such capacity, the "**Beneficiary Entity**") receives a transfer from, or becomes indebted to, a U.S. Debtor (in such capacity, the "**Protected Entity**") from and after the date of this Order, including, without limitation, in connection with the provision of goods or services by a U.S. Debtor or the operation of the Cash Management System (each, an "**Intercompany Advance**"), then:

(a) the Protected Entity shall have a proven and valid claim against such Beneficiary Entity for the amount of such Intercompany Advance (an "**Intercompany Claim**"); and

(b) the Protected Entity is hereby granted a charge (an "**Intercompany Charge**") on the Property to secure the payment of the Intercompany Claim by the applicable Beneficiary Entity. The Intercompany Charge shall have the priority set out in paragraphs 51 and 53 hereof.

50. **THIS COURT ORDERS** that, pending further order of this Court, each Protected Entity shall forbear from exercising, and shall not be entitled to exercise, any right or remedy relating to an Intercompany Charge, including, without limitation, seeking relief from the stay of proceedings granted hereunder, seeking any sale, foreclosure, realization or liquidation of any Property of the Golf Town Entities, or taking any position with respect to any disposition of the Property.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

51. **THIS COURT ORDERS** that the priorities of the Administration Charge, the Priority Directors' Charge, the DIP Lenders' Charge, the Directors' Charge, the KEIP Guarantee Charge, the Transition Employee Charge, the Financial Advisor Charge and the Intercompany Charge (collectively, the "**Charges**") as among them, shall be as follows:

First – the Administration Charge;

Second – the Priority Directors' Charge;

Third – the DIP Lenders' Charge;

Fourth – the Directors' Charge;

Fifth – the KEIP Guarantee Charge and the Transition Employee Charge (*pari passu*);

Sixth – the Financial Advisor Charge; and

Seventh – the Intercompany Charge.

52. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

53. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, the "**Encumbrances**") in favour of any Person, notwithstanding the order of perfection or attachment, subject to the following:

(a) any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA existing as of the date hereof (the "**Secured Claims**"), other than any validly perfected security interest in respect of the Credit Facility and the Secured Notes, shall rank in priority to the Charges;

(b) the Administration Charge, the Priority Directors' Charge and the DIP Lenders' Charge shall rank in priority to any validly perfected security interest in respect of the Credit Facility or the Secured Notes; and

(c) the Directors' Charge, the KEIP Guarantee Charge, the Transition Employee Charge, the Financial Advisor Charge and the Intercompany Charge shall rank subordinate to any validly perfected security interest in respect of the Credit Facility and in priority to any validly perfected security interest in respect of the Secured Notes.

54. **THIS COURT ORDERS** that the Golf Town Entities shall be entitled to seek priority of the Charges ahead of all or certain of the Secured Claims on a subsequent motion on notice to those parties likely to be affected thereby.

55. **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the Golf Town Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Golf Town Entities also obtain the prior written consent of the Monitor and any Persons entitled to the benefit of the Charges (the "**Chargees**") affected thereby or further Order of this Court.

56. **THIS COURT ORDERS** that the Charges and the DIP Definitive Documents shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees and the rights and remedies of the DIP Lenders under the DIP Definitive Documents shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease, indenture or other agreement (collectively, an "**Agreement**") which binds any of the Golf Town Entities, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the DIP Definitive Documents shall create or be deemed to constitute a breach by the Golf Town Entities of any Agreement to which an Golf Town Entity is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any obligation or Agreement caused by or resulting from the creation of the Charges or the execution, delivery or performance of the DIP Definitive Documents; and

(c) the payments made by the Golf Town Entities pursuant to this Order or the DIP Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct or other challengeable or voidable transactions under any applicable law.

57. **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Golf Town Entities' interest in such real property leases.

SERVICE AND NOTICE

58. **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in the Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Golf Town Entities of more than $1,000 and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make publicly-available the claims, names and addresses of those creditors of the Golf Town Entities that are individuals.

59. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure.

Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a case website shall be established in accordance with the Protocol with the following URL: http://cfcanada.fticonsulting.com/GolfTown (the "**Website**").

60. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy of, or the timeliness of making any changes to, the Service List.

61. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Golf Town Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Golf Town Entities' creditors or other interested parties at their respective addresses as last shown on the records of the Golf Town Entities and that any such service or distribution shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof, (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

62. THIS COURT ORDERS that, except with respect to any motion to be heard on the Comeback Date (as defined below), and subject to further Order of this Court in respect of urgent motions, any interested party wishing to object to the relief sought in a motion brought in these proceedings shall, subject to further Order of this Court, provide the Service List with responding motion materials or a written notice (including by e-mail) stating its objection to the motion and the grounds for such objection no later than 5:00 p.m. EST on the date that is four (4) days prior to the date such motion is returnable (the "**Objection Deadline**"). The Monitor shall have the ability to extend the Objection Deadline after consulting with the Applicants.

63. THIS COURT ORDERS that following the expiry of the Objection Deadline, the Monitor or counsel to the Applicants shall inform the Court, including by way of a 9:30 a.m.

appointment, of the absence or the status of any objections to the motion and the judge having carriage of the motion may determine whether the motion should proceed at a 9:30 a.m. chambers appointment or otherwise on consent, or whether a hearing will be held in the ordinary course on the date specified in the notice of motion.

SEALING

64. **THIS COURT ORDERS** that the Confidential Supplement be permanently sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

GENERAL

65. **THIS COURT ORDERS** that the Golf Town Entities or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions concerning the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

66. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of any of the Golf Town Entities, the Business or the Property.

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

68. **THIS COURT ORDERS** that each of the Golf Town Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

69. **THIS COURT ORDERS** that any interested party (other than the Golf Town Entities and the Monitor) that wishes to amend or vary this Order shall bring a motion before this Court on a date to be set by this Court upon the granting of this Order (the "**Comeback Date**"), and any such interested party shall give seven (7) days' notice to any other party or parties likely to be affected by the relief sought by such party in advance of the Comeback Date.

70. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

_____

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

Court File No: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicants

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Court File No. ~~———~~_____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

THE HONOURABLE ~~———~~	**)**	**~~WEEKDAY~~WEDNESDAY, THE #14TH**
	)	
JUSTICE ~~———~~NEWBOULD	**)**	**DAY OF ~~MONTH~~SEPTEMBER, ~~20YR~~2016**

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF ~~[APPLICANT'S NAME] (the "Applicant")~~GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

INITIAL ORDER

THIS APPLICATION, made by ~~the Applicant~~Golf Town Canada Holdings Inc., Golf Town Canada Inc. ("**GT Canada**") and Golf Town GP II Inc. (collectively, the "**Applicants**"), pursuant to the *Companies~~'~~' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the ~~"~~"**CCAA**~~"~~") was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of ~~[NAME]~~David Roussy sworn ~~[DATE]~~September 13, 2016 and the ~~Exhibits thereto, and on being advised that the secured creditors who are likely to be affected by the charges created herein were given notice,~~exhibits thereto (the "**Roussy Affidavit**") and the pre-filing report dated September 13, 2016 of the proposed monitor, FTI Consulting Canada Inc. (the "**Monitor**") and on hearing the submissions of counsel for ~~[NAMES], no one appearing for [NAME][1] although duly served as appears from the affidavit of service of [NAME] sworn [DATE]~~the Golf Town Entities (as hereinafter defined), the Monitor, the First Lien Agent

and such other counsel as were present and wished to be heard, and on reading the consent of ~~[MONITOR'S NAME]~~FTI Consulting Canada Inc. to act as the Monitor,

SERVICE AND DEFINITIONS

1. **THIS COURT ORDERS** that the time for service of the Notice of Application and the Application Record is hereby abridged and validated~~.~~ so that this Application is properly returnable today and hereby dispenses with further service thereof.

2. **THIS COURT ORDERS** that capitalized terms used but not defined in this Order shall have the meanings given to them in the Roussy Affidavit.

APPLICATION

3. ~~2.~~ **THIS COURT ORDERS AND DECLARES** that the ~~Applicant is a company~~Applicants are companies to which the CCAA applies. Although not Applicants, Golf Town Operating Limited Partnership ("**Golf Town LP**") and Golfsmith International Holdings LP ("**Holdings LP**" and, together with the Applicants and Golf Town LP, the "**Golf Town Entities**" and each a "**Golf Town Entity**") shall have the benefit of the same protections and authorizations provided to the Applicants by this Order.

PLAN OF ARRANGEMENT

4. ~~3.~~ **THIS COURT ORDERS** that the ~~Applicant~~Golf Town Entities shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the ~~"~~"**Plan**~~"~~").

POSSESSION OF PROPERTY AND OPERATIONS

5. ~~4.~~ **THIS COURT ORDERS** that the ~~Applicant~~Golf Town Entities shall remain in possession and control of ~~its~~their current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the ~~"~~"**Property**~~"~~"). Subject to further Order of this Court, the ~~Applicant~~Golf Town Entities shall continue to carry on business in a manner consistent with the preservation of ~~its~~their business (the ~~"~~"**Business**~~"~~") and Property. The ~~Applicant is~~Golf Town Entities are authorized and empowered

to continue to retain and employ the employees, consultants, advisors, agents, experts, accountants, counsel and such other persons (collectively ", " **Assistants** ") currently retained or employed by it them, with liberty to retain such further Assistants as it deems they deem reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

6. 5. [**THIS COURT ORDERS** that the Applicant Golf Town Entities shall be entitled to continue to utilize the central cash management system[3] currently in place as described in the Roussy Affidavit of [NAME] sworn [DATE] or replace it with another substantially similar central cash management system (the " **Cash Management System** ") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant Golf Town Entities of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant Golf Town Entities, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.]

7. 6. **THIS COURT ORDERS** that the Applicant, in accordance with the Approved Budget (as defined in the DIP Agreement), the Golf Town Entities shall be entitled but not required to pay the following expenses and satisfy the following obligations whether incurred prior to, on or after the date of this Order to the extent that such expenses are incurred and payable by the Golf Town Entities:

(a) all outstanding and future wages, salaries, commissions, compensation, incentive payments, employee and pension benefits (including, without limitation, employee medical, dental, vision and similar benefit plans or arrangements), vacation pay and expenses payable on or after the date of this Order, in each case incurred in the ordinary

course of business and consistent with existing compensation policies and arrangements~~;~~ and all payroll processing expenses;

(b) all outstanding and future contributions to or payments in respect of the Group RRSP and the DPSP in the ordinary course of business and consistent with existing compensation policies and arrangements;

(c) ~~(b)~~ the fees and disbursements of any Assistants retained or employed by the ~~Applicant~~Golf Town Entities in respect of these proceedings~~, at their standard rates and charges.~~ or any other similar or ancillary proceedings in other jurisdictions or in respect of related corporate matters, in accordance with the terms of their respective engagements;

(d) all outstanding and future amounts owing in respect of Customer Programs and Customer Deposits or other amounts on account of similar customer programs or obligations;

(e) all outstanding and future amounts related to honouring gift cards;

(f) with the consent of the Monitor, amounts owing for goods or services supplied to the Golf Town Entities prior to the date of this Order by:

(i) logistics or supply chain providers, including transportation providers, customs brokers and freight forwarders;

(ii) providers of credit, debit, gift card or other payment processing services; and

(iii) other third party suppliers if, in the opinion of the Golf Town Entities, such payment is necessary to maintain the uninterrupted operations of the Business or the Golf Town Entities.

8. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the ~~Applicant~~Golf Town Entities shall be entitled but not required to pay all reasonable expenses incurred by the ~~Applicant~~Golf Town Entities in carrying on the Business in the ordinary course on

or after the date of this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

(a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance and directors and officers run-off insurance), maintenance and security services; and

(b) payment for goods or services ~~actually~~ supplied or to ~~the Applicant following~~be supplied to the Golf Town Entities on or after the date of this Order or to obtain the release of goods contracted for prior to the date of this Order.

9. ~~8.~~ **THIS COURT ORDERS** that the ~~Applicant~~Golf Town Entities shall remit, in accordance with legal requirements, or pay:

(a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, (iii) Quebec Pension Plan, and (iv) income taxes;

(b) all goods and services taxes, harmonized sales taxes or other applicable sales taxes (collectively, ~~"~~"**Sales Taxes**~~"~~") required to be remitted by the ~~Applicant~~Golf Town Entities in connection with the sale of goods and services by the ~~Applicant~~Golf Town Entities, but only where such Sales Taxes are accrued or collected after the date of this Order, or where such Sales Taxes were accrued or collected prior to the date of this Order but not ~~required to be~~ remitted until on or after the date of this Order~~,~~; and

(c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the ~~Applicant.~~Golf Town Entities.

~~9. THIS COURT ORDERS that until a real property lease is disclaimed **[or resiliated]**[4] in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.~~

10. **THIS COURT ORDERS** that, except as specifically permitted herein, the Golf Town Entities are hereby directed, until further Order of this Court to:

(a) ~~10. THIS COURT ORDERS that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to~~ make no payments of principal, interest thereon or otherwise on account of amounts owing by the ~~Applicant~~Golf Town Entities to any of ~~its~~their creditors as of this date~~; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of its Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business.~~ , provided however that the Golf Town Entities are authorized and directed to make all such payments as required pursuant to and in accordance with the DIP Agreement (as hereinafter defined), including, without limitation, payments on account of principal, interest, fees and reimbursable costs in respect of the Credit Facility;

(b) grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of their Property; and

(c) not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order or any other Order of this Court.

RESTRUCTURING

11. **THIS COURT ORDERS** that the ~~Applicant~~Golf Town Entities shall, subject to such requirements as are imposed by the CCAA and such covenants as may be contained in the DIP Definitive Documents (as hereinafter defined) or the Golf Town APA, have the right to:

(a) permanently or temporarily cease, downsize or shut down any of ~~its business~~their Business or operations, ~~[~~and to dispose of redundant or non-material assets not exceeding $~~●~~1 million in any one transaction or $~~●~~2 million in the aggregate~~]~~[5];

(b) sell assets not exceeding $1 million in any one transaction or $2 million in the aggregate;

(c) ~~(b) [~~terminate the employment of such of ~~its~~their employees or temporarily or indefinitely lay off such of ~~its~~their employees as ~~it deems~~they deem appropriate~~]~~; ~~and~~

(d) subject to the requirements of the CCAA and paragraphs 13 and 14 of this Order, vacate, abandon or quit any leased premises and disclaim or resiliate any real property lease and any ancillary agreements relating to any leased premises;

(e) disclaim, in whole or in part, such of their arrangements or agreements of any nature whatsoever with whomsoever, whether oral or written, as the Golf Town Entities deem appropriate, in accordance with Section 32 of the CCAA, provided that the Golf Town Entities shall not be permitted to disclaim any of the DIP Definitive Documents;

(f) with the consent of the Monitor, engage an agent and/or consultant (a "**Consultant**") to assist in respect of a sale of inventory, furniture, equipment and fixtures forming part of the Property; and

(g) ~~(c)~~ pursue all avenues of refinancing of ~~its~~their Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the ~~Applicant~~Golf Town Entities to proceed with an orderly restructuring of the Business ~~(the "Restructuring")~~.

REAL PROPERTY LEASES

12. **THIS COURT ORDERS** that until a real property lease is disclaimed or resiliated in accordance with the CCAA, the Golf Town Entities shall pay, without duplication, all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease but, for greater certainty, excluding accelerated rent or penalties, fees or other charges arising as a result of the insolvency of the Golf Town Entities or the making of this Order) or as otherwise may be negotiated between the applicable Golf Town Entity and the landlord from time to time ("**Rent**"), for the period commencing from and including the date of this Order, twice-monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.

13. ~~12.~~ **THIS COURT ORDERS** that ~~the Applicant~~each Golf Town Entity shall provide each of the relevant landlords with notice of ~~the Applicant~~such Golf Town Entity's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes ~~the Applicant~~such Golf Town Entity's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and ~~the Applicant~~such Golf Town Entity, or by further Order of this Court upon application by ~~the Applicant~~such Golf Town Entity on at least two (2) days' notice to such landlord and any such secured creditors. If ~~the Applicant~~such Golf Town Entity disclaims ~~[~~or resiliates~~]~~ the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer ~~[~~or resiliation~~]~~ of the lease shall be without prejudice to ~~the Applicant's~~such Golf Town Entity's claim to the fixtures in dispute.

14. ~~13.~~ **THIS COURT ORDERS** that if a notice of disclaimer ~~[~~or resiliation~~]~~ is delivered pursuant to Section 32 of the CCAA by any Golf Town Entity, then (a) during the notice period

prior to the effective time of the disclaimer ~~[~~or resiliation~~]~~, the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the ~~Applicant~~relevant Golf Town Entity and the Monitor ~~24~~48 hours~~'~~' prior written notice, and (b) at the effective time of the disclaimer ~~[~~or resiliation~~]~~, the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against ~~the Applicant~~such Golf Town Entity in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.

NO PROCEEDINGS AGAINST THE ~~APPLICANT~~GOLF TOWN ENTITIES OR THE PROPERTY

15. ~~14.~~ **THIS COURT ORDERS** that until and including ~~[DATE – MAX. 30 DAYS]~~,October 14, 2016 or such later date as this Court may order (the ~~"~~"**Stay Period**~~"~~"), no proceeding or enforcement process in any court or tribunal (each, a ~~"~~"**Proceeding**~~"~~") shall be commenced or continued against or in respect of any of the ~~Applicant~~Golf Town Entities or the Monitor, or affecting the Business or the Property, except with the written consent of the ~~Applicant~~applicable Golf Town Entity and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of any of the ~~Applicant~~Golf Town Entities or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

16. ~~15.~~ **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency~~,~~ or any other entities (all of the foregoing, collectively being ~~"~~"**Persons**~~"~~" and each being a ~~"~~"**Person**~~"~~") against or in respect of any of the ~~Applicant~~Golf Town Entities or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the ~~Applicant~~applicable Golf Town Entity and the Monitor, or leave of this Court, provided that nothing in this Order shall (i) empower the ~~Applicant~~Golf Town Entities to carry on any business which the ~~Applicant is~~Golf Town Entities are not lawfully entitled to carry on, (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA, (iii) prevent the

filing of any registration to preserve or perfect a security interest~~,~~ or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

17. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, lease, sublease, licence or permit in favour of or held by the ~~Applicant,~~Golf Town Entities except with the written consent of the ~~Applicant~~Golf Town Entities and the Monitor, or leave of this Court. Without limiting the foregoing, no right, option, remedy and/or exemption in favour of a Golf Town Entity shall be or shall be deemed to be negated, suspended, waived and/or terminated as a result of this Order.

CONTINUATION OF SERVICES

18. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the ~~Applicant~~Golf Town Entities or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, warranty services, transportation services, ~~utility~~freight services, utility, customs clearing, warehouse and logistics services or other services, to the Business or the ~~Applicant,~~Golf Town Entities are 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 ~~Applicant~~Golf Town Entities, and that the ~~Applicant~~Golf Town Entities shall be entitled to the continued use of ~~its~~their current premises, telephone numbers, facsimile numbers, internet addresses and domain names, 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 ~~Applicant~~Golf Town Entities in accordance with normal payment practices of the ~~Applicant~~Golf Town Entities or such other practices as may be agreed upon by the supplier or service provider and each of the ~~Applicant~~Golf Town Entities and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

19. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of ~~lease~~leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the ~~Applicant~~Golf Town Entities. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.[6] Nothing in this Order shall alter, impair, limit, affect or stay the rights of the DIP Agent, the DIP Lenders, the First Lien Agent or the First Lien Lenders with respect to the OMERS LC, including the right to draw the OMERS LC following the occurrence of an LC Draw Event (as defined in the DIP Agreement).

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

20. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the ~~Applicant~~Golf Town Entities or of Golf Town International Holdings GP Inc. ("**Holdings GP**") with respect to any claim against ~~the~~such directors or officers that arose before the date hereof and that relates to any obligations of the ~~Applicant~~Golf Town Entities whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations~~, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court~~.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

21. ~~20.~~ **THIS COURT ORDERS** that the ~~Applicant shall indemnify its directors and officers~~Golf Town Entities shall indemnify (i) the current directors and officers of the Golf Town Entities and Holdings GP and (ii) all directors and officers who served as directors and officers of the Golf Town Entities or Holdings GP in the six month period prior to the date of this Order (collectively, the "**Directors and Officers**") against obligations and liabilities that they may incur as directors or officers of the ~~Applicant~~Golf Town Entities or Holdings GP after the

commencement of the within proceedings,[7] including, without limitation, in respect of any failure to pay wages and source deductions, vacation pay, severance and termination amounts or other payments of the nature referred to in paragraphs 7 to 9 of this Order, except to the extent that, with respect to any ~~officer~~Director or ~~director~~Officer, the obligation or liability was incurred as a result of the ~~director'~~Director's or ~~officer'~~Officer's gross negligence or wilful misconduct.

22. ~~21.~~ **THIS COURT ORDERS** that the ~~directors and officers of the Applicant~~Directors and Officers shall be entitled to the benefit of and are hereby granted a charge ~~(the "Directors' Charge")~~[8] on the Property, which charge shall not exceed an aggregate amount of $~~●~~3.7 million, as security for the indemnity provided in paragraph ~~**[20]** of this Order. The Directors' Charge~~21 of this Order in respect of any failure to pay wages and source deductions, vacation pay, severance and termination amounts, other employee-related amounts or Sales Taxes (the "**Priority Directors' Charge**"), and a charge on the Property, which charge shall not exceed an aggregate amount of $3.0 million, as security for the indemnity provided in paragraph 21 of this Order (the "**Directors' Charge**" and together with the Directors' Priority Charge, the "**Directors' Charges**"). The Directors' Charges shall have the priority set out in paragraphs ~~**[38]**~~51 and ~~**[40]**~~53 herein.

23. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors~~' Charge,~~' Charges and (b) the ~~Applicant's directors~~Directors and ~~officers~~Officers shall only be entitled to the benefit of the Directors~~' Charge~~' Charges to the extent that they do not have coverage under any directors~~'~~' and officers~~'~~' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~**[20]**~~21 of this Order.

APPROVAL OF JEFFERIES ENGAGEMENT

24. **THIS COURT ORDERS** that the agreement dated as of June 6, 2016 (the "**Jefferies Engagement Letter**") pursuant to which GT Canada has engaged Jefferies LLC ("**Jefferies**") to provide the services referenced therein is hereby approved as of the date of the Jefferies Engagement Letter, including, without limitation, the payment of fees and expenses contemplated

thereby, and GT Canada is authorized to continue the engagement of Jefferies on the terms set out in the Jefferies Engagement Letter.

25. **THIS COURT ORDERS** that Jefferies shall be entitled to the benefit of and is hereby granted a charge (the "**Financial Advisor Charge**") on the Property, which charge shall not exceed an aggregate amount of US$1,062,500, as security for the Transaction Fee. The Financial Advisor Charge shall have the priority set out in paragraphs 51 and 53 hereof. The monthly fees and reasonable expenses of Jefferies payable to Jefferies pursuant to the Jefferies Engagement Letter shall be entitled to the benefit of the Administration Charge (as defined below).

26. **THIS COURT ORDERS** that any claims of Jefferies under the Jefferies Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under the *Bankruptcy and Insolvency Act* of Canada (the "**BIA**") in respect of the Golf Town Entities.

APPROVAL OF A&M ENGAGEMENT

27. **THIS COURT ORDERS** that the agreement dated as of September 13, 2016 (the "**A&M Engagement Letter**") pursuant to which GT Canada has engaged Alvarez & Marsal North America, LLC and Alvarez & Marsal Canada ULC (collectively, "**A&M**") to provide the services referenced therein, including, without limitation, the services of Brian E. Cejka as chief restructuring officer of GT Canada (the "**CRO**"), is hereby approved as of the date of the A&M Engagement Letter, including, without limitation, the payment of fees and expenses contemplated thereby, and GT Canada is authorized to continue the engagement of A&M and the CRO on the terms set out in the A&M Engagement Letter.

28. **THIS COURT ORDERS** that A&M shall be entitled to the benefit of the Administration Charge (as hereinafter defined) in respect of any obligations of GT Canada under the A&M Engagement Letter, whether for payment of compensation, fees, expenses, indemnities or otherwise.

29. **THIS COURT ORDERS** that any claims of A&M under the A&M Engagement Letter shall be treated as unaffected and may not be compromised in any Plan or proposal filed under the BIA in respect of the Golf Town Entities.

APPOINTMENT OF MONITOR

30. ~~23.~~ **THIS COURT ORDERS** that ~~[MONITOR'S NAME]~~FTI Consulting Canada Inc. is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the ~~Applicant~~Golf Town Entities with the powers and obligations set out in the CCAA ~~or~~and as set forth herein and that the ~~Applicant~~Golf Town Entities and ~~its~~their shareholders, affiliates, officers, directors, advisors and Assistants shall advise the Monitor of all material steps taken by the ~~Applicant~~Golf Town Entities pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and the discharge of its obligations and shall provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor~~'~~'s functions.

31. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

(a) monitor the ~~Applicant's~~Golf Town Entities' receipts and disbursements, including advances and availability under the DIP Facility, compliance with the DIP Definitive Documents and Approved Budget and the operation of the Cash Management System;

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business~~,~~ and such other matters as may be relevant to the proceedings herein;

(c) assist the ~~Applicant~~Golf Town Entities, to the extent required by the ~~Applicant~~Golf Town Entities, in ~~its~~their dissemination~~,~~ to the DIP ~~Lender~~Agent and its counsel on a ~~[TIME INTERVAL]~~periodic basis of financial and other information as agreed to between the ~~Applicant~~Golf Town Entities and the DIP ~~Lender which may be used in these proceedings~~Agent under the DIP Definitive Documents or otherwise including reporting on a basis to be agreed with the DIP ~~Lender~~Agent;

(d) advise the ~~Applicant~~Golf Town Entities in ~~its~~their preparation of the ~~Applicant's~~Golf Town Entities' cash flow statements and reporting required by the DIP ~~Lender~~Agent, which information shall be reviewed with the Monitor and delivered to the DIP ~~Lender~~Agent and its counsel on a periodic basis~~, but not less than [TIME INTERVAL],~~

~~or as otherwise agreed to by the DIP Lender~~ in accordance with the terms of the DIP Definitive Documents;

(e) advise and assist the ~~Applicant~~Golf Town Entities in ~~its~~(i) their development and implementation of the Plan and any amendments to the Plan, and (ii) the development and implementation of a claims process if necessary;

(f) assist the ~~Applicant~~Golf Town Entities, to the extent required by the ~~Applicant~~Golf Town Entities, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;

(g) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the ~~Applicant~~Company, to the extent that is necessary to adequately assess the ~~Applicant's~~Golf Town Entities' business and financial affairs (including the Cash Management System) or to perform its duties arising under this Order;

(h) monitor and consult with the Golf Town Entities, any Consultant and the Assistants, to the extent required, with any and all wind-down or store closure activities and/or any marketing or sale of any of the Property or Business of the Golf Town Entities;

(i) assist the Golf Town Entities in connection with the Golf Town Transaction;

(j) assist the Golf Town Entities with respect to any insolvency proceedings commenced by or with respect to any entities forming part of the Company in the United States or any other foreign jurisdiction (collectively, "**Foreign Proceedings**"), monitor and report to this Court, as it deems appropriate, on the Foreign Proceedings with respect to matters relating to the Golf Town Entities;

(k) be at liberty to serve as a "foreign representative" of the Golf Town Entities in any Foreign Proceedings;

(l) ~~(h)~~ be at liberty to engage independent legal counsel, agents, experts, or such other persons as the Monitor deems necessary or advisable, including the services or

employees of its affiliates, respecting the exercise of its powers and performance of its obligations under this Order;

(m) assist the Company and A&M in monitoring amounts secured by the Charges (as defined below) and in tracking receipts, paydowns of the DIP Facility and costs, expenses and disbursements pursuant to the Cash Management System or otherwise during the CCAA Proceedings and Chapter 11 Proceedings and reporting to the Court, as it deems appropriate, with respect to the allocation of such amounts, receipts, paydowns, costs, expenses and disbursements by and between the Golf Town Entities and the Golfsmith Entities; and

(n) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

32. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

33. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, ~~"~~"**Possession**~~"~~") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant~~,~~ or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the ~~"~~"**Environmental Legislation**~~"~~"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor~~'~~'s duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

34. ~~27.~~ **THIS COURT ORDERS** that ~~that~~ the Monitor shall provide any creditor of the ~~Applicant~~Golf Town Entities and the DIP ~~Lender~~Agent with information provided by the ~~Applicant~~Golf Town Entities in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the ~~Applicant~~Golf Town Entities is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the ~~Applicant~~Golf Town Entities may agree.

35. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

36. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor ~~and,~~ counsel to the ~~Applicant~~Golf Town Entities, A&M and Jefferies (collectively, the "**Administrative Parties**") shall be paid their reasonable fees and disbursements, in each case on the terms set forth in their respective engagement letters and at their standard rates and charges and whether incurred prior to, on or after the date hereof, by the ~~Applicant~~Golf Town Entities as part of the costs of these proceedings. The ~~Applicant is~~Golf Town Entities are hereby authorized and directed to pay the accounts of the ~~Monitor, counsel for the Monitor and counsel for the Applicant on a [TIME INTERVAL] basis and, in addition, the Applicant is~~Administrative Parties in accordance with the payment terms agreed between the Golf Town Entities and such parties and, in addition, the Golf Town Entities are hereby authorized to ~~pay~~have paid to each of the Monitor, the Monitor's counsel ~~to the Monitor,~~ and ~~counsel to the Applicant, retainers in the amount[s] of $● [, respectively,]~~A&M a retainer to be held ~~by them~~ as security for the payment of ~~their respective~~the fees and disbursements outstanding to the Monitor, the Monitor's counsel and A&M, as applicable, from time to time.

37. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

38. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any, and the Applicant's~~ counsel to the Golf Town Entities, A&M and Jefferies (in respect of its monthly fees and expenses, but not in respect of the Transaction Fee) shall be entitled to the benefit of and are hereby granted a charge (the ~~"~~"**Administration Charge**~~"~~") on the Property, which charge shall not exceed an aggregate amount of $~~●~~1.6 million, as security for ~~their~~the professional fees and disbursements of the Monitor, counsel to the Monitor, counsel to the Golf Town Entities and A&M (incurred at ~~the~~their standard rates and charges ~~of the Monitor and such counsel~~and on the terms set forth in their respective engagement letters) and the monthly fees and expenses of Jefferies (in accordance with the Jefferies Engagement Letter), both before and after the making of this Order in respect of these proceedings. The Administration Charge shall have the priority set out in paragraphs ~~**[38]**~~51 and ~~**[40]**~~53 hereof.

DIP FINANCING

39. ~~32.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Golf Town Entities are hereby authorized and empowered to obtain and borrow under a credit facility ~~from [DIP LENDER'S NAME]~~ (the ~~"DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures~~"**DIP Credit Facility**") pursuant to the Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement (as it may be amended, the "**DIP Agreement**") among the Applicants, Golf Town Operating Limited Partnership and the other credit parties thereto, Antares Capital LP (the "**DIP Agent**") and the lenders party thereto (the "**DIP Lenders**"), for the purposes set out in the DIP Agreement and the Approved Budget, provided that borrowings under ~~such credit facility~~the DIP Credit Facility shall not exceed ~~$~~~~●~~US$135 million unless permitted by further Order of this Court.

40. ~~33.~~ **THIS COURT ORDERS** ~~THAT such credit facility~~that the DIP Credit Facility shall be on the terms and subject to the conditions ~~set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed~~of the DIP Agreement in substantially the form attached as Exhibit "E" to the Roussy Affidavit.

41. ~~34.~~ **THIS COURT ORDERS** that the ~~Applicant is~~Golf Town Entities are hereby authorized and empowered to execute and deliver the DIP Agreement and such other credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other ~~definitive~~ documents (collectively, ~~the "~~and together with the DIP Agreement, the "**DIP Definitive Documents**~~"), as are contemplated by the Commitment Letter or~~") as may be reasonably required by the DIP ~~Lender pursuant to the terms thereof, and the Applicant is~~Agent on behalf of the DIP Lenders in connection with the DIP Credit Facility, and the Golf Town Entities are hereby authorized and directed to pay and perform all of ~~its~~their indebtedness, interest, fees, liabilities and obligations to the DIP ~~Lender~~Agent and the DIP Lenders under and pursuant to the ~~Commitment Letter~~DIP Credit Facility and the DIP Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.

42. ~~35.~~ **THIS COURT ORDERS** that the DIP ~~Lender~~Credit Facility and the DIP Agreement are hereby approved and the DIP Lenders shall be entitled to the benefit of and ~~is~~are hereby granted a charge (the ~~"~~"**DIP ~~Lender's~~Lenders' Charge**~~") on the Property, which DIP Lender's~~") on the Property as security for the Golf Town Entities' obligations to the DIP Lenders pursuant to the DIP Credit Facility and the DIP Definitive Documents, which DIP Lenders' Charge shall not secure an obligation that exists before this Order is made. The DIP ~~Lender's~~Lenders' Charge shall have the priority set out in paragraphs ~~**[38]**~~51 and ~~**[40]**~~53 hereof.

43. ~~36.~~ **THIS COURT ORDERS** that, notwithstanding any other provision of this Order:

(a) the DIP ~~Lender~~Lenders may take such steps from time to time as ~~it~~they may deem necessary or appropriate to file, register, record or perfect the DIP ~~Lender's~~Lenders' Charge or any of the DIP Definitive Documents;

(b) upon the occurrence of an event of default under the DIP Definitive Documents or the DIP ~~Lender's~~Lenders' Charge, the DIP ~~Lender, upon ●~~Agent may, on behalf of the DIP Lenders, (i) cease making advances to the Golf Town Entities; and (ii) upon three (3) business days' written notice to the ~~Applicant~~Golf Town Entities and the Monitor, ~~may~~ exercise any and all of ~~its~~the respective rights and remedies of the DIP Agent and the DIP Lenders against the ~~Applicant~~Golf Town Entities or the Property under or pursuant to the ~~Commitment Letter,~~DIP Definitive Documents and the DIP

~~Lender's~~Lenders' Charge, including without limitation~~, to cease making advances to the Applicant and~~ (and without limiting the generality of paragraph 6 hereof), to set off and/or consolidate any amounts owing by the DIP ~~Lender~~Lenders to the ~~Applicant~~Golf Town Entities against the obligations of the ~~Applicant~~Golf Town Entities to the DIP ~~Lender~~Lenders under the ~~Commitment Letter, the~~DIP Definitive Documents or the DIP ~~Lender's~~Lenders' Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a bankruptcy order against the ~~Applicant~~Golf Town Entities and for the appointment of a trustee in bankruptcy of the ~~Applicant~~Golf Town Entities; and

(c) the foregoing rights and remedies of the DIP ~~Lender~~Agent on behalf of the DIP Lenders shall be enforceable against any trustee in bankruptcy, interim receiver, receiver or receiver and manager of any of the ~~Applicant~~Golf Town Entities or the Property.

44. ~~37.~~ **THIS COURT ORDERS AND DECLARES** that ~~the DIP Lender~~, unless otherwise agreed to in writing by the DIP Agent on behalf of the DIP Lenders, the DIP Agent and the DIP Lenders shall be treated as unaffected in any plan of arrangement or compromise filed by the ~~Applicant~~Golf Town Entities under the CCAA, or any proposal filed by the ~~Applicant under the *Bankruptcy and Insolvency Act* of Canada (the "BIA")~~Golf Town Entities under the BIA, with respect to any advances made ~~under the~~pursuant to the DIP Facility or the DIP Definitive Documents.

KEIP GUARANTEE CHARGE

45. **THIS COURT ORDERS** that the execution of the KEIP Guarantee by GT Canada and Golf Town LP is hereby ratified and approved and GT Canada and Golf Town LP are hereby authorized and directed to perform their obligations under the KEIP Guarantee as such obligations may arise.

46. **THIS COURT ORDERS** that the beneficiaries of the KEIP are hereby granted a charge (the "**KEIP Guarantee Charge**") on the Property, which charge shall not exceed an aggregate

amount of US$1,803,750, to secure the obligations of GT Canada and Golf Town LP under the KEIP Guarantee. The KEIP Guarantee Charge shall have the priority set out in paragraphs 51 and 53 hereof.

TRANSITION EMPLOYEE PLAN

47. **THIS COURT ORDERS** that the Transition Employee Plan described in the Roussy Affidavit is hereby approved and the Golf Town Entities are authorized to make payments to such of their employees as they may designate with the consent of the Monitor (the "**Transition Employees**") in accordance with the terms and conditions of the Transition Employee Plan.

48. **THIS COURT ORDERS** that the Transition Employees are hereby granted a charge (the "**Transition Employee Charge**") on the Property, which charge shall not exceed an aggregate amount of $80,000, to secure the obligations of the Golf Town Entities under the Transition Employee Plan. The Transition Employee Charge shall have the priority set out in paragraphs 51 and 53 hereof.

INTERCOMPANY CHARGE

49. **THIS COURT ORDERS** that to the extent that a Golf Town Entity (in such capacity, the "**Beneficiary Entity**") receives a transfer from, or becomes indebted to, a U.S. Debtor (in such capacity, the "**Protected Entity**") from and after the date of this Order, including, without limitation, in connection with the provision of goods or services by a U.S. Debtor or the operation of the Cash Management System (each, an "**Intercompany Advance**"), then:

(a) the Protected Entity shall have a proven and valid claim against such Beneficiary Entity for the amount of such Intercompany Advance (an "**Intercompany Claim**"); and

(b) the Protected Entity is hereby granted a charge (an "**Intercompany Charge**") on the Property to secure the payment of the Intercompany Claim by the applicable Beneficiary Entity. The Intercompany Charge shall have the priority set out in paragraphs 51 and 53 hereof.

50. **THIS COURT ORDERS** that, pending further order of this Court, each Protected Entity shall forbear from exercising, and shall not be entitled to exercise, any right or remedy relating to

an Intercompany Charge, including, without limitation, seeking relief from the stay of proceedings granted hereunder, seeking any sale, foreclosure, realization or liquidation of any Property of the Golf Town Entities, or taking any position with respect to any disposition of the Property.

VALIDITY AND PRIORITY OF CHARGES CREATED BY THIS ORDER

51. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the~~ Administration Charge ~~and the DIP Lender's~~, the Priority Directors' Charge, the DIP Lenders' Charge, the Directors' Charge, the KEIP Guarantee Charge, the Transition Employee Charge, the Financial Advisor Charge and the Intercompany Charge (collectively, the "**Charges**") as among them, shall be as follows[9]:

First – the Administration Charge ~~(to the maximum amount of $●)~~;

Second – ~~DIP Lender's~~the Priority Directors' Charge; ~~and~~

Third – the DIP Lenders' Charge;

Fourth – the Directors' Charge ~~(to the maximum amount of $●).~~;

Fifth – the KEIP Guarantee Charge and the Transition Employee Charge (*pari passu*);

Sixth – the Financial Advisor Charge; and

Seventh – the Intercompany Charge.

52. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge (collectively, the "Charges")~~Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

53. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~Charges shall

constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges ~~and~~, encumbrances~~,~~ and claims of secured creditors, statutory or otherwise (collectively, ~~"~~the "**Encumbrances**~~"~~") in favour of any Person~~.~~, notwithstanding the order of perfection or attachment, subject to the following:

(a) any validly perfected security interest in favour of a "secured creditor" as defined in the CCAA existing as of the date hereof (the "**Secured Claims**"), other than any validly perfected security interest in respect of the Credit Facility and the Secured Notes, shall rank in priority to the Charges;

(b) the Administration Charge, the Priority Directors' Charge and the DIP Lenders' Charge shall rank in priority to any validly perfected security interest in respect of the Credit Facility or the Secured Notes; and

(c) the Directors' Charge, the KEIP Guarantee Charge, the Transition Employee Charge, the Financial Advisor Charge and the Intercompany Charge shall rank subordinate to any validly perfected security interest in respect of the Credit Facility and in priority to any validly perfected security interest in respect of the Secured Notes.

54. **THIS COURT ORDERS** that the Golf Town Entities shall be entitled to seek priority of the Charges ahead of all or certain of the Secured Claims on a subsequent motion on notice to those parties likely to be affected thereby.

55. ~~41.~~ **THIS COURT ORDERS** that except as otherwise expressly provided for herein, or as may be approved by this Court, the ~~Applicant~~Golf Town Entities shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~Charges, unless the ~~Applicant~~Golf Town Entities also ~~obtains~~obtain the prior written consent of the Monitor~~, the DIP Lender and the beneficiaries of the Directors' Charge and the Administration Charge~~, and any Persons entitled to the benefit of the Charges (the "**Chargees**") affected thereby or further Order of this Court.

56. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the~~Charges and the DIP Definitive Documents ~~and the DIP Lender's Charge~~ shall not be rendered invalid or unenforceable and the rights and remedies of the ~~chargees entitled~~

~~to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder~~Chargees and the rights and remedies of the DIP Lenders under the DIP Definitive Documents shall not otherwise be limited or impaired in any way by (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease, indenture or other agreement (collectively, an ~~"~~"**Agreement**~~"~~") which binds any of the ~~Applicant~~Golf Town Entities, and notwithstanding any provision to the contrary in any Agreement:

(a) neither the creation of the Charges nor the execution, delivery, perfection, registration or performance of the ~~Commitment Letter or the~~DIP Definitive Documents shall create or be deemed to constitute a breach by the ~~Applicant~~Golf Town Entities of any Agreement to which ~~it~~an Golf Town Entity is a party;

(b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any obligation or Agreement caused by or resulting from the ~~Applicant entering into the Commitment Letter, the~~ creation of the Charges~~,~~ or the execution, delivery or performance of the DIP Definitive Documents; and

(c) the payments made by the ~~Applicant~~Golf Town Entities pursuant to this Order~~, the Commitment Letter~~ or the DIP Definitive Documents, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct~~,~~ or other challengeable or voidable transactions under any applicable law.

57. ~~43.~~ **THIS COURT ORDERS** that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the ~~Applicant's~~Golf Town Entities' interest in such real property leases.

SERVICE AND NOTICE

58. ~~44.~~ **THIS COURT ORDERS** that the Monitor shall (i) without delay, publish in ~~[newspapers specified by the Court]~~the Globe and Mail (National Edition) and La Presse a notice containing the information prescribed under the CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the ~~Applicant~~Golf Town Entities of more than $~~1000,~~1,000 and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims~~,~~ and make it publicly available in the prescribed manner, all in accordance with Section 23(1)(a) of the CCAA and the regulations made thereunder, provided that the Monitor shall not make publicly-available the claims, names and addresses of those creditors of the Golf Town Entities that are individuals.

59. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at ~~http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/~~http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a ~~Case Website~~case website shall be established in accordance with the Protocol with the following URL ~~'<@>'~~: http://cfcanada.fticonsulting.com/GolfTown (the "**Website**").

60. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in this proceeding (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy of, or the timeliness of making any changes to, the Service List.

61. ~~46.~~ **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the ~~Applicant~~Golf Town Entities and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the ~~Applicant's~~Golf Town Entities' creditors or other interested parties at their respective addresses as last shown on the records of the ~~Applicant~~Golf Town Entities and that any such service or distribution ~~by courier, personal delivery or facsimile transmission~~ shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof, ~~or~~(b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered, and (c) if sent by ordinary mail, on the third business day after mailing.

62. THIS COURT ORDERS that, except with respect to any motion to be heard on the Comeback Date (as defined below), and subject to further Order of this Court in respect of urgent motions, any interested party wishing to object to the relief sought in a motion brought in these proceedings shall, subject to further Order of this Court, provide the Service List with responding motion materials or a written notice (including by e-mail) stating its objection to the motion and the grounds for such objection no later than 5:00 p.m. EST on the date that is four (4) days prior to the date such motion is returnable (the "**Objection Deadline**"). The Monitor shall have the ability to extend the Objection Deadline after consulting with the Applicants.

63. THIS COURT ORDERS that following the expiry of the Objection Deadline, the Monitor or counsel to the Applicants shall inform the Court, including by way of a 9:30 a.m. appointment, of the absence or the status of any objections to the motion and the judge having carriage of the motion may determine whether the motion should proceed at a 9:30 a.m. chambers appointment or otherwise on consent, or whether a hearing will be held in the ordinary course on the date specified in the notice of motion.

SEALING

64. **THIS COURT ORDERS** that the Confidential Supplement be permanently sealed, kept confidential and not form part of the public record, but rather shall be placed separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice that sets out the

title of these proceedings and a statement that the contents are subject to a sealing order and shall only be opened upon further Order of this Court.

GENERAL

65. ~~47.~~ **THIS COURT ORDERS** that the ~~Applicant~~Golf Town Entities or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order or for advice and directions ~~in~~concerning the discharge of ~~its~~their respective powers and duties ~~hereunder~~under this Order or the interpretation or application of this Order.

66. ~~48.~~ **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of any of the ~~Applicant~~Golf Town Entities, the Business or the Property.

67. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada ~~or in~~, the United States, or in any other foreign jurisdiction, to give effect to this Order and to assist the ~~Applicant~~Golf Town Entities, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the ~~Applicant~~Golf Town Entities and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding~~,~~ or to assist the ~~Applicant~~Golf Town Entities and the Monitor and their respective agents in carrying out the terms of this Order.

68. ~~50.~~ **THIS COURT ORDERS** that each of the ~~Applicant~~Golf Town Entities and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

69. ~~51.~~ **THIS COURT ORDERS** that any interested party (~~including~~other than the ~~Applicant~~Golf Town Entities and the Monitor) ~~may apply to this Court to vary or~~that wishes to amend or vary this Order ~~on not less than~~shall bring a motion before this Court on a date to be set

by this Court upon the granting of this Order (the "**Comeback Date**"), and any such interested party shall give seven (7) days' notice to any other party or parties likely to be affected by the ~~order sought or upon such other notice, if any, as this Court may order~~relief sought by such party in advance of the Comeback Date.

70. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. Eastern Standard/Daylight Time on the date of this Order.

_____

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

Court File No: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

INITIAL ORDER

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Lawyers for the Applicants

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Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

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

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AFFIDAVIT OF DAVID ROUSSY
(sworn September 13, 2016)

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Applicants

AFFIDAVIT OF DAVID ROUSSY
(sworn September 13, 2016)

I, David Roussy, of the City of Austin, in the State of Texas, MAKE OATH AND SAY:

1. I am the Chief Executive Officer of Golf Town Canada Inc. ("**GT Canada**" and, together with its subsidiaries "**Golf Town**") and Golfsmith International Holdings, Inc. ("**GS Holdings**" and, together with its subsidiaries and Golf Town USA LLC, "**Golfsmith**") and have served in that capacity since June 2015. As such, I have personal knowledge of the Golf Town and Golfsmith corporate group (the "**Company**") and the matters to which I depose in this affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.

2. This affidavit is sworn in support of an application for an Order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended

(the "**CCAA**"), in respect of Golf Town Canada Holdings Inc. ("**Golf Town Holdings**"), GT Canada and Golf Town GP II Inc. (collectively, the "**Applicants**"). The Applicants also request that this Court exercise its jurisdiction to extend the protections and authorizations under the proposed Initial Order to Golf Town Operating Limited Partnership ("**Golf Town LP**") and Golfsmith International Holdings L.P. ("**Holdings LP**" and, together with the Applicants and Golf Town LP, the **"Golf Town Entities**").

3. The Golf Town Entities are initiating these CCAA proceedings at this time to implement a sale (the "**Golf Town Transaction**") of Golf Town's Canada-based business (the "**Golf Town Business**") to an entity (the "**Purchaser**") owned by Fairfax Financial Holdings Limited ("**Fairfax**") and certain investment funds managed by CI Investments Inc. ("**CI**"). The Golf Town Transaction will maximize value, provide the Golf Town Business with a sustainable capital structure and retail footprint moving forward, and create stability for the Golf Town Business and its key stakeholders, including its employees, suppliers, customers and other key stakeholders.

4. Concurrently with this application, certain Golfsmith entities (the "**U.S. Debtors**") will file voluntary petitions for relief pursuant to title 11, chapter 11 ("**Chapter 11**") of the *United States Code* (the "**Bankruptcy Code**") in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**") to provide stability to Golfsmith's U.S.-based business (the "**Golfsmith Business**") while the U.S. Debtors advance and implement a restructuring of the Golfsmith Business (the "**Golfsmith Restructuring**"). The Golfsmith Restructuring will achieve a going concern restructuring of the Golfsmith Business, a significant deleveraging of

the Company's capital structure, and the refinancing or repayment in full of the Company's first lien Credit Facility.

5. The Company believes that the Golf Town Transaction and the Golfsmith Restructuring are the best available outcome for the Company and its stakeholders in the circumstances. Fairfax and CI, which collectively hold approximately 40% of the Company's second lien Secured Notes (as defined below), have entered into an agreement (the "**Support Agreement**") pursuant to which they and other Secured Noteholders that enter into the Support Agreement following its announcement (collectively, the "**Supporting Noteholders**") will support the Golf Town Transaction and the Golfsmith Restructuring on the terms set forth in the Support Agreement.

6. If implemented, the transactions will result in the going concern sale of the Golf Town Business and a reorganization of the Golfsmith Business. The transactions provide a broad overall solution for the Company for the benefit of its suppliers, employees, customers and other key stakeholders. As part of its interim financing arrangements, the Company has agreed to undertake a dual track sale process in the Chapter 11 proceedings to explore the potential for an alternative transaction for the Golfsmith Business that maximizes value for the benefit of stakeholders. Concurrently with these efforts, the Company intends to advance the Golfsmith Restructuring with the Supporting Noteholders and to take steps to refinance or repay the Credit Facility obligations in connection with the completion of the restructuring.

7. The Golf Town Transaction and the Support Agreement are the result of an extensive exploration of strategic alternatives carried out by the Company and its professional advisors to address the financial and operational challenges of the Golf Town Business and the Golfsmith

Business (together, the "**Business**") and to maximize value for the benefit of stakeholders. The comprehensive Operational and Strategic Review (as defined below) has included the review of operations, cost reduction initiatives, discussions and negotiations with key stakeholders, the pursuit of recapitalization and restructuring alternatives, and the Sale Process.

8. The transactions will stabilize and, on a go forward basis, improve the liquidity and financial position of the Golf Town Business and the Golfsmith Business, while also allowing the continued operation of a significant number of the Company's existing retail locations and corresponding continuation of supplier, employee and customer relationships. Given the Company's current financial circumstances and the need to preserve the stability and value of the Business pending the completion of a comprehensive restructuring of the Company, the Company is seeking to implement the Golf Town Transaction in the CCAA proceedings and to advance and implement the Golfsmith Restructuring in the Chapter 11 proceedings.

I. OVERVIEW

9. The Company is a leading specialty retailer of golf equipment, consumables, apparel and accessories in North America. The Company sells a broad selection of golf products from leading national brands and its own private labels and operates through an extensive retail store network and direct-to-consumer channels. The Golf Town Business operates 55 stores across nine Canadian provinces and the Golfsmith Business operates 109 stores across 29 U.S. states. The Company's retail stores offer a full range of golf-related merchandise, service and activities.

10. Recent improvements in golf participation rates and market dynamics are expected to result in future growth for the golf industry and retailers of golf equipment and merchandise. However, the Company has experienced financial and liquidity challenges as a result of its

leveraged capital structure and weakness over the past number of years in the golf industry and the broader economy. These challenges have made it difficult for the Company to access required working capital to support its seasonal Business, sustain its expansive retail network and support its debt service costs. As described further below, the Company's primary secured indebtedness, which is secured against substantially all of Golf Town and Golfsmith's assets and property in Canada and the United States, consists of:

(a) a first-ranking secured credit facility (the "**Credit Facility**") with aggregate obligations (the "**Credit Facility Obligations**") of approximately US$106 million; and

(b) second-ranking secured notes (the "**Secured Notes**"), bearing interest at 10.5% and maturing in 2018, in the aggregate principal amount outstanding of C$125 million.

11. The Company's capital structure and working capital requirements cannot be supported by current operating performance. As a result of industry and competitive trends, the Company's net sales have declined in each of the past three fiscal years and its margins have come under pressure. Following the merger of Golf Town and Golfsmith in 2012 (the "**Merger**"), the Company's 2012 adjusted consolidated earnings before interest, taxes and depreciation ("**EBITDA**")[1] was approximately US$46.6 million. However, as a result of industry and operational challenges, the Company's EBITDA declined to approximately US$13 million in 2015, while its debt service costs in respect of the Credit Facility and the Secured Notes exceed US$16 million annually. The Company has a leveraged capital structure of approximately 15x

[1] "Adjusted EBITDA" is EBITDA adjusted for non-recurring store level costs.

adjusted EBITDA based on 2015 financial results. In these circumstances, the Company's capital structure and working capital requirements, exacerbated by the seasonality of the Business, are not sustainable and restrict the Company's ability to undertake initiatives necessary to support and grow the Business.

12. In response to a substantial decline in EBITDA from 2012 to 2014, the Company, with the assistance of its advisors, made significant efforts to explore and advance operational and strategic alternatives to identify business enhancements, address its liquidity challenges, deleverage its balance sheet and position the business for future growth (the "**Operational and Strategic Review**"). The Operational and Strategic Review has included:

(a) the engagement of Alvarez & Marsal North America LLC (together with its affiliates, "**A&M**") in 2014 to assist the Company in performing a review of possible business enhancements and cost reduction initiatives, developing and improving controls for forecasting and monitoring cashflows, and strengthening stakeholder communications;

(b) the transition to a new senior leadership team in 2015 and development and implementation of the Company's "Next Generation Strategy" to capitalize on market opportunities;

(c) the engagement of A&M in 2016 to assist the Company in an in-depth review of the Company's business, operations, financial outlook and strategic alternatives, including a comprehensive review of the Company's retail store network

analysing, among other things, operating performance, lease and occupancy costs on a store-by-store basis, and attractiveness and significance of local golf markets;

(d) the exploration of various restructuring and recapitalization initiatives for the Business, including the development and advancement of potential restructuring and recapitalization alternatives with certain of the Company's key stakeholders in an effort to deleverage the Company's balance sheet, enhance its liquidity, and position it for improved financial performance; and

(e) the engagement of Jefferies LLC ("**Jefferies**") in June 2016 to assist the Company in its ongoing review of strategic alternatives and to undertake a comprehensive Sale Process to solicit interest in sale or other restructuring transactions in respect of the Company and its business and assets.

13. The ongoing Operational and Strategic Review indicates that the Company's capital structure and expansive store footprint is impeding its ability to sustain the liquidity necessary to support the Business and achieve strong financial performance. Both a financial and operational restructuring is necessary to enable the Company to address its liquidity challenges and to invest in its strategic growth initiatives.

14. In the exercise of their business judgment, the directors of Golfsmith International Holdings GP Inc. ("**Holdings GP**") and the Golf Town Entities believe that the Golf Town Transaction, together with the Golfsmith Restructuring, represents the best available outcome for the Company and its stakeholders in the circumstances. The Sale Process, conducted in two phases over three months, generated significant interest. Following the Company's extensive

review of the offers received in the Sale Process, with the assistance of Jefferies, A&M, FTI Consulting Canada Inc. ("**FTI**") (as the proposed Monitor in these proceedings) and legal counsel, the Company resolved to proceed with (i) the Golf Town Transaction and enter into an asset purchase agreement (the "**Golf Town APA**") with the Purchaser, and (ii) the Golfsmith Restructuring and enter into the Support Agreement.

15. The Golf Town Transaction will result in, among other things:

(a) the acquisition of the Golf Town Business on a going concern basis, including the acquisition of inventory and other working capital assets and the anticipated continuance of operations at the majority of the existing retail locations of the Golf Town Business, subject to the Purchaser and applicable landlords reaching satisfactory arrangements on amended lease terms;

(b) the anticipated continued employment of a majority of the employees of the Golf Town Business and the preservation of supplier and customer relationships;

(c) proceeds to repay a substantial portion of the Credit Facility and to reduce the Company's leverage and interest costs while the Company advances and implements the Golfsmith Restructuring.

16. The Golfsmith Restructuring allows for, among other things:

(a) a restructured Golfsmith or newly-incorporated company ("**Restructured Golfsmith**") will operate the Golfsmith Business following the completion of a

financial and operational restructuring of the Golfsmith Business that will result in a rationalization of Golfsmith's retail store footprint;

(b) a deleveraging of the Golfsmith Business through an exchange of the Secured Notes for new second lien notes issued by Restructured Golfsmith (the "**New Secured Notes**") and 100% of the equity in Restructured Golfsmith;

(c) the New Secured Notes will have a principal amount of US$35 million (a reduction of approximately US$60 million relative to the principal amount of the Secured Notes), an extended maturity date of three years from the completion of the Golfsmith Restructuring, and an option for the Company to pay interest in kind rather than in cash;

(d) the refinancing of the remaining portion of the Credit Facility following the application of the proceeds of the Golf Town Transaction; and

(e) the optionality to maximize value through a possible alternative transaction, including a sale of the Golfsmith Business in the Chapter 11 proceedings.

17. The completion of the Golf Town Transaction is a condition to the completion of the Golfsmith Restructuring. However, the Golf Town Transaction can proceed even where the Golfsmith Restructuring is not completed. The Support Agreement provides the Company with the flexibility to complete the Golfsmith Restructuring or to effectuate a sale of the Golfsmith Business for the benefit of all stakeholders.

18. Despite significant interest in the Company in connection with the Sale Process, the results of the Sale Process and the value of the Golf Town Transaction and the Golfsmith Restructuring indicate that there is likely to be insufficient value to repay in full the obligations under the second lien Secured Notes. Accordingly, is it not anticipated that there will be any value for unsecured creditors of the Company in connection with the transactions.

19. The objective of these CCAA proceedings is to ensure stability and protect the value of the Golf Town Business pending the completion of the Golf Town Transaction and to complete an orderly wind-down of those aspects of the Golf Town Business that are not being acquired by the Purchaser in connection with the Golf Town Transaction. While the Golf Town Transaction is expected to result in the continued operation of the majority of Golf Town's existing retail locations subject to the Purchaser and applicable landlords reaching satisfactory arrangements on amended lease terms, it is anticipated that certain Golf Town locations (the "**Excluded Locations**") will not be acquired by the Purchaser.

20. In order to provide the Company with immediate liquidity to operate the Business while the Company seeks to complete the Golf Town Transaction and advance the Golfsmith Restructuring, the lenders of the Company's Credit Facility (the "**First Lien Lenders**") have committed to provide the Company with interim financing on a senior secured basis (the "**DIP Facility**"), with payments to be made in accordance with the Approved Budget (as defined in the DIP Agreement). The DIP Facility is described in more detail below.

21. In these circumstances, the Company is seeking the Initial Order to maintain stability and continuity of the Business for the benefit of stakeholders while the Golf Town Transaction and the Golfsmith Restructuring are completed. The Golf Town Transaction and the Golfsmith

Restructuring provide an overall going concern outcome with significant Secured Noteholder support that protects the interests of customers, suppliers and employees of the Business.

22. The Golf Town Entities are not seeking approval of the Golf Town Transaction as part of the Initial Order. However, if this Court grants the Initial Order, the Golf Town Entities intend to bring a motion before this Court as soon as possible and on notice to all affected parties to seek approval of the Golf Town Transaction and other related relief (the "**Sale Approval Motion**").

II. BACKGROUND REGARDING THE COMPANY AND ITS BUSINESS

A. Formation of the Company

23. Golf Town was founded in 1998 and opened its first store in 1999. Since its founding, Golf Town has expanded across Canada and has become the only standalone national golf speciality retailer in Canada. OMERS Private Equity, the private equity investment arm of the OMERS pension plan, acquired Golf Town Income Fund (a predecessor to Golf Town) through a go-private transaction in 2007.

24. Golfsmith was established in 1967 as a clubmaking company, offering custom-made clubs, components and repair services. It opened its first retail store in 1972 and commenced a direct sale catalogue business in 1975. Golfsmith has operated storefront and direct-to-consumer businesses in the United States for over 40 years and is the largest multi-channel golf speciality retailer in the United States.

25. In 2012, Golfsmith merged with Golf Town and the Company, comprised of the Golf Town Business and the Golfsmith Business, became the largest specialty golf retailer in North

America. Golf Town and Golfsmith are important specialty retail players in Canada and the United States, respectively. As described further below, an indirect subsidiary of OMERS Administration Corp. ("**OMERS**") holds substantially all of the ultimate economic interest in the Company.

B. The Business

26. The Company generates substantially all of its revenue from the sale of golf-related equipment, apparel and accessories. The Company sells a broad selection of golf products from leading national brands and also develops, promotes and sells golf products featuring its own proprietary private label brands. The Company operates through its extensive retail store network and through direct channels consisting of its e-commerce and catalogue platforms.

27. The Company operates 164 retail stores in Canada and the United States and has a diversified geographic footprint with an established presence in key markets. Golf Town operates 55 stores across nine Canadian provinces and Golfsmith operates 109 stores across 29 U.S. states and is concentrated in California, Florida, Texas, Illinois and key northeastern markets. The Company's retail stores have an average size of approximately 21,500 square feet and carry an extensive selection of golf products and accessories. The Company's retail stores also offer a full range of golf-related services and activities, including onsite club making, club fitting and club repair services; putting greens, golf simulators and hitting bays; and teaching academies staffed by certified golf professionals. With the exception of a retail store located at the Company's Austin head office, the Company leases all of its retail store locations. Certain of the Golf Town and Golfsmith retail locations also sublease space to GolfTec Learning Centres,

which are at arm's length to the Company and provide precision club-fitting and professional golf instruction to customers.

28. The Golf Town Entities maintain a Canadian corporate office in Vaughan, Ontario and retail locations in nine Canadian provinces. Ontario has more Golf Town stores than any other province and Ontario stores produce the largest share of retail store revenue. The following table provides a breakdown by province of Golf Town's retail locations and associated employment levels:

Province	**Number of Retail Stores**	**Number of Retail Store Employees[2]**
Alberta	8	258
British Columbia	7	170
Manitoba	2	63
New Brunswick	1	21
Newfoundland and Labrador	1	16
Nova Scotia	1	22
Ontario	23	584
Quebec	10	209
Saskatchewan	2	56
TOTAL	**55**	**1,399**

29. The Company's direct-to-consumer sales channel consists of a growing e-commerce platform and a catalogue business focused primarily on the sale of component parts to clubmakers. The Company's direct-to-consumer channel accounts for approximately 10% of the

[2] This table reflects employment levels at Golf Town's retail stores as of June 30, 2016 and does not include non-retail store employees, such as those employed at the Canadian corporate office.

Company's sales, and growing and integrating the e-commerce business with the Company's existing retail network is an important element in the Company's business strategy.

(i) *Suppliers*

30. The Company has developed strong relationships with a broad range of suppliers of golf equipment, apparel and accessories, including the leading national golf brands. These relationships have enhanced the Company's ability to ensure product availability and reliability of supply, obtain access to high-demand and limited availability products, and receive pricing concessions and other support from suppliers. Although the Company has more than 330 suppliers, products supplied by its top ten suppliers account for more than 60% of all merchandise purchases by the Company in 2015.

31. While the majority of the suppliers of the Golf Town Business contract directly with the Golf Town Entities, certain suppliers supply products to Golf Town pursuant to formal agreements between such suppliers and the Golfsmith entities. Where payments are made by Golfsmith entities for inventory that is supplied to and used in the Golf Town Business, the Company has appropriate controls to track and account for such transactions. The Company believes that the continuation of these intercompany supply arrangements during the CCAA proceedings is in the best interests of all parties and will minimize the disruption that would result from the negotiation of amended supply arrangements between suppliers and the Golf Town Entities.

32. While the Company is actively managing its supplier relationships, certain of its suppliers have tightened credit terms or reduced shipments as a result of the Company's recent liquidity

challenges. It is critical to the preservation of the value of the Business that the Business is able to continue its relationships with key suppliers without disruption and on existing terms pending the completion of the Golf Town Transaction and the Golfsmith Restructuring. The proposed Initial Order authorizes the Golf Town Entities, subject to the Approved Budget, to pay certain pre-filing amounts to suppliers, with the consent of the Monitor and where necessary to maintain the uninterrupted operation of the Business.

(ii) *Distribution and Logistics – Golf Town*

33. The Company's retail locations are supplied through a combination of direct-to-store supplier shipments and shipments from centralized warehouses in Austin, Texas and Toronto, Ontario (the "**Toronto Warehouse**"). A portion of the Golf Town Business is supplied by the Toronto Warehouse, which is operated by National Logistics Services, Inc. ("**NLS**"), a third-party logistics provider. Golf Town retail locations receive approximately 80% of their inventory directly from suppliers and approximately 20% of their inventory through shipments from the Toronto Warehouse.

34. NLS was engaged to provide logistics services to the Golf Town Entities commencing in March 2015. NLS is responsible for all services required to operate the Toronto Warehouse, including receiving, verifying and inspecting shipments; preparing outbound shipments to third party transportation providers; and inventory management. The Toronto Warehouse receives inventory on a daily basis and replenishes inventory levels at Golf Town's retail stores on a weekly basis. The Toronto Warehouse also provides order fulfillment services for the e-commerce sales of the Golf Town Business and ships products directly to end consumers on a daily basis.

35. Golf Town uses the services of a number of third-party transportation service providers to transport goods between suppliers, the Toronto Warehouse, Golf Town retail stores and customers. Golf Town does not have its own transportation capability. Small shipments, including e-commerce purchases, are shipped primarily by UPS Canada at negotiated rates pursuant to a long-term contract with Golf Town. For larger shipments that require full or partial truckloads, Golf Town uses a number of third-party carriers to ship goods at tariffs that are published by the carriers (at negotiated rates) or facilitated through freight brokers. There are no long-term agreements between Golf Town and these carriers. Invoices are processed and paid by Golf Town's freight audit and pay partner, EnVista Concepts, LLC ("**EnVista**").

36. Freight forwarding services for the Golf Town Business are provided by BDP International ("**BDP**"), which arranges for the importation into Canada of certain products and inventory for the operation of the Golf Town Business. BDP is paid based on its published tariffs and its invoices are processed and paid by EnVista.

37. The continued supply of products to Golf Town's retail stores and customers during the CCAA proceedings is critical to the preservation of value and the continued operation of the Golf Town business without disruption pending the completion of the Golf Town Transaction and the orderly wind-down of the remaining Golf Town Business. Accordingly, the proposed Initial Order authorizes the Golf Town Entities, subject to the Approved Budget and with the consent of the Monitor, to make payments, if needed, to logistics and supply chain providers for services supplied to the Golf Town Entities prior to the date of the Initial Order.

(iii) *Customer Payments, Programs and Gift Cards*

38. Customers of the Golf Town Business purchase products using a number of payment methods, including payment by cash, credit card and gift cards. All customer credit card payments in respect of the Golf Town Business (including for retail store and e-commerce sales) are processed by a division of TD Bank, American Express or Discover. The related credit card processing fees are charged to Golf Town monthly in arrears and are settled on the first business day of each month through the application of funds in the Golf Town bank accounts at TD Bank. The proposed Initial Order authorizes the Golf Town Entities, subject to the Approved Budget and with the consent of the Monitor, to make payments, if needed, to providers of payment processing services (including credit card processing services) in respect of services supplied to the Golf Town Entities prior to the date of the Initial Order.

39. As is common throughout the retail industry, Golf Town maintains a variety of customer incentive and protection programs (the "**Customer Programs**") to generate sales revenue and maximize customer loyalty. Golf Town's Customer Programs include refund, return, exchange and price adjustment policies; seasonal discounts, competitor price matching, online promotion and discount codes, and free shipping on qualifying purchases; and warranty programs. In connection with the sale of certain custom-made products, Golf Town also requires customers to provide deposits (the "**Customer Deposits**") to Golf Town in advance of the final delivery of such products. The proposed Initial Order provides that, subject to the Approved Budget, Golf Town is authorized, but not required, to continue to honour and fulfill its obligations in respect of the Customer Programs and Customers Deposits, including those relating to the pre-filing period, during the CCAA proceedings.

40. Golf Town also operates a prepaid gift card program. The gift cards are sold by Golf Town at its retail locations and through its e-ecommerce business. Golf Town also uses the services of certain third parties that arrange for the sale of Golf Town gift cards, on a commission basis, through authorized distribution channels, including at authorized retailers (such as grocery stores, convenience stores, and mass merchant retailers) and through various incentive and loyalty programs. The gift cards are redeemable for consumer purchasers at Golf Town stores (and not at Golfsmith stores) in the ordinary course of retail business. Golf Town uses the services of a third-party administrator to track sales and usage of gift cards. The proposed Initial Order provides that Golf Town is authorized, but not required, to honour its obligations in respect of gift cards issued prior to the granting of the Initial Order. The Golf Town Entities intend to continue selling gift cards following the initiation of these CCAA proceedings.

(iv) *Employees*

41. Golf Town employs approximately 350 full-time employees and 1,100 part-time employees on an aggregate basis at its retail locations and Canadian corporate office. The Golf Town employees are employed by Golf Town LP. Golfsmith employs approximately 1,050 full-time employees and 1,250 part-time and seasonal employees. The majority of the Golfsmith employees are employed by Golfsmith International, Inc. and senior management of the Company is employed by GS Holdings.

42. A significant majority of the Company's employees are paid on an hourly basis, and the Company generally supplements its workforce with part-time and seasonal employees at peak times due to the seasonality of its business. None of the Company's employees are unionized.

43. Golf Town uses the services of Payworks Canada, a payroll services provider, to manage payroll functions on behalf of Golf Town, including payroll processing and the collection and remittance of all related source deductions. Golf Town is current with respect to the remittance of employee source deductions and sales tax remittances.

44. Golf Town sponsors a group registered retirement savings plan (the "**Group RRSP**") for eligible Canadian employees employed by Golf Town LP, which is administered by Great-West Life Assurance Company ("**Great-West Life**"). Golf Town collects employee contributions through payroll deductions and remits the employee contributions to the Group RRSP. Golf Town does not make employer contributions to the Group RRSP. There are approximately 80 employees enrolled in the Group RRSP at this time. Golf Town does not sponsor any registered pension plans.

45. Golf Town also sponsors a deferred profit sharing plan (the "**DPSP**") for eligible employees, to which Golf Town makes contributions determined as a proportion of employee contributions to the Group RRSP, subject to Business profitability and annual maximums. The contributions are held in trust for beneficiaries of the DPSP by Investors Group Trust Co. Ltd, the trustee of the DPSP. The DPSP is administered by Great West-Life.

46. Golf Town sponsors certain benefit plans (including medical, dental and vision care and other benefits) for full-time employees and eligible part-time employees. The benefit plans are also administered by Great-West Life.

47. The proposed Initial Order authorizes, but does not require, the Golf Town Entities to make all outstanding and future employee benefit payments and all outstanding and future

contributions to or payments in respect of the Group RRSP and the DPSP in the ordinary course of business and consistent with existing compensation policies and arrangements.

48. Golfsmith maintains defined contribution plans for eligible employees in accordance with section 401(k) of the *Internal Revenue Code*, as well as certain employee benefit plans, which will be addressed in the Chapter 11 proceedings.

C. Corporate Structure

49. A simplified corporate organizational chart (the "**Corporate Chart**") indicating the corporate structure of the Company is attached hereto as Exhibit "A".

50. All of the beneficial interests in Golf Town and Golfsmith are held, directly or indirectly, by Holdings LP, a Canadian limited partnership. The general partner of Holdings LP is Holdings GP., a corporation incorporated under the laws of Ontario. An entity controlled by OMERS holds substantially all of the limited partnership interests in Holdings LP and certain former members of management of the Company hold a *de minimis* interest in Holdings LP.

(i) Golf Town – Canada

51. Holdings LP owns 100% of the beneficial interest in Golf Town Holdings, a corporation incorporated under the laws of Ontario, which in turn owns 100% of the issued shares of GT Canada. GT Canada is incorporated under the laws of Canada and is the Canadian issuer of the Secured Notes.

52. The primary operating entity of the Golf Town Business is Golf Town LP, an Ontario limited partnership. The limited partner of Golf Town LP is GT Canada. The general partner of

Golf Town LP is Golf Town GP II Inc., which is incorporated under the laws of Ontario and is a wholly-owned subsidiary of GT Canada.

53. GT Canada also owns all of the issued shares of Golf Town USA Holdco Limited ("**USA Holdco**"), a corporation incorporated pursuant to the laws of Delaware. USA Holdco is a legacy entity that historically operated a promotional products business. USA Holdco is a U.S. Debtor for purposes of the Chapter 11 proceedings and is not an applicant in these proceedings.

54. Golf Town Holdings, GT Canada and Golf Town GP II Inc. are the Applicants in these proceedings. Since Golf Town LP and Holdings LP are partnerships and not "companies" pursuant to the CCAA, they are not Applicants in these proceedings. However, as more fully set out below, the Applicants are requesting an extension of the protections and authorizations in the Initial Order to Golf Town LP and Holdings LP in order to preserve and protect the Business and the value of the Company.

(ii) *Golfsmith – United States*

55. Holdings LP owns 100% of the beneficial interest in Golf Town USA Holdings Inc., a Delaware corporation, which owns all of the issued shares of GS Holdings. GS Holdings is a Delaware corporation and is the U.S. issuer of the Secured Notes. Golf Town USA Holdings Inc. also owns all of the issued shares of Golf Town USA, L.L.C., a Delaware limited liability corporation.

56. GS Holdings also owns all of the issued shares of Golfsmith International, Inc., a Delaware corporation, which in turn owns all of the issued shares of GMAC Holdings, L.L.C; Golfsmith Licensing, L.L.C.; Golfsmith NU, L.L.C.; Golfsmith Europe, L.L.C.; Golfsmith USA,

L.L.C., and Golfsmith 2 GP, L.L.C. (each of which are limited liability corporations incorporated under the laws of Delaware) and Golfsmith Incentive Services, L.L.C. (a limited liability corporation incorporated under the laws of Texas). Golfsmith International, Inc. is the limited partner of Golfsmith International, L.P. ("**Golfsmith LP**"), a Delaware limited partnership.

57. Each of Golfsmith International, Inc., Golfsmith USA, L.L.C., Golfsmith NU, L.L.C. and Golfsmith LP are lessors in respect of certain of the leased properties from which the Golfsmith Business is operated. As described further below, the cash resources of the Golfsmith Business are held in and disbursed primarily from accounts in the name of Golfsmith LP.

58. Each of the Golfsmith Entities noted above and USA Holdco is expected to be a U.S. Debtor for purposes of the Chapter 11 proceedings. The Golfsmith entities are not applicants in these CCAA proceedings.

59. Each of the Golf Town and Golfsmith entities listed in this section II.C, with the exception of Holdings GP and Holdings LP, is an obligor (whether as borrower, issuer or guarantor) in respect of the Credit Facility and the Secured Notes.

D. Capital Structure

60. The Company's existing capital structure originated at the time of the Merger in order to finance the acquisition of Golfsmith and to provide working capital to support the operation of the Business. The Company's capital structure consists principally of the Credit Facility and the Secured Notes.

(i) Credit Facility

61. The Credit Facility is provided pursuant to a credit agreement dated July 24, 2012 (as amended, the "**Credit Agreement**") between each of the entities listed on the Corporate Chart other than Holdings LP (in their capacities as borrowers or guarantors under the Credit Agreement, the "**First Lien Credit Parties**"), the First Lien Lenders, and Antares Capital LP, as agent (the "**First Lien Agent**"). The Credit Facility consists of a revolving credit facility (the "**Revolving Facility**") with a maximum total commitment of US$135 million and a non-revolving first-in last-out term loan facility (the "**FILO Facility**") with a maximum total commitment of C$15 million.

62. Availability under the Revolving Facility is determined by a borrowing base (the "**Borrowing Base**") which is calculated based on the eligible accounts, inventory and real estate of Golf Town and Golfsmith (on a consolidated basis) on a weekly basis. The Borrowing Base is reduced by certain prescribed reserves and other reserves established from time to time by the First Lien Agent in its reasonable credit judgment (the "**Borrowing Base Reserves**"). Given the amount of its current Borrowing Base, the Company is therefore unable to access the full US$135 million availability under the Revolving Facility.

63. The Revolving Facility terminates on the earlier of (a) July 24, 2017, (b) six months prior to the maturity date of the Secured Notes (which is currently January 24, 2018), and (c) the occurrence of a termination event as provided under the Credit Agreement. The FILO Facility terminates on the earlier of (a) July 24, 2017 and (b) six months prior to the maturity date of the Secured Notes. Accordingly, all of the Credit Facility Obligations will become due on July 24, 2017 or earlier.

64. The Credit Facility was amended as of October 14, 2014 (the "**First Amendment**") to, among other things, increase the availability under the Revolving Facility from US$135 million to US$155 million for the period from February 1, 2015 to June 30, 2015. As a condition to the increased availability under the Revolving Facility, OCPI GT SPV Limited (the "**OMERS Guarantor**"), a special purpose entity and an indirect wholly-owned subsidiary of OMERS, entered into a limited recourse guarantee dated October 14, 2014 (the "**Limited Recourse Guarantee**") pursuant to which it guaranteed all of the Credit Facility Obligations. The recourse of the First Lien Agent under the Limited Recourse Guarantee is limited to an irrevocable standby letter of credit issued by Royal Bank of Canada in the original amount of US$15 million, on behalf of Borealis Infrastructure Management Inc., in favour of the First Lien Agent (the "**OMERS LC**"). The OMERS LC was subsequently reduced to US$11,533,681.98 in connection with permanent repayments of the Credit Facility by the Company.

65. As described further below, the Credit Facility was further amended as of August 10, 2016 (the "**Second Amendment**") in response to the Company's liquidity challenges and to preserve the stability of the Business during the continuation of the Sale Process. Pursuant to the Second Amendment, the Credit Facility was amended to provide that, until the earliest to occur of (i) September 6, 2016, and (ii) the occurrence of an event of default under the Credit Facility, the First Lien Agent would not establish any additional Borrowing Base Reserves and would not modify any existing Borrowing Base Reserves or related eligibility criteria if the effect of such modification was to decrease availability under the Credit Facility.

66. As a condition to the Second Amendment, the OMERS Guarantor entered into an Amended and Restated Limited Recourse Guarantee dated August 10, 2016 and caused the

principal amount of the OMERS LC to be increased by US$5 million, to US$16,533,681.98. The Second Amendment sets out certain conditions under which the First Lien Agent is entitled to draw on the OMERS LC. Upon the closing of the DIP Facility, the OMERS LC will be amended and the conditions pursuant to which it can be drawn will be governed solely by the DIP Agreement.

67. As of September 12, 2016, the Credit Facility Obligations are approximately US$106 million, comprised of obligations of approximately US$94 million under the Revolving Facility (including outstanding letters of credit) and US$12 million under the FILO Facility.

68. The Credit Facility Obligations are secured by security interests in favour of the First Lien Agent over substantially all of the present and after-acquired tangible and intangible assets of the First Lien Credit Parties.

(ii) *Secured Notes*

69. The Secured Notes in the aggregate principal amount of C$125 million were issued pursuant to an indenture dated as of July 24, 2014 (the "**Notes Indenture**") among GT Canada as Canadian issuer (in such capacity, the "**Canadian Issuer**"), GS Holdings as U.S. issuer (in such capacity, the "**U.S. Issuer**"), and each of the other entities listed on the Corporate Chart other than Holdings LP, as guarantors (the "**Secured Notes Guarantors**"), and BNY Trust Company of Canada and The Bank of New York Mellon, as trustee and collateral agent (the "**Notes Trustee**"). The Secured Notes bear interest at 10.50% per annum payable semi-annually in arrears on January 24 and July 24. A semi-annual interest payment under the Secured Notes is approximately C$6.6 million. The Secured Notes mature on July 24, 2018.

70. The Secured Notes are issued in the form of "**Units**", with each Unit consisting of C$0.64 in principal amount of Secured Notes issued by the Canadian issuer (the "**Golf Town Notes**") and C$0.36 in principal amount of Secured Notes issued by the U.S. issuer (the "**Golfsmith Notes**"). The Golf Town Notes and the Golfsmith Notes constituting each Unit are not separable and are transferrable only as a Unit.

71. The obligations under the Secured Notes are secured by liens over substantially all of the present and after-acquired tangible and intangible assets of the Canadian Issuer, the U.S. Issuer and the Secured Notes Guarantors.

(iii) *Intercreditor Agreement*

72. The respective rights and priorities of the secured creditors of the Company with respect to the security interests granted in respect of the Credit Facility and the Secured Notes are governed by an Intercreditor Agreement dated July 24, 2012 (the "**Intercreditor Agreement**") between the First Lien Agent, the Notes Trustee, and the Credit Parties (as defined in the Intercreditor Agreement).

73. Among other things, the Intercreditor Agreement provides that the liens securing the Credit Facility rank in priority to the liens securing the Secured Notes, provided that any liens securing Credit Facility Obligations that exceed a maximum amount determined by formula in the Intercreditor Agreement (the "**Maximum Priority Amount**") rank junior to the liens securing obligations in respect of the Secured Notes, notwithstanding, *inter alia*, the date, time, method, manner or order of grant, attachment or perfection, or the validity or enforceability or failure to perfect, of such liens. By operation of the formula in the Intercreditor Agreement, the

Maximum Priority Amount cannot be less than the sum of US$135 million plus C$15 million. As the Credit Facility Obligations were US$106 million as of September 12, 2016, all of the Credit Facility Obligations have priority over the Secured Notes obligations pursuant to the Intercreditor Agreement.

(iv) Other Secured Creditors

74. Other than obligations with respect to the Credit Facility and the Secured Notes, the Golf Town Entities do not have any other material secured obligations. Golf Town leases certain equipment and other personal property in connection with the operation of the Golf Town Business, and a limited number of lessors have effectuated *Personal Property Security Act* registrations in various provinces in respect of certain leased assets of the Golf Town Entities. The Golf Town Entities do not intend to provide advance notice of the CCAA application to secured creditors other than the First Lien Agent, the Notes Trustee and the Supporting Noteholders, and are therefore not seeking, as part of this initial application, for the proposed Court-ordered Charges to rank in priority to secured obligations of the Golf Town Entities other than those in respect of the Credit Facility and the Secured Notes.

(v) Intercompany Note

75. GT Canada is indebted to Holdings LP pursuant to an amended and restated unsecured subordinated promissory note dated July 24, 2012 (the "**Intercompany Note**") in the principal amount of approximately C$118 million, which Intercompany Note arose in connection with the Merger. Payment of the Intercompany Note is subordinated in right of payment to the prior payment in full of the Credit Facility and the Secured Notes. The Intercompany Note bears

interest at 12.95% per annum payable on September 25 of each year and matures on September 28, 2032. Holdings LP intends to waive and forgive interest on the Acquisition Note for the 2016 fiscal year, as it has done in each of the past two fiscal years.

E. Financial Position of the Company

(i) Financial Statements

76. The Company prepares financial statements for Holdings LP that report the consolidated financial position and performance of Golf Town and Golfsmith. Attached as Exhibit "B" to this affidavit are the audited financial statements of Holdings LP for the fiscal year ended January 2, 2016.

77. Financial statements are also prepared for Golf Town on a non-consolidated basis. Attached as Exhibit "B" to this affidavit are unaudited financial statements for Golf Town for the seven months ended July 30, 2016 and for the fiscal year ended January 2, 2016.

(ii) Financial Performance of the Business

78. For the 2015 fiscal year, Golf Town had net sales of US$219.3 million and adjusted EBITDA of US$6.8 million and Golfsmith had net sales of US$492.9 million and adjusted EBITDA of US$6.2 million. As a result of debt service costs, capital expenditures and other cash outlays, the Company incurred a net loss on an overall basis in 2015 and had negative free cash flow.

(iii) Assets and Liabilities of the Company

79. As at July 30, 2016, which is the date of Golf Town's most recent financial statements, Golf Town had assets with a stated book value of approximately C$186.9 million. This amount included (all amounts approximate) accounts receivable of C$2.8 million, inventory of C$86.5 million, prepaid expenses and other current assets of C$5.3 million, property, plant and equipment of C$15.3 million (net of accumulated depreciation), intangible assets and goodwill of C$75.7 million (net of accumulated amortization), and other long term assets of approximately C$1.2 million. As at July 31, 2016, Golf Town had total liabilities with a book value of approximately C$282.2 million, including accounts payable and other current liabilities of approximately C$75.6 million.

(iv) Cash Management System

80. The Company's cash management system (the "**Cash Management System**") is centrally managed at the Company's head office in Austin, Texas. However, the Cash Management System operates largely on a geographic basis, such that cash management for the Canada-based Golf Town Business is largely separated from cash management for the U.S.-based Golfsmith Business. Within each country, the Cash Management System is consolidated to enable the efficient utilization of funds and to minimize the Company's borrowing requirements. As described below, in the limited circumstances where cash is transferred between the Golf Town and Golfsmith entities, such transfers are tracked and appropriate accounting entries are made to evidence the transfers.

81. Cash management for the Golf Town Business is undertaken primarily in the name of Golf Town LP through bank accounts at The Toronto-Dominion Bank ("**TD Bank**"). Golf Town LP maintains a deposit account to which all cash receipts from Golf Town retail stores are transferred (the "**Golf Town Deposit Account**"), a master operating account from which payroll, tax and other operating expenditures are paid (the "**Golf Town Operating Account**") and a number of other operating accounts from which other operating expenditures, including supplier expenses, are paid. Receipts from the Golf Town e-commerce business are deposited into a Canadian dollar account at TD Bank that is nominally an account of Golfsmith International, Inc.; however, amounts received in this account are transferred to other TD Bank accounts maintained by Golf Town entities and used in the Golf Town Business. Golfsmith International, Inc. also maintains a Canadian dollar account with TD Bank to facilitate payments to Canadian suppliers of the Golfsmith Business. This account is funded through transfers from other TD Bank accounts maintained by Golf Town LP, which transfers are tracked and give rise to corresponding intercompany receivables/payables.

82. Borrowings under the Credit Facility in respect of Golf Town are made through the Golf Town Operating Account, and transfers are made between the Golf Town Operating Account and the other accounts with TD Bank maintained by Golf Town LP and Golfsmith International, Inc. As required pursuant to the Credit Facility, the Golf Town Deposit Agreement and an inactive account maintained by GT Canada (together, the "**Golf Town Blocked Accounts**") are subject to a Blocked Account Agreement dated as of July 24, 2012 (the "**Golf Town Account Agreement**") among GT Canada, Golf Town LP, the First Lien Agent, the Notes Trustee and TD Bank.

83. Cash management for the Golfsmith Business is undertaken primarily in the name of Golfsmith LP through bank accounts at Wells Fargo Bank, National Association ("**Wells Fargo**"). Golfsmith LP maintains a main deposit account to which all cash receipts from Golfsmith retail stores are transferred (the "**Golfsmith Deposit Account**"), a master operating account (the "**Golfsmith Operating Account**") and a number of other operating accounts from which other operating expenditures, including supplier and payroll expenses, are paid. Golf Town LP also maintains a U.S. dollar account with Wells Fargo to facilitate payments to U.S. suppliers of the Golf Town Business. This account is funded through transfers from the Golfsmith Operating Account, which transfers are tracked and give rise to corresponding intercompany receivables/payables.

84. Borrowings under the Credit Facility in respect of Golfsmith are made through the Golfsmith Operating Account, and transfers are made between the Golfsmith Operating Account and the other accounts with Wells Fargo maintained by Golfsmith LP and Golf Town LP. As required pursuant to the Credit Facility, the Golfsmith Deposit Account and the Golfsmith Operating Account (together, the "**Golfsmith Blocked Accounts**") are subject to a Deposit Control Account Agreement dated as of September 20, 2012 (the "**Golfsmith Account Agreement**") among Golfsmith LP, the First Lien Agent, the Notes Trustee and Wells Fargo.

85. On July 25, 2016, the First Lien Agent gave notice to the Company and TD Bank and Wells Fargo, as applicable, that it was exercising its rights under the Golf Town Account Agreement and the Golfsmith Account Agreement to exercise control ("**Cash Dominion**") in respect of the Golf Town Blocked Accounts and the Golfsmith Blocked Accounts (collectively, the "**Blocked Accounts**"). As a result, the Blocked Accounts are now under the control of the

First Lien Agent and all funds on deposit in the Blocked Accounts are transferred on a daily basis to collection accounts maintained by the First Lien Agent for repayment of the Credit Facility.

86. In connection with the CCAA proceedings, the Golf Town Entities are seeking the authority to continue to operate the Cash Management System to maintain the funding and banking arrangements already in place, including the exercise of Cash Dominion by the First Lien Agent as required pursuant to the terms of the DIP Agreement (as defined below). The U.S. Debtors will seek similar relief in the Chapter 11 proceedings. The continued operation of the Cash Management System offers a number of benefits to the Company and its stakeholders, including minimizing the disruption to the Business caused by the CCAA and Chapter 11 proceedings and avoiding the need to negotiate and implement alternative banking arrangements. The Cash Management System includes the necessary accounting controls to enable the Company, the Monitor (as defined below) and the Court to trace funds and ensure that all transactions are adequately documented and readily ascertainable.

(v) *Corporate Shared Services*

87. In addition to the Cash Management System, the Company has centralized a number of corporate functions and services to enable the cost-effective and consistent performance of such functions across the entire Business. The shared services are undertaken at the Company's Austin, Texas head office and include services such as finance, accounting, payroll, human resources and merchandising functions. Payments to certain third-party service providers that support both the Golf Town Business and the Golfsmith Business are also centrally coordinated from the Austin head office. These payments are either made directly from bank accounts

maintained by the applicable Golf Town or Golfsmith entity for whose benefit they were made, or are reflected in intercompany charges described below.

88. Executive management functions for the Company are also undertaken on a shared services basis pursuant to management services agreements. GT Canada, Golf Town LP and GS Holdings are party to a management services agreement dated as of July 24, 2012 (the "**Management Services Agreement**") pursuant to which such entities receive and provide the services of their respective senior management and boards of directors with respect to, among other things, strategic planning, business development, operational analysis and ad hoc initiatives. The Management Services Agreement provides for the payment by the recipient of management services to the provider of such services of a management fee equal to the provider's direct cost of providing the applicable services, plus a mark-up of costs to be agreed by parties by reference to amounts charged for similar services in arms-length transactions. The Management Services Agreement automatically renews on an annual basis unless terminated by the parties in accordance with its provisions.[3]

89. To ensure that the costs and expenses for shared services are appropriately allocated within the corporate group, the Company closely monitors the provision of shared services and utilizes an allocation methodology to transfer costs and expenses to the appropriate Golf Town and Golfsmith entities based on the shared services they receive. The costs of shared services

[3] In addition to the Management Services Agreement, GT Canada, Golf Town LP and GS Holdings are also party to a management services agreement with OMERS Private Equity Inc. ("**OPE**") dated as of July 24, 2012 (the "**External Management Services Agreement**") pursuant to which OPE and its affiliates provide consulting and management advisory services with respect to, among other things, strategic and corporate planning, operational support, corporate finance and strategic governance. The External Management Services Agreement provides for the payment by the Company to OPE of an annual fee not to exceed US$1 million. By agreement of the parties, no fees have been paid under the External Management Services Agreement since July 2013 and no fees are expected to be paid during the CCAA proceedings.

are allocated primarily on a cost basis, determined by reference to amounts charged for similar services in arms-length transactions. Accounting entries are made to recognize corresponding intercompany receivables and payables. While intercompany claims have not historically been settled through intercompany fund transfers, during the CCAA and Chapter 11 proceedings the Company intends to satisfy intercompany claims on a net basis through intercompany fund transfers. Golf Town is a net recipient of shared services averaging approximately US$900,000 on a monthly basis (including shared services pursuant to the Management Services Agreement).

(vi) *Intercompany Charge*

90. To ensure payment for shared services and other intercompany transfers during the CCAA proceedings, the proposed Initial Order provides that, to the extent that the Golf Town Entities receive a transfer from, or become indebted to, a U.S. Debtor after the granting of the Initial Order, including in connection with the provision of goods or services by a U.S. Debtor or the operation of the Cash Management System, the U.S. Debtor will be granted a charge (an "**Intercompany Charge**") over the assets, property and undertaking of the Golf Town Entities (the "**Golf Town Property**"). The Intercompany Charge is intended to formalize existing practices with respect to intercompany transfers during the CCAA proceedings. The Initial Order provides that the U.S. Debtors are not entitled to exercise any right or remedy to enforce an Intercompany Charge without further order of the Court.

91. The U.S. Debtors will seek similar relief in their "First Day Motions" in the Chapter 11 proceedings to provide the Golf Town Entities with the benefit of a priority charge over the assets of the U.S. Debtors to secure the payment of all intercompany amounts payable by the U.S. Debtors to the Golf Town Entities arising following the initiation of the Chapter 11

proceedings. The Company believes that the establishment of the intercompany charges in the CCAA and Chapter 11 proceedings will preserve the relative value of the Golf Town and Golfsmith estates and ensure that stakeholders of the respective businesses are not prejudiced as a result of the continuation of shared services, the Cash Management System and other intercompany transfers during the proceedings.

III. INDUSTRY, BUSINESS AND FINANCIAL CHALLENGES

A. Golf Industry Challenges

92. As a specialty golf retailer, the Company's performance is impacted by the performance of the broader golf industry and general economic conditions. The golf industry experienced significant growth in the years prior to the 2008 recession, driven by the growing popularity of the sport and the visibility of high-profile professional golfers. During this period of outsized industry growth, both Golf Town and Golfsmith expanded their retail footprints to capitalize on growing demand for golf products in North America.

93. The golf industry experienced a contraction beginning in 2008, as the global recession adversely impacted discretionary consumer spending and golf participation rates. The number of rounds played by North American golfers declined in the post-recession period, leading to decreased demand for golf products even as the Company and other industry competitors continued to expand their retail networks. In addition, many golf equipment manufacturers shortened their product cycles during this period of reduced demand, leading to excess inventory and discounting by retailers of golf equipment. These industry challenges have directly affected the Company's ability to generate sufficient revenue and cash flow to invest in growth initiatives

and support its existing capital structure. The Company's net sales have decreased in each year since 2012.

94. The Company's ability to support its capital structure is also constrained by the scope and cost structure of its current network of retail stores. Following the Merger, the Company pursued a growth strategy focused on larger store formats and opening additional stores in existing high-performance markets to capture additional sales. Certain of the Company's stores and markets have not performed as expected, resulting in high and unsustainable lease and other occupancy costs relative to net sales. As described in additional detail below, the Company's expansive store footprint has become an impediment to the performance and long-term sustainability of the Business and will need to be rationalized in connection with the CCAA and Chapter 11 proceedings.

95. Despite the industry challenges noted above, there are signs of recent improvement in the golf market and expectations for future industry growth. Golf participation has stabilized and total rounds played in the United States increased year-over-year in 2015 for only the second time since 2007. In 2015, new golfers took up the game at near record rates not seen since the height of golf's popularity in the pre-recession period. Young golfers are taking up the sport in increasing numbers and further growth in rounds played is expected as a result of increases in the retirement age population.

B. Challenges with Financial Arrangements

96. Despite the Company's efforts to date to improve its financial performance and manage its financial challenges, the Company has struggled to access sufficient liquidity to operate the

Business given the interest service costs in respect of its secured indebtedness, restrictions on obtaining additional financing, and the seasonal nature of its Business and cash flows.

97. The Company has experienced significant liquidity challenges in recent years. In 2014, it became apparent that the Company would require additional liquidity to operate the Business. The Company, with the assistance of its advisors, pursued a variety of potential alternatives to obtain additional financing, including through enhanced availability under the Credit Facility and the issuance of additional secured indebtedness. Given the Company's financial circumstances and the terms of the Credit Facility, the Notes Indenture and the Intercreditor Agreement, the Company ultimately determined that an increase in availability under the Credit Facility was the best available alternative for the Company in the circumstances.

98. In October 2014, the First Amendment to the Credit Agreement was executed to increase availability under the Revolving Facility by US$20 million (to US$155 million) until June 30, 2015. The availability under the Revolving Facility supported the Company's funding requirements in 2015 and early 2016. However, the Company has continued to experience liquidity challenges as a result of the underperformance of certain aspects of its Business and the costs associated with sustaining its expansive network of retail stores.

99. The Company's liquidity challenges are intensified by the seasonal nature of its Business, which leads to substantial variability in revenue generation and working capital requirements during the fiscal year. Seasonal slowdowns exacerbate the challenges associated with servicing the Company's secured indebtedness and investing in the Business. The Company requires significant working capital to build inventory levels in advance of the peak retailing season, which traditionally runs from April to July, and the late-November and December holiday retail

season. An inability to maintain appropriate inventory levels would cause a reduction in revenue and profitability and impair the Company's customer and supplier relationships.

100. The Company has made extensive efforts to manage its liquidity situation, including by improving its inventory management processes, negotiating certain payment terms with its vendors to provide incremental liquidity during seasonal slowdowns, reducing employee headcount and selling non-core assets. Despite these extensive efforts, the Company has continued to experience difficulties in accessing sufficient working capital to support the Business and to undertake the operational improvements necessary to position the Company for growth and increased profitability moving forward.

101. The Company's ability to access working capital under the Credit Facility is limited by its Borrowing Base and the ability of the First Lien Agent, in its reasonable credit judgment, to impose Borrowing Base Reserves that further restrict availability. Over the past year, the First Lien Agent has established additional Borrowing Base Reserves that have reduced availability under the Credit Facility.

102. In an effort to maintain the stability and value of the Business pending the outcome of the Sale Process and the further exploration of strategic alternatives, the Company recently sought certain concessions from the First Lien Agent with respect to availability under the Credit Facility. As a result of these efforts, the First Lien Agent agreed to enter into the Second Amendment in August 2016 pursuant to which, among other things, the First Lien Agent agreed to refrain, for a limited period of time, from imposing additional Borrowing Base Reserves or altering eligibility criteria in a manner that would decrease availability under the Credit Facility.

103. The First Amendment and Second Amendment to the Credit Facility, together with other initiatives undertaken by the Company, have enabled the Company to continue to operate the Business in the normal course despite its liquidity challenges. However, a permanent and sustainable liquidity solution is required to support and grow the Business moving forward.

IV. ASSESSMENT OF STRATEGIC ALTERNATIVES AND RESTRUCTURING EFFORTS TO DATE

A. Operational and Strategic Review

104. In light of the ongoing challenges facing the Company, including as a result of its leveraged capital structure and weakness in the golf industry and the broader economy, the Company, with the assistance of its professional advisors, has over the past number of years pursued and implemented strategic initiatives to enhance its business performance, undertaken an extensive review of its operations and financial position, and actively explored strategic alternatives to address the Company's constrained liquidity position, stabilize the Business and maximize value for stakeholders.

(i) Operational / Financial Review

105. The Company has been actively developing and implementing strategic initiatives to enhance its performance and operations and to position the Business for improved performance moving forward.

106. The Company engaged A&M in 2014 to assist it in performing a review of possible business enhancements and cost reduction initiatives to improve its liquidity and business performance. The Company, with the assistance of A&M in certain matters, pursued a broad

range of initiatives, including engaging in strategic negotiations with landlords to secure improved lease terms and accelerated lease buyouts; securing improved payment terms with key suppliers during off-season periods; effecting targeted reductions to employee headcounts; and selling non-core assets to generate additional capital and refocus the Company on its core retail operations. While this process lead to certain business and liquidity improvements, the Company was not able to fully optimize its lease portfolio or retail footprint in connection with these initiatives.

107. In January 2016, the Company further engaged A&M to act as its financial advisor and to assist with its review of the Company's business, operations, financial outlook and assessment of strategic alternatives. The Company, with the assistance of A&M, assessed operational and financial restructuring initiatives for the Business and undertook a comprehensive review of the Company's network of retail stores, including a store-by-store analysis of operating performance, lease and occupancy costs, and the attractiveness and competitiveness of local golf markets.

108. The results of the operational and financial review make clear that the long-term sustainability of the Company requires a deleveraging of its capital structure and a rationalization of its retail footprint. Despite recent improvements in the golf industry, the Company continues to generate insufficient EBITDA and experience negative free cash flows, constraining its ability to support its existing capital structure and fund annual debt service costs that exceed US$16 million.

109. The comprehensive review of the Company's retail network indicates that the financial performance and sustainability of the Business is adversely impacted by a subset of

underperforming locations with high occupancy and overhead costs relative to their sales and profit levels. Certain of the urban markets in which the Company operates have become oversaturated or less attractive and are not capable of supporting the existing Business presence in those markets. The closure of certain underperforming stores, combined with improvements in the cost structure of other stores with above-market occupancy costs, would enhance EBITDA and financial performance and free up working capital to invest in high-performing stores and strategic growth initiatives. Accordingly, the review indicates that the rationalization of the retail footprint of the Business is a necessary element of efforts to address the Company's liquidity challenges on a sustainable basis.

(ii) *Next Generation Strategy*

110. In 2015, the Company transitioned to a new senior leadership team with extensive retail industry experience. In addition to managing the Company's liquidity and financial challenges, the Company's new leadership team has been focused on developing and beginning to implement the Company's "Next Generation Strategy" to capitalize on market opportunities, which includes:

(a) the rationalization of the Company's retail footprint through targeted store closures and the "right-sizing" of certain existing locations;

(b) the creation of smaller format stores with an emphasis on interactive environments and technologies, higher-value services, reduced occupancy costs and higher margins;

(c) incremental investments to drive higher sales growth and margin rates across retail store and e-commerce platforms and to provide customers with a seamless experience across platforms; and

(d) creating and expanding partnerships with leading service providers to enhance operational capabilities and customer experiences.

111. The Company believes that these and other initiatives will strengthen the Business and enable it to compete effectively in the new industry environment. As a result of its important position in the North American golf market, the Business is well-positioned to capitalize on industry growth following an operational and financial restructuring in connection with the CCAA and Chapter 11 proceedings.

(iii) *Exploration of Restructuring and Recapitalization Alternatives*

112. In connection with the exploration of strategic alternatives, the Company has explored the potential for recapitalization and restructuring transactions in respect of the Company. The Company has actively developed and explored market interest in potential transactions providing for, among other things, a conversion of the Secured Notes into equity, an investment of new capital to refinance the Credit Facility and to enhance liquidity, and a rationalization of the Company's retail footprint. The Company and its advisors have engaged in discussions with certain secured lenders, including the First Lien Agent and the Supporting Noteholders, key stakeholders and other potential financing sources with respect to these initiatives, and potential transactions were advanced through ongoing discussions, due diligence and the exchange of term sheets. The Sale Transaction, the Support Agreement and the contemplated Golfsmith

Restructuring are the result of the Company's extensive exploration of strategic alternatives in respect of the Business.

(iv) *Sale Process*

113. In June 2016, the Company engaged Jefferies to provide investment banking and financial advisory services to the Company and to conduct a Sale Process to identify potential sale or other restructuring transactions in respect of the Company and its Business. Following extensive preparatory work with senior management, A&M and the Company's legal counsel, Jefferies formally commenced the Sale Process in June 2016.

114. Following the commencement of the Sale Process, Jefferies contacted 214 potential buyers, comprised of 37 potential strategic buyers and 177 potential financial buyers. After initial contact, 67 parties entered into non-disclosure agreements ("**NDAs**") and were provided with access to a confidential data site containing non-public information regarding the Company and the Business. On July 1, 2016, parties that had executed NDAs received a process letter setting out a two-phase process requiring the submission of non-binding initial indications of interest by July 20, 2016 ("**Phase 1**") and the submission of final bids in the form of definitive transaction agreements by August 25, 2016, which date was subsequently extended to August 29, 2016 on notice to potential bidders ("**Phase 2**").

115. As of the Phase 1 deadline, the Company received twelve non-binding indications of interest in respect of the Business. As permitted pursuant to the process letter, certain of the indications of interest were for transactions in respect of the entire Business and certain of the

indications were for transactions in respect of the Golf Town Business or the Golfsmith Business on a standalone basis.

116. Following an extensive review of the indications of interest by the Company and Jefferies, seven prospective buyers were invited to advance to Phase 2 of the Sale Process. In Phase 2, prospective buyers were given the opportunity to participate in management presentations to receive detailed information regarding the Company's corporate strategy, operations, growth prospects and financial information. Phase 2 of the Sale Process also involved more extensive due diligence, site visits, and detailed discussions between the Company, the interested parties and their respective advisors. Potential purchasers participating in Phase 2 were asked to provide final bids consisting of definitive transaction agreements in a form provided by the Company. At the conclusion of Phase 2 of the Sale Process, the Company received final bids with respect to the Golf Town Business from multiple parties. The bid received by the Purchaser also indicated the Supporting Noteholders' interest in advancing and finalizing arrangements with respect to the Golfsmith Restructuring. Following Phase 2 of the Sale Process, a number of bidders expressed an interest in acquiring the Golfsmith Business in a standalone transaction or acquiring both the Golf Town Business and the Golfsmith Business in a consolidated transaction.

117. The Company, with the assistance of Jefferies, A&M, FTI (as proposed Monitor) and legal counsel, evaluated the final bids based on relevant factors, including valuation, transaction structure, due diligence requirements, impact on stakeholders, and the capability of the submitting party to finance and implement the proposed transaction. Bids were also assessed for their interaction and feasibility with other bids and restructuring options in respect of the

Company. The Company's advisors also had follow-up meetings with the leading bidders to provide them with the opportunity to address certain matters and to improve the economics and other material conditions of their bids. Following this extensive review and discussion process, it became clear that (a) the value of the Company would be maximized through the sale of the Golf Town Business on a standalone basis, (b) the final bid submitted by the Purchaser represented the superior transaction for the Golf Town Business, and (c) the advancement of the Golfsmith Restructuring with the support of the Supporting Noteholders represented the best available option for the Golfsmith Business.

118. The Purchaser was notified that it was the successful bidder with respect to the Golf Town Business and the Company and Fairfax and CI, in their capacities as Purchaser and Supporting Noteholders, have negotiated and finalized the Golf Town APA and the Support Agreement, the details of which are set out in greater detail below.

B. The Golf Town Transaction

119. The sale of the Golf Town Business to the Purchaser (the "**Golf Town Transaction**") consists of a going concern sale of the Golf Town Business that is expected to result in the continued operation of a majority of Golf Town's existing retail locations. The terms of the Golf Town Transaction are set forth in the Golf Town APA between GT Canada and Golf Town LP (together, the "**Sellers**") and the Purchaser, which will be filed with the Court in connection with the Sale Approval Motion.

120. The following is a summary of the Golf Town Transaction:

(a) the Purchaser will acquire certain assets of the Golf Town Business (the "**Purchased Assets**") in exchange for all-cash consideration containing a fixed component and a variable component determined based on adjustments for prepaid rent, certain cure costs and the net operating performance of the Golf Town Business following the Effective Closing Date (as defined below);

(b) the Purchased Assets include:

(i) the leases (the "**Assumed Leases**") for certain of Golf Town's store locations (the "**Assumed Locations**") and certain of Golf Town's contracts and agreements (the "**Assumed Contracts**"), in each case as determined by the Purchaser on or prior to October 26, 2016;

(ii) all inventory, supplies, equipment, furnishings and other tangible personal property of the Golf Town Business, regardless of whether located at the Assumed Locations, Excluded Locations, or otherwise;

(iii) all accounts receivable and customer deposits in respect of the Golf Town Business; and

(iv) all of Golf Town's right, interest and benefits in intellectual property used in the Golf Town Business;

(c) the Purchaser will assume certain obligations of the Golf Town Business, including:

(i) all obligations in respect of Assumed Leases and Assumed Contracts in respect of the post-closing period;

(ii) all outstanding Golf Town gift cards;

(iii) all cure costs in respect of Assumed Leases and Assumed Contracts, excluding rent payable in respect of Assumed Leases prior to closing;

(iv) all obligations to employees that accept the Purchaser's offer of employment at closing; and

(v) all of Golf Town's product and service warranty claims;

(d) the Purchaser intends to offer employment to employees at the Assumed Locations and may make offers to certain other employees at Golf Town's head office and Excluded Locations;

(e) closing of the transaction is subject to certain closing conditions, including:

(i) Court approval of the Golf Town Transaction;

(ii) the assignment of certain material contracts through third-party consents or Court order;

(iii) the execution of a transition services agreement between the Purchaser and the applicable Golfsmith entities (the "**Transition Services Agreement**") providing for the provision to the Purchaser of certain transition services for a one year term following closing (which term is subject to certain

extensions at the option of the Purchaser on pricing terms set out in the Golf Town APA);

(iv) the approval of the Transition Services Agreement in connection with the Chapter 11 proceedings; and

(v) the receipt of necessary regulatory approvals, including approval pursuant to the *Competition Act* (Canada); and

(f) the transaction is expected to close by October 31, 2016. If the transaction does not close by that date, the Golf Town APA provides for an effective closing date of October 31, 2016 (the "**Effective Closing Date**") and an adjustment to the purchase price to take into account the net operating costs of the Golf Town Business from and after the Effective Closing Date. The purchase price adjustment is determined by reference to, among other things, occupancy costs, inventory and supply purchases, human resources costs, taxes and amounts payable in respect of Assumed Contracts, less gross cash receipts from the sale of inventory and supplies, the collection of accounts receivable and the sale of gift cards.

121. The Purchaser of the Golf Town Business is an entity to be formed by Fairfax and CI. Fairfax has been under present management since 1985 and it is headquartered in Toronto. Fairfax's common shares are listed on the Toronto Stock Exchange and it has worldwide investments across a variety of sectors, including investments in the Canadian retail sector, including Sporting Life, Cara, and The Keg. CI is one of Canada's largest investment fund

companies and manages approximately C$100 billion on behalf of two million Canadian investors. CI is a subsidiary of CI Financial Corp., a diversified wealth management firm listed on the Toronto Stock Exchange.

122. The Golf Town Transaction and the terms of the Golf Town APA will be described in greater detail in connection with the Sale Approval Motion.

C. The Golfsmith Restructuring and the Support Agreement

123. As described above, the Company has undertaken an extensive exploration of strategic alternatives with respect to the Golfsmith Business, including conducting the Operational and Strategic Review, advancing recapitalization and restructuring initiatives with its secured lenders and other key stakeholders, and soliciting interest in sale transactions in respect of the Golfsmith Business in connection with the Sale Process. The results of this comprehensive process indicate that a financial and operational restructuring of the Golfsmith Business is necessary to enable Golfsmith to address its liquidity challenges and revitalize the Golfsmith Business.

124. In connection with their bid for the Golf Town Business, the Supporting Noteholders indicated their interest in working with the Company to advance and implement a going concern restructuring of the Golfsmith Business. The Company believes that the Golfsmith Restructuring represents the best available alternative for the Golfsmith Business at this time and accordingly has worked with the Supporting Noteholders to negotiate and finalize the Support Agreement, a copy of which is attached as Exhibit “C” to this affidavit. As more fully set out in the Support Agreement, the Golfsmith Restructuring contemplates:

(a) Restructured Golfsmith will operate the Golfsmith Business following the completion of a restructuring and recapitalization undertaken in connection with the Chapter 11 proceedings;

(b) completion of the Golf Town Transaction;

(c) the Secured Notes and all obligations owing to Secured Noteholders under the Secured Notes (including all guarantee obligations) will be cancelled in exchange for the New Secured Notes and 100% of the equity in Restructured Golfsmith;

(d) the New Secured Notes will have, *inter alia*, a principal amount of US$35 million, an extended maturity date of three years from the completion of the Golfsmith Restructuring, and an interest rate of 12% per annum with an option for the Company to pay interest in kind rather than in cash. The terms of the New Secured Notes are set out more fully on Schedule B to the Support Agreement;

(e) Golfsmith will enter into the Transition Services Agreement with the Purchaser on terms consistent with the Golf Town APA;

(f) the Credit Facility will be refinanced with a new first lien asset-based revolving facility for Restructured Golfsmith (the "**New Credit Facility**");

(g) the Golfsmith Restructuring will be achieved through a Chapter 11 plan of reorganization (the "**Plan of Reorganization**") or in another manner acceptable to the Company and the Supporting Noteholders; and

(h) any Plan of Reorganization shall have been confirmed by the Bankruptcy Court pursuant to a final order by no later than December 23, 2016 and the Golfsmith Restructuring shall have been implemented by no later than February 15, 2017.

125. If implemented, the Golfsmith Restructuring would result in a going concern reorganization of the Golfsmith Business and an overall solution for the Company for the benefit of its suppliers, employees, customers and other key stakeholders. As part of its interim financing arrangements, the Company has agreed to undertake a dual track sale process in the Chapter 11 proceedings to explore the potential for an alternative transaction for the Golfsmith Business that maximizes value for the benefit of stakeholders. Concurrently with these efforts, the Company intends to advance the Golfsmith Restructuring with the Supporting Noteholders and to take steps to refinance or repay the Credit Facility obligations in connection with the completion of the restructuring. The Company is permitted under the terms of the Support Agreement to enter into an alternative transaction that provides a superior outcome for the Company and its stakeholders, including the Secured Noteholders.

126. The completion of the Golfsmith Restructuring is conditional on certain conditions set forth in the Support Agreement, including:

(a) approval of the Reorganization Plan by the Bankruptcy Court and the requisite majority of affected creditors;

(b) Restructured Golfsmith shall have entered into a New Credit Facility acceptable to Golfsmith and the Supporting Noteholders;

(c) the Transition Services Agreement shall have been approved by the Bankruptcy Court and shall remain in full force and effect;

(d) the Golf Town Transaction shall have been approved by this Court and completed; and

(e) the receipt of all required regulatory consents and approvals.

127. The Support Agreement has been executed by Fairfax and CI, which collectively hold in excess of 40% of the Secured Notes. Other Secured Noteholders will also have the opportunity to become Supporting Noteholders by executing the Support Agreement. The Company will work with other Secured Noteholders to obtain their support for the Support Agreement, the Golf Town Transaction and the Golfsmith Restructuring.

128. The Company believes that the execution of the Support Agreement and the agreement of the Company and the Supporting Noteholders to work together to support and implement the Golfsmith Restructuring is in the best interests of Golfsmith and its stakeholders. The initiation of the Chapter 11 proceedings will provide stability and breathing room for the Golfsmith Business while Golfsmith works with its key stakeholders, including the Supporting Noteholders, to finalize and implement the Golfsmith Restructuring. The terms of the Support Agreement also maintain the ability of Golfsmith to consider and, with the consent of the Supporting Noteholders, proceed with an alternative transaction. Accordingly, the Company believes that proceeding with the Support Agreement and the finalization and implementation of the Golfsmith Restructuring is in the best interests of Golfsmith and its stakeholders at this time.

D. Implementation in the CCAA and Chapter 11 Proceedings

129. Having regard to the financial circumstances of the Company and the need to continue the Business without disruption, the Company has determined that court-supervised restructuring proceedings are the most appropriate manner for implementing the Golf Town Transaction and the Golfsmith Restructuring. The Company is experiencing liquidity challenges that have the potential to impair operations and adversely impact the value of the Business. The Company requires immediate additional liquidity that, given its financial circumstances, can only be accessed in connection with the DIP Facility advanced in connection with creditor protection proceedings. Accordingly, the Company is seeking protection pursuant to the CCAA proceedings in Canada and the Chapter 11 proceedings in the United States to provide it with stability and breathing room and to protect the value of the Business while the Sale Transaction and Golfsmith Restructuring are implemented.

130. While the Golf Town Transaction and the Golfsmith Restructuring are expected to result in the continuation of a sizeable portion of the Business on a going concern basis, certain of the assets and obligations of Golf Town and Golfsmith, including certain retail locations, will not be retained in connection with the transactions. The CCAA and Chapter 11 proceedings will provide the Company with the appropriate forums in which to wind-down certain aspects of its operations in an orderly manner that maximizes value for stakeholders. Accordingly, the Company believes that seeking CCAA protection for the Golf Town Business and Chapter 11 protection for the Golfsmith Business is in the best interests of the Company and its stakeholders at this time.

V. CCAA PROCEEDINGS

A. The Golf Town Entities are Insolvent

131. Despite its extensive efforts, the Company is unable to resolve its liquidity challenges or implement a sustainable restructuring of the Business outside of a CCAA process and a concurrent Chapter 11 proceedings in respect of the U.S. Debtors.

132. The Company's liquidity challenges have worsened in recent months and the Company is facing an imminent liquidity crunch. Without the benefit of creditor protection and access to the DIP Facility on an immediate basis, the Company will not have sufficient working capital to operate the Business in the coming weeks. The Golf Town Entities are insolvent and require CCAA protection at this time. In particular:

(a) the Golf Town Entities have experienced a significant contraction in supplier trade terms in recent months and certain suppliers have required advance payment for inventory shipments as a result of the Company's current financial position. Without access to funding under the DIP Facility, the Golf Town Entities will not have sufficient funding to acquire the inventory necessary to support the Golf Town Business or to pay their suppliers in the ordinary course;

(b) the imposition of Borrowing Base Reserves under the Credit Facility has intensified the liquidity challenges of the Golf Town Entities and limited their ability to access working capital to support the Golf Town Business;

(c) the Company's Business operations, which had limited EBITDA and negative free cash flow in 2015, cannot sustain the Company's highly-leveraged capital structure and associated debt service costs;

(d) the seasonal downturn in the Business that is expected in the coming months will further constrain the Company's liquidity position;

(e) despite extensive efforts undertaken by the Company and its advisors to obtain additional financing, the Company is not able, other than pursuant to a DIP Facility under the CCAA and concurrent Chapter 11 proceedings, to obtain additional or alternative financing on acceptable terms given its current financial circumstances and existing debt structure; and

(f) the results of the Sale Process and the value of the Golf Town Transaction indicate that the aggregate value of the Golf Town Property, taken at fair value, is not sufficient to enable the Golf Town Entities to pay all of their obligations, due and accruing due, including the Credit Facility Obligations that become due July 24, 2017 or earlier and the Secured Notes.

133. The boards of directors of Holdings GP and each of the Applicants have thoroughly considered the circumstances and the alternatives available in the present circumstances. In exercise of their business judgment and with the assistance of their legal and financial advisors, the directors have determined that it is in the best interests of the Golf Town Entities to file for CCAA protection at this time. By pursuing the implementation of the Golf Town Transaction in the CCAA proceedings, the Golf Town Business can continue as a going concern while the

majority of Golf Town's assets and employment obligations are transferred to and assumed by the Purchaser. The implementation of the Golf Town Transaction in the CCAA proceedings is the best available alternative for the Golf Town Entities at this time.

B. Stay of Proceedings under the CCAA

134. In light of the Company's financial circumstances, I believe that without the benefit of CCAA protection there could be an immediate and significant erosion of the value of the Business and the Company's ability to complete the Golf Town Transaction on a going concern basis. In particular, the Golf Town Entities are mindful of the following risks that could materialize without the benefit of a stay of proceedings and the other relief sought under the CCAA:

(a) vendors ceasing to supply the Golf Town Entities with the inventory needed to operate the Golf Town Business or tightening credit terms in a manner that further exacerbates the liquidity challenges of the Golf Town Entities;

(b) potential defaults under the Credit Facility and the Notes Indenture, the acceleration of amounts owing in respect of these financing arrangements, and the commencement of related enforcement actions against the Golf Town Entities and their assets; and

(c) the potential termination of agreements that are critical to the operation of the Business and valuable assets to be acquired in connection with the Golf Town Transaction, including leases with respect to the retail locations to be acquired by the Purchaser and supply agreements with suppliers of the Golf Town Business.

135. Although Golf Town LP and Holdings LP are not applicants in these proceedings (since each is a limited partnership rather than a "company" to which the CCAA applies), the extension of the stay of proceedings to Golf Town LP and Holdings LP is essential because:

(a) Golf Town LP is the operating entity of the Golf Town Business, meaning the entire Golf Town Business would be at risk if the benefits of the Initial Order are not extended to Golf Town LP;

(b) Golf Town LP holds substantially all of the assets of the Golf Town Business, including substantially all of its cash resources, and is liable for substantially all of the trade liabilities of the Golf Town Business;

(c) since substantially all of the purchased assets under the Golf Town Transaction are held by Golf Town LP, it is necessary for Golf Town LP to be subject to the CCAA proceedings to enable the vesting of the purchased assets in the Purchaser free and clear of liens and encumbrances;

(d) Golf Town LP is a guarantor of the Credit Facility and the Secured Notes;

(e) GT Canada, which owns all of the partnership units in Golf Town LP, is an Applicant in these proceedings;

(f) Golf Town GP II Inc., which is the general partner of Golf Town LP, is an Applicant in these proceedings;

(g) Holdings LP owns all of the beneficial interest in Golf Town and Golfsmith, including all of the issued shares of Golf Town Holdings, which is an Applicant in these proceedings;

(h) if any proceedings were commenced against Golf Town LP or Holdings LP, it would have a detrimental effect on the Company's ability to complete the Golf Town Transaction and the Golfsmith Restructuring and could lead to a significant erosion of value of the Business to the detriment of all stakeholders; and

(i) a stay of proceedings that extends to Golf Town LP and Holdings LP is necessary to maintain stability with respect to the Business and maintain value for the benefit of the Company's stakeholders.

136. For these reasons, the Applicants believe that an extension of the stay of proceedings to Golf Town LP and Holdings LP is essential for the preservation of value and the successful completion of the Golf Town Transaction on a going concern basis. Accordingly, the proposed Initial Order provides that Golf Town LP and Holdings LP shall have the benefit of the same protections and authorizations provided to the Applicants under the Initial Order. The Applicants believe that the commencement of the CCAA proceedings and the stay of proceedings in respect of the Golf Town Entities are necessary to protect and preserve the value of the Business while the Golf Town Entities complete the proposed Golf Town Transaction and restructure their affairs within the CCAA proceedings.

C. Funding of the Company

(i) Cash Flow Forecast and the DIP Facility

137. As indicated in the cash flow forecast attached hereto as Exhibit "D" (the "**Cash Flow Forecast**"), the Golf Town Entities require immediate additional funding at the commencement of the CCAA proceedings. The Golf Town Entities' principal use of cash during these proceedings will consist of the costs associated with the ongoing operation of the Golf Town Business, including amounts paid to suppliers, employees and landlords. In addition to these regular course operating expenditures, the Golf Town Entities will also incur administrative expenses in connection with these CCAA proceedings, the completion of the proposed Golf Town Transaction and the wind-down of the remaining aspects of the Golf Town Business. The U.S. Debtors also require immediate additional funding at the commencement of the Chapter 11 proceedings to fund the operation and restructuring of the Golfsmith Business.

138. In advance of the initiation of the CCAA and Chapter 11 proceedings, the Company and its professional advisors engaged with the First Lien Agent and other potential financing sources to ascertain their interest in providing interim financing to the Company. Three parties entered into NDAs for the purpose of evaluating the interim financing opportunity and three additional parties that had executed NDAs in connection with the Sale Process also had discussions with Jefferies with respect to providing interim financing.

139. I am informed by Jefferies that certain potential financing sources indicated that they were not prepared to advance an interim financing proposal given their assessment that the Company's First Lien Lenders were unlikely to support a third party interim financing proposal

that would rank in priority to the Credit Facility. The Company received one written proposal for interim financing, which was provided by the First Lien Agent on behalf of the First Lien Lenders. The financing to be provided by the First Lien Lenders (in such capacity, the "**DIP Lenders**") pursuant to the DIP Facility is essential to address the Company's immediate liquidity challenges and to enable the continued operation of the Business while the Golf Town Entities seek to complete the Golf Town Transaction.

140. The Cash Flow Forecast attached to this affidavit sets out projected cash flows for the seven week period ending October 29, 2016 (the "**Cash Flow Period**"). As set out in the Cash Flow Forecast, the Golf Town Entities are expected to have sufficient liquidity to operate to the end of the Cash Flow Period, which coincides with the October 31, 2016 target date and Effective Closing Date for the completion of the Golf Town Transaction. If the closing of the Golf Town Transaction is delayed or the liquidity needs of the Business during the Cash Flow Period exceed the amounts projected in the Cash Flow Forecast, the Company could experience liquidity challenges beyond the Cash Flow Period as a result of the inability to access additional advances under the DIP Facility due to borrowing base restrictions. The Company typically has elevated working capital requirements in early to mid-November to build inventory in advance of the holiday sales period, offset by increased sale activity in late November and throughout December.

141. To date, the Company has not been able to secure a commitment from the DIP Lenders to permit temporary enhanced availability under the DIP Facility in the event that the Golf Town Transaction is not completed within the Cash Flow Period. The Company will continue to work with the DIP Agent on DIP Facility arrangements. The Company believes that certain

arrangements may only be achievable as matters progress and the parties have the benefit of real time information in discussing liquidity and timing matters, including the status of the Golf Town Transaction and the Golfsmith Restructuring. The Golf Town Entities, with the assistance of the Monitor, will continue to closely monitor their liquidity situation and pursue available options, including potentially seeking relief from this Court regarding the use of the Deposit in respect of the Golf Town Transaction, with a view to protecting the operations and value of the Golf Town Business pending the completion of the Golf Town Transaction. The Golf Town Entities will provide further updates to this Court with respect to their liquidity situation as the CCAA proceedings progress.

142. Given its current financial situation and existing circumstances, the Company believes that obtaining financing pursuant to the DIP Facility is the best available alternative for the Company at this time. The Company is seeking approval of the DIP Facility in both the CCAA and Chapter 11 proceedings. The terms of the DIP Facility will be contained in a Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement in substantially the form attached hereto as Exhibit "E" (the "**DIP Agreement**"), which is in substantially the same form as the Credit Agreement, amended to reflect the nature of the interim financing and the current circumstances of the Company. The Company and the DIP Agent and their respective advisors continue to have discussions with respect to the finalization of the DIP Agreement, including matters with respect to the Milestones (as defined below). Certain matters with respect to the DIP Facility are confidential and are contained in the confidential supplement to this affidavit (the "**Confidential Supplement**").

143. The material terms of the DIP Facility include:[4]

(a) each of the borrowers under the Credit Facility is a borrower under the DIP Facility (in their capacity as borrowers under the DIP Facility, the "**Borrowers**"), including GT Canada, Golf Town GP II Inc., and Golf Town LP. Golf Town Holdings is a guarantor of the DIP Facility. The obligations under the DIP Facility (the "**DIP Obligations**") are guaranteed by the Credit Parties on a joint and several basis.

(b) consistent with the Credit Facility, the DIP Facility is provided on a consolidated basis based on a borrowing base calculated by reference to the consolidated assets of Golf Town and Golfsmith. Total availability under the DIP Facility is the lesser of (i) US$135 million (the "**Maximum Amount**") and (ii) a borrowing base calculated based on the eligible accounts, inventory and real estate of the Company on a consolidated basis, less any reserves established by Antares Capital LP in its capacity as agent under the DIP Agreement (the "**DIP Agent**"). In connection with the determination of the DIP Facility borrowing base, the DIP Agent has agreed to release certain reserves that were recently imposed in connection with the determination of the Credit Facility Borrowing Base;[5]

(c) the DIP Facility includes (i) a revolving subfacility with maximum availability of the Canadian-dollar equivalent of US$60 million (the "**Canadian Subfacility**"),

[4] Capitalized terms used but not defined in paragraph have the meanings given to them in the DIP Agreement.

[5] The DIP Agreement provides that these reserves may be re-imposed in the DIP Agent's reasonable credit judgment based on circumstances, conditions, events or contingencies arising after the closing date of the DIP Facility or that were unknown to the DIP Agent prior to such closing.

(ii) letter of credit and swingline subfacilities of the Canadian Subfacility (together with the Canadian Subfacility, the "**Canadian Facilities**"), and (iii) letter of credit and swingline subfacilities of the DIP Facility denominated in U.S. Dollars. Each of the Canadian Facilities is denominated in Canadian Dollars.

(d) the DIP Facility shall bear interest, at the Borrowers' option, at a fluctuating rate equal to:

(i) for U.S. Dollar denominated loans, (A) the Base Rate plus 1.25% per annum, or (B) LIBOR plus 2.25% per annum; and

(ii) for the Canadian Facilities, (A) the Canadian Prime Rate plus 1.25% per annum, or (B) the BA Rate plus 2.25% per annum.

(e) the maturity date of the DIP Facility is the earliest to occur of (i) six months from the closing of the DIP Facility; and (ii) the date on which the commitments are terminated in accordance with the DIP Agreement, after an event of default or otherwise.

(f) the fees payable by the Borrowers under the DIP Facility include:

(i) a non-refundable closing fee of 1.75% of the Maximum Amount;

(ii) an unused commitment fee equal to 0.375% per annum of the average unused daily balance of the DIP Facility; and

(iii) an administration fee of US$75,000 payable to the DIP Agent on the Closing Date and on each anniversary thereof.

(g) availability under the DIP Facility is subject to certain conditions, including:

(i) approval of the DIP Facility by this Court and the Bankruptcy Court; and

(ii) delivery to the DIP Agent on the Closing Date of an Approved Budget depicting cash revenues, receipts, expenses and disbursements for the applicable cash flow period, which shall be in form and substance acceptable to, and approved by, the DIP Agent in its discretion, which Approved Budget shall be updated on a monthly basis.

(h) the proceeds of the DIP Facility shall be used solely for (i) working capital and letters of credit, (ii) general corporate purposes, and (iii) payment of administrative costs related to the CCAA and Chapter 11 proceedings, in each case solely to the extent set forth in the Approved Budget and subject to permitted variances.

(i) the DIP Agreement contains reporting requirements for the Borrowers, including the delivery to the DIP Agent on a weekly basis of a borrowing base certificate, inventory summary, accounts receivable and accounts payable aging listings, and an Approved Budget reconciliation report.

(j) as adequate protection for any reduction in the value of the First Lien Lenders' collateral as a result of the DIP Facility, the First Lien Lenders will continue to receive interest payments in respect of the outstanding Credit Facility Obligations.

(k) initial availability under the DIP Facility is subject to certain conditions precedent, including the issuance of orders by each of the CCAA Court and the Bankruptcy Court authorizing the DIP Facility and granting a superiority charge over the present and future real and personal property of the Golf Town Entities and the U.S. Debtors, as applicable, to secure the DIP Obligations;

(l) the DIP Agreement contains events of default, including:

(i) the failure of the Debtors to comply with the Milestones (as defined below);

(ii) the conversion of the Chapter 11 proceedings to Chapter 7 proceedings or the conversion of the CCAA proceedings to proceedings under the *Bankruptcy and Insolvency Act* (Canada);

(iii) the appointment of a receiver and manager, receiver, interim receiver or similar official over all or any substantial portion of the assets of any Debtor;

(iv) the filing of any plan of reorganization in the Chapter 11 proceedings that does not propose to indefeasibly repay in full in cash the DIP Facility

obligations and the Credit Facility Obligations to which the DIP Agent does not consent;

(v) the granting of any lien or charge that is *pari passu* with or senior to the liens securing the DIP Obligations (other than liens or charges securing the obligations under the Credit Facility or charges created pursuant to the Initial Order); and

(vi) the granting of any order by this Court or the Bankruptcy Court amending, staying, vacating or otherwise modifying the DIP Agreement, the Initial Order or other related orders without the consent of the DIP Agent.

(ii) *Milestones in the DIP Facility*

144. The DIP Agreement contains certain milestones (the "**Milestones**") pertaining to the development and completion of transactions in respect of both the Golf Town Business and the Golfsmith Business.[6] The Milestones remain subject to discussion and finalization by the Company and the DIP Agent. The Milestones include a requirement to obtain Court approval of the Golf Town Transaction on or prior to October 4, 2016. The Milestones also currently include a number of steps and activities with respect to the Golfsmith Business, including:

(a) with the prior approval of the Bankruptcy Court, Golfsmith shall commence a process to liquidate certain underperforming Golfsmith stores, which process shall be completed by October 28, 2016;

[6] This affidavit provides a high-level summary of the Milestones, which will be more fully set-out in Schedule 4.21 to the DIP Agreement.

(b) Golfsmith shall have received Bankruptcy Court approval by October 4, 2016 to conduct concurrent sale processes to solicit bids relating to (i) the sale of the Golfsmith Business on a going concern basis (the "**Golfsmith Sale**"), and (ii) the liquidation of Golfsmith's retail stores (the "**Golfsmith Liquidation**");

(c) Golfsmith shall receive approval from the Bankruptcy Court by October 28, 2016 for the Golfsmith Sale (if a going concern bidder is selected), and the Golfsmith Liquidation (as a back-up in the event that Golfsmith is unable to complete the Golfsmith Sale); and

(d) by October 30, 2016, Golfsmith shall have entered into definitive documentation with respect to the Golfsmith Sale and/or Golfsmith Liquidation and the aggregate proceeds in respect of such transaction(s) shall be sufficient to repay in full in cash the DIP Facility obligations and the Credit Facility Obligations, or the DIP Facility obligations and the Credit Facility Obligations shall have been refinanced in full in cash.

145. The Company intends to explore the potential for an alternative transaction for the Golfsmith Business as required by the DIP Facility. Concurrently, the Company intends to work with the Supporting Noteholders and other stakeholders to advance the Golfsmith Restructuring on the terms set forth in the Support Agreement. If the Company decides to proceed with the Golfsmith Restructuring following the exploration of alternative transactions, the Company will work with the DIP Agent on arrangements, with the benefit of real time information in evaluating potential transactions and timelines, to achieve a restructuring or transaction that is in the best interests of Golfsmith and its stakeholders.

(iii) DIP Lenders' Charge

146. It is contemplated that the DIP Lenders would be granted a Court-ordered charge over the Golf Town Property in the CCAA proceedings up to a maximum of US$135 million to secure amounts advanced and owing pursuant to the DIP Facility (the "**DIP Lenders' Charge**"). The DIP Lenders' Charge will only secure post-filing advances made pursuant to the DIP Facility; it will not secure any obligation that existed prior to the Initial Order, including the Credit Facility Obligations. As a result of the current financial circumstances of the Company, the DIP Lenders have indicated that they are not prepared to advance additional funds to the Company without the security of court-ordered priority charges in the CCAA and Chapter 11 proceedings.

(iv) Repayment of Credit Facility Obligations from Cash Generated in the Business

147. In accordance with the requirements of the DIP Facility, all cash generated from the operation of the Golf Town Business and the Golfsmith Business during the CCAA and Chapter 11 proceedings will be used to permanently repay the Credit Facility Obligations. The repayments will be effectuated through the continuation of Cash Dominion by the First Lien Agent during the proceedings.

148. As the Credit Facility is secured by a valid first-ranking charge over substantially all of the Property of the Company (as confirmed in the Monitor's Pre-Filing Report), the continued repayment of the Credit Facility Obligations from proceeds generated through the operation of the Business maintains the existing priorities as among the Credit Facility, the Secured Notes and the Company's unsecured obligations. The continued repayment of the Credit Facility Obligations from proceeds generated in the operation of the Business is consistent with existing

arrangements and is a result of the terms of the Credit Facility and related lending and enforcement agreements in effect prior to the CCAA filing. The DIP Agreement expressly provides that the Company may not use advances under the DIP Facility to repay any indebtedness, including the Credit Facility Obligations, outstanding prior to the commencement of the CCAA and Chapter 11 proceedings.

149. The DIP Facility is essential to preserve the value of the Golf Town Business and to ensure that the Golf Town Entities can continue operating without disruption while they seek to implement the Golf Town Transaction. Given their present financial circumstances, the Golf Town Entities cannot obtain alternative financing outside of a CCAA process that would be acceptable to their existing secured lenders. As a result, I believe that the DIP Facility and the DIP Lenders' Charge are necessary and in the best interests of the Golf Town Entities and their stakeholders.

D. Payments During the CCAA Proceedings

150. As set out in the proposed Initial Order and described in greater detail elsewhere in this affidavit, the Golf Town Entities are seeking the authorization, subject to the Approved Budget, to pay certain expenses, whether incurred prior to or after the date of the Initial Order, in respect of:

(a) outstanding and future wages, salaries, commissions, compensation, incentive payments, employee benefits, vacation pay and expenses payable to employees, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements;

(b) all outstanding and future contributions to or payments in respect of the Group RRSP and the DPSP in the ordinary course of business and consistent with existing compensation policies and arrangements;

(c) the fees and disbursements of any Assistants (as defined in the Initial Order) retained or employed by the Golf Town Entities;

(d) all outstanding and future amounts owing in respect of Customer Programs and Customer Deposits or other amounts on account of similar customer programs or obligations;

(e) all outstanding and future amounts related to honouring gift cards; and

(f) with the consent of the Monitor, amounts owing for goods or services supplied to the Golf Town Entities prior to the Initial Order by:

(i) logistics or supply chain providers, including transportation providers and freight forwarders;

(ii) providers of credit, debit, gift card or other payment process services; and

(iii) other third party suppliers if, in the opinion of the Golf Town Entities, such payment is necessary to maintain the uninterrupted operations of the Business or the Golf Town Entities during the CCAA proceedings.

151. The authority to make the foregoing payments is necessary for the continued operation of the Golf Town Business and in connection with the CCAA proceedings, the completion of the

Golf Town Transaction and the restructuring of the Golf Town Entities. The Golf Town Entities believe that it is in the best interests of their stakeholders that the Golf Town Entities have the authority to continue to pay these expenses in the normal course, regardless of whether such expenses were incurred prior to, on or after the date of the Initial Order.

152. The Golf Town Entities are also seeking the authority to pay all reasonable expenses incurred in carrying on the Golf Town Business in the ordinary course after the date of the Initial Order, including expenses and capital expenditures reasonably necessary for the preservation of the Golf Town Business and payment for goods and services supplied to the Company during the CCAA proceedings.

153. The ability of the Golf Town Entities to satisfy customer demand and operate the Business is dependent on their ability to obtain an uninterrupted supply of certain inventory and services. As noted above, the Golf Town Entities have maintained long-term relationships with key industry suppliers, many of which are critical to the operation of the Golf Town Business. These supplier relationships have enhanced the ability of the Golf Town Entities to ensure product availability and reliability of supply and to obtain access to high-demand and limited availability products. The Golf Town Entities have already experienced a significant tightening of trade terms in advance of these proceedings and are concerned that certain suppliers may discontinue supplying on existing preferred terms if the Golf Town Entities cease to pay them in the ordinary course. Any such discontinuance could have a material adverse impact on the operation and value of the Golf Town Business and the completion of the Golf Town Transaction.

154. If the Golf Town Entities are unable to obtain uninterrupted access to goods and services from their key suppliers on acceptable terms during the CCAA proceedings, it may become necessary for the Golf Town Entities to bring a motion seeking the designation of certain suppliers as critical suppliers of the Golf Town Business and related relief pursuant to section 11.4 of the CCAA.

E. Key Employee Incentive Plan

155. In connection with the Company's exploration of strategic options and restructuring alternatives, the Company identified four senior-level management employees (the "**Key Management Employees**") whose concerted efforts in connection with the process would enhance the Company's ability to identify, develop and implement transactions and initiatives that maximize value for the benefit of the Company and its stakeholders. The Key Management Employees have significant knowledge and responsibility with respect to the Company and their commitment to the Company's restructuring efforts and Business operations is of vital importance to the Company. I am one of the four Key Management Employees.

156. In recognition of the importance of providing the Key Management Employees with appropriate incentives with respect to the operation of the Business and the exploration of strategic alternatives, the board of directors of GP Holdings approved a Key Employee Incentive Plan (the "**KEIP**") structured to provide the Key Management Employees with an incentive payment upon the completion of certain performance outcomes relating to the completion of a successful restructuring of the Company. The KEIP was established in June 2016 with input from the Company's professional advisors.

157. The terms of the KEIP are set out in letters to the Key Management Employees dated June 24, 2016 (the "**KEIP Letters**"). I understand that the KEIP Letters will be attached as confidential Exhibit "F" to this affidavit and included in the Confidential Supplement. The maximum aggregate incentive payments payable pursuant to the KEIP are US$1,803,750. As all of the Key Management Employees are formally employed by GS Holdings, the primary obligor with respect to the KEIP payments is GS Holdings. However, the Key Management Employees provide strategic direction in respect of the entire Company, including Golf Town, and certain of the Key Management Employees are officers and/or senior management of the Golf Town Entities. Accordingly, the KEIP Letters provide for the guarantee of the KEIP obligations by GT Canada and its Canadian affiliates. By guarantee dated as of June 24, 2016, GT Canada and Golf Town LP guaranteed the obligations of GS Holdings under the KEIP (the "**KEIP Guarantee**").

158. It is contemplated that the obligations of GT Canada and Golf Town LP pursuant to the KEIP Guarantee would be secured by a Court-ordered charge in the amount of US$1,803,750 (the "**KEIP Guarantee Charge**") over the Golf Town Property. The board of directors of Holdings GP believes that the KEIP and the KEIP Guarantee Charge are necessary to provide appropriate incentives to the Key Management Employees in connection with a restructuring of the Company and that the scope of the eligible employees and incentive payments under the KEIP is appropriately tailored in the circumstances. The Key Management Employees have been and will continue to be essential for the preservation of the value of the Business, the completion of the Golf Town Transaction and the restructuring of the Golf Town Business. It is in the best interests of the Company and its stakeholders that this Court ratify the KEIP Guarantee and grant the KEIP Guarantee Charge to ensure that the Key Management Employees

have certainty with respect to the KEIP arrangements as they continue their efforts to complete a successful restructuring of the Company.

159. In order to prevent private and confidential information from being disclosed publicly, the Golf Town Entities are requesting that the Court seal the KEIP Letters as part of the Confidential Supplement.

F. Transition Employee Plan

160. The proposed Initial Order also includes approval of a transition employee plan (the "**Transition Employee Plan**"). The Transition Employee Plan was developed by the Golf Town Entities, in consultation with their professional advisors and the proposed Monitor, to facilitate and encourage the continued participation of certain employees of the Golf Town Entities (the "**Transition Employees**") in connection with the completion of the Golf Town Transaction and the orderly liquidation and closure of the Excluded Locations. The Transition Employees have significant knowledge with respect to the Golf Town Business and its store-level operations and there is a significant risk that Transition Employees will discontinue their employment given the current circumstances of the Golf Town Business and the anticipated closure of the Excluded Locations. An inability to retain the Transition Employees until the store closure process is complete would impair the ability of the Golf Town Entities to complete the wind-down process in an orderly manner and to maximize remaining value for the benefit of stakeholders.

161. The Transition Employee Plan provides that the Transition Employees will be designated by the Golf Town Entities with the consent of the Monitor. While the Golf Town Entities have already identified the majority of the Transition Employees that will be entitled to payments

under the proposed Transition Employee Plan, the program is designed to be flexible and to permit the designation of Transition Employees in response to future circumstances and developments with respect to the store closure and wind-down process. It is expected that the Transition Employees will consist primarily of operational and store-level management involved in the process to transition stores to the Purchaser and to oversee the closure of the Excluded Locations. The Golf Town Entities expect that there will be fewer than 150 Transition Employees under the Transition Employee Plan.

162. All payments under the Transition Employee Plan are conditional upon the applicable Transition Employee continuing to provide services to the Golf Town Entities until such time as the Transition Employee is advised that his or her services are no longer required by the Golf Town Entities. It is contemplated that Transition Employees would be paid their Transition Employee Plan entitlement in connection with their final pay. Transition Employees that resign their positions or are terminated for cause will not be eligible for incentive payments under the Transition Employee Plan. The Golf Town Entities are seeking authorization pursuant to the Initial Order to make aggregate incentive payments under the Transition Employee Plan of up to C$80,000.

163. The Golf Town Entities are seeking a charge over the Golf Town Property (the "**Transition Employee Charge**") in favour of the Transition Employees to secure the payments under the Transition Employee Plan. The Golf Town Entities believe that the Transition Employee Plan and the Transition Employee Charge are necessary to ensure the retention of the Transition Employees during the critical period in which the Golf Town Entities work to

implement the Golf Town Transaction and complete an orderly wind-down of the remaining aspects of the Golf Town Business to maximize value for the benefit of stakeholders.

G. Approval of the Engagement of Jefferies

164. As noted above, the Company engaged Jefferies in June 2016 to undertake the Sale Process and to assist the Company in the identification and analysis of strategic alternatives. Jefferies has played a critical role in the conduct of the Sale Process and the development and negotiation of the Golf Town Transaction and the Support Agreement. Jefferies will continue to have an important role in the CCAA and Chapter 11 proceedings in connection with the implementation of the proposed restructuring transactions. Accordingly, the Company is seeking the Court's confirmation of the retention of Jefferies and the approval of its engagement letter in the Initial Order. The U.S. Debtors will also be seeking approval of the continued retention of Jefferies in the Chapter 11 proceedings.

165. Pursuant to the Company's engagement letter with Jefferies dated as of June 6, 2016 (the "**Jefferies Engagement Letter**") attached hereto as confidential Exhibit "G" and included in the Confidential Supplement, the Company shall pay Jefferies certain fees, including a monthly fee and a transaction fee payable upon the completion of a sale, recapitalization, merger or acquisition, financing or other restructuring transaction (the "**Transaction Fee**").[7] The proposed Initial Order provides that Jefferies' monthly fees will be secured by the Administration Charge (as defined below) and that the portion of the Jefferies' Transaction Fee

[7] The Jefferies Engagement Letter provides that 50% of all monthly fees paid to Jefferies from and after September 6, 2016 shall be credited against the Transaction Fee.

allocated to Canada will be secured by a charge in the maximum amount of US$1,062,500 over the Golf Town Property (the "**Financial Advisor Charge**") with the priority described below.

166. The approval of the engagement of Jefferies is appropriate in the circumstances as Jefferies has worked extensively with the Company to date in connection with the Sale Process, has extensive knowledge with respect to the Company and its Business, and will be instrumental in completing the Golf Town Transaction and the Golfsmith Restructuring and the successful transitioning of the Golf Town Business and the Golfsmith Business. The continued engagement of Jefferies is a condition of the DIP Facility. In addition, it is a condition of the Jefferies Engagement Letter that the Company seek court approval of the Jefferies Engagement Letter in connection with the initiation of any restructuring proceedings in respect of the Company.

H. Approval of the Engagement of A&M and the CRO

167. As described above, A&M was originally retained by the Company in 2014 and A&M has played a central role in advising and assisting the Company with respect to the Strategic and Operational Review and the exploration and development of strategic, business and operational initiatives. In connection with the initiation of the CCAA and Chapter 11 proceedings, the Company and A&M have entered into an engagement letter dated as of September 13, 2016 (the "**A&M Engagement Letter**") with respect to A&M's mandate with the Company moving forward. A copy of the A&M Engagement Letter is attached hereto as confidential Exhibit "H" and included in the Confidential Supplement.

168. Pursuant to the A&M Engagement Letter, A&M will continue to provide advisory services to the Company during the CCAA and Chapter 11 proceedings. Brian Cejka of A&M

will serve as the Chief Restructuring Officer (the "**CRO**") of Golf Town and Golfsmith and will oversee and manage A&M's U.S. engagement team, and Douglas McIntosh of A&M will oversee and manage A&M's Canadian engagement team. The A&M Engagement Letter provides that A&M will be compensated based on the services of the CRO and the engagement team at their hourly rates, and that the Golf Town Entities shall be responsible for the payment of the fees and expenses of A&M for services provided by A&M to the Golf Town Entities or the Golf Town Business. A&M is not entitled to a success, transaction or similar fee in respect of the engagement.

169. In the proposed Initial Order, the Golf Town Entities are seeking the Court's confirmation of the retention of A&M and the CRO and the approval of the A&M Engagement Letter. The U.S. Debtors will also be seeking confirmation of the retention of A&M and the CRO in the Chapter 11 proceedings. The approval of the engagement of A&M, including the CRO, is appropriate in the circumstances as A&M has worked extensively with the Company since 2014 and has significant knowledge with respect to the Company and its Business, operations and finances. A&M's continued involvement will be critical to the successful completion of the Golf Town Transaction, the Golfsmith Restructuring and the other activities necessary to wind-down certain aspects of the Business in an orderly manner that maximizes value for stakeholders. In addition, the continued engagement of A&M is a condition of the DIP Facility. The Company believes that the retention of A&M, including the CRO, is in the best interests of the Company and its stakeholders.

170. The terms of the Jefferies Engagement Letter and the A&M Engagement Letter (together, the "**Engagement Letters**") are commercially sensitive, and the disclosure of the commercial

terms of the Engagement Letters could affect the ability of Jefferies and A&M to negotiate compensation of their services in future engagements. Further, it does not appear that the sealing of the Jefferies Engagement Letter would materially prejudice any third parties. Accordingly, the Golf Town Entities are seeking to have the Engagement Letters sealed as part of the Confidential Supplement.

I. Monitor and Administration Charge

171. The Golf Town Entities seek the appointment of FTI as the CCAA monitor in these proceedings (the "**Monitor**"). FTI has consented to act as the Monitor of the Golf Town Entities in the within proceedings, subject to Court approval. A copy of its consent is attached at Tab "5" of the Application Record.

172. FTI became involved with the Company in August 2016 in the capacity as proposed Monitor in the event that it became necessary for the Company to commence CCAA proceedings. Since that time, FTI has been provided with regular updates regarding the Company's financial and liquidity position, the conduct of the Sale Process, the development of the Golf Town Transaction and the Support Agreement, and the other relief requested by the Golf Town Entities in connection with the CCAA proceedings.

173. It is contemplated that a Court-ordered charge over the Golf Town Property would be granted in favour of the Monitor, counsel to the Monitor, counsel to the Company and A&M to secure the payment of their professional fees and disbursements (incurred at their standard rates and charges and on the terms set forth in their respective engagement letters) and in favour of Jefferies to secure its monthly fees and expenses (in accordance with the Jefferies Engagement

Letter) and whether incurred prior to, on or after the date of the Initial Order (the "**Administration Charge**"). The proposed Administration Charge is in an aggregate amount of C$1.6 million. All of the beneficiaries of the Administration Charge have contributed, and will continue to contribute, to the Company's restructuring efforts.

J. Directors' Charge

174. The directors and officers of the Golf Town Entities and Holdings GP (the "**Directors and Officers**") have been actively involved in efforts to address the current financial and operational challenges of the Business, including through overseeing the conduct of the Operational and Strategic Review, the exploration of strategic alternatives, the Sale Process, the negotiation of the Golf Town Transaction and the Support Agreement, communications with stakeholders and the preparation for and commencement of these CCAA proceedings.

175. The Directors and Officers have been mindful of their duties with respect to their supervision and guidance of the Company in advance of these CCAA proceedings. Nonetheless, it is my understanding, based on advice from counsel, that in certain circumstances, directors and officers can be held personally liable for certain corporate obligations, including in connection with salary and wages, payroll remittances, vacation pay, termination and severance obligations (in certain provinces), harmonized sales taxes, goods and services taxes, workers compensation remittances, and certain other obligations. Furthermore, I understand it may be possible for directors and officers of a corporation to be held personally liable for certain other employee-related obligations.

176. The Company maintains a directors and officers insurance policy (the "**D&O Policy**") with Travelers Insurance Company of Canada that expires on November 15, 2016. The D&O Policy provides C$5 million in coverage. The D&O Policy insures the Directors and Officers, as well as the directors and officers of the Golfsmith entities, for certain claims that may arise against them in their capacity as directors and/or officers; however, the D&O Policy contains several exclusions and limitations to the coverage provided, and there is a potential for there to be insufficient coverage in respect of claims against the Directors and Officers.

177. The Directors and Officers have expressed their desire for certainty with respect to potential personal liability if they continue in their current capacities. In order to continue to carry on business in the ordinary course during the CCAA proceedings and complete the Golf Town Transaction most effectively, the Golf Town Entities require the active and committed involvement of the Directors and Officers.

178. Accordingly, the Golf Town Entities request a Court-ordered charge in the amount of C$3.7 million over the Golf Town Property to secure the indemnity of the Directors and Officers in respect of liabilities they may incur during the CCAA proceedings in their capacities as directors and officers with respect to any failure to pay wages and source deductions, vacation pay, severance and termination amounts, other employee-related obligations and Sales Taxes (as defined in the Initial Order) (the "**Priority Directors' Charge**"), and a Court-ordered charge in the amount of C$3.0 million over the Golf Town Property to secure the indemnity of the Directors and Officers in respect of liabilities they may incur during the CCAA proceeding in their capacities as directors and officers (the "**Directors' Charge**" and, together with the "**Priority Directors' Charge**", the "**Directors' Charges**"). The proposed ranking of the

Directors' Charges is set out below and in the proposed Initial Order. The amount of the Directors' Charges has been calculated based on the estimated exposure of the Directors and Officers and has been reviewed with the Monitor. The proposed Directors' Charges would apply only to the extent that the Directors and Officers do not have coverage under the D&O Policy.

179. The proposed Initial Order provides that the directors and officers of Holdings GP shall be entitled to the benefit of the Directors' Charges. I am a director of Holdings GP. Holdings GP is not a Golf Town Entity for which CCAA protection is sought. However, Holdings GP is the general partner of Holdings LP, which is a Golf Town Entity for purposes of the relief requested in the Initial Order and which owns all of the beneficial interest in Golf Town and Golfsmith. The directors and officers of Holdings GP provide important oversight and strategic direction to the entire Company and have been actively involved in efforts to address the current financial and operational challenges of the Business. The directors and officers of Holdings GP have expressed a desire for certainty with respect to addressing potential personal liability if they continue in their current capacities. Given the critical role played by the directors and officers of Holdings GP with respect to strategic oversight of the entire Company and the need to ensure the committed involvement of such individuals during the CCAA proceedings, the Golf Town Entities believe that the extension of the Directors' Charges to the directors and officers of Holding GP is in the best interests of the Golf Town Entities and their stakeholders.

K. Priorities of Charges

180. It is contemplated that the priorities of the various charges (collectively, the "**Charges**"), as among them, will be as follows:

(a) First – the Administration Charge;

(b) Second – the Priority Directors' Charge;

(c) Third – the DIP Lenders' Charge;

(d) Fourth – the Directors' Charge;

(e) Fifth – the KEIP Guarantee Charge and the Transition Employee Charge (*pari passu*);

(f) Sixth – the Financial Advisor Charge; and

(g) Seventh – the Intercompany Charge.

181. The Initial Order sought by the Company provides for the Charges to rank in priority to all other security interests, trusts, liens, charges, encumbrances and claims of secured creditors, statutory or otherwise (collectively, the "**Encumbrances**") in favour of any person, notwithstanding the order of perfection or attachment, subject to the following:

(a) any security interest of a "secured creditor" as defined in the CCAA as of the date of the Initial Order, other than any security interest in respect of the Credit Facility and the Secured Notes, shall rank in priority to the Charges;

(b) the Administration Charge, the Priority Directors' Charge and the DIP Lenders' Charge shall rank in priority to any security interest securing the Credit Facility or the Secured Notes; and

(c) the Directors' Charge, the KEIP Guarantee Charge, the Transition Employee Charge, the Financial Advisor Charge and the Intercompany Charge shall rank

subordinate to any security interest securing the Credit Facility and in priority to any security interest securing the Secured Notes.

182. I am informed by counsel that the First Lien Agent and the Notes Trustee have been given notice of the initiation of these CCAA proceedings and the relief sought by the Golf Town Entities with respect to the Charges. The Intercreditor Agreement provides that, without any further action by or consent of the Notes Trustee or the Secured Noteholders, the Encumbrances securing the Secured Notes may be subordinated to the Administration Charge and the DIP Lenders' Charge, provided that certain adequate protection is extended to Secured Noteholders under the DIP Facility. I am informed by counsel to the Company that the DIP Facility includes such adequate protection.

183. The proposed Initial Order authorizes the Golf Town Entities to seek an Order granting priority of the Charges ahead of all or certain other Encumbrances on a subsequent motion in these proceedings.

184. The Golf Town Entities believe the amount of the Charges is fair and reasonable in the circumstances.

L. Approval of the Golf Town Transaction

185. The Golf Town Entities are not seeking approval of the Golf Town Transaction as part of the Initial Order. However, if this Court grants the Initial Order, the Golf Town Entities intend to bring the Sale Approval Motion as soon as possible to seek approval of the Golf Town Transaction and other related relief on notice to parties affected by the Golf Town Transaction.

M. Orderly Wind-Down of Excluded Locations

186. While the Golf Town Transaction is expected to result in the continued operation of the majority of Golf Town's retail locations on a going concern basis, certain Excluded Locations will not be acquired by the Purchaser. Under the terms of the Golf Town APA, the Purchaser is required to determine, by no later than October 26, 2016, which of Golf Town's retail leases will be acquired in connection with the Golf Town Transaction. Once the scope of the Excluded Locations is finalized, the Golf Town Entities intend to complete remaining wind-down activities in the CCAA proceedings, including the closure of Excluded Locations in a manner that maximizes value and is responsive to the interests of affected stakeholders.

VI. CHAPTER 11 PROCEEDINGS

187. The Company has determined that, given its current circumstances, the completion of the Golfsmith Restructuring cannot be achieved outside of a court-supervised process. The Company is of the view that the Golfsmith Restructuring will require judicial approval in the United States to address the business, assets and obligations of the Company in the United States. Accordingly, the U.S. Debtors are making a voluntary Chapter 11 petition to the Bankruptcy Court concurrently with the initiation of these CCAA proceedings. The U.S. Debtors will be seeking "First Day Motions" to obtain relief similar to that sought by the Golf Town Entities in these proceedings.

188. Given the existing integrated nature of the Business, the Company believes that a global restructuring is the best way to protect and maximize value for stakeholders. While the CCAA and Chapter 11 proceedings will be coordinated with a view to ensuring that the Business is restructured on a comprehensive basis, the Company expects that the CCAA and Chapter 11

proceedings can be undertaken on separate tracks that reflect the geographical bifurcation of the Business. There is no expected overlap in the Golf Town Entities that will be subject to the CCAA proceedings and the U.S. Debtors that will be subject to the Chapter 11 proceedings, although the provision of shared services between the Golf Town Entities and the U.S. Debtors will continue. The CCAA proceedings will be focused on the completion of the Golf Town Transaction and the restructuring of the Golf Town Business, and the Chapter 11 proceedings will be focused on the advancement and completion of the Golfsmith Restructuring. Accordingly, the Company is not seeking the approval of a cross-border protocol at this time.

VII. CONCLUSION

189. The Company and its professional advisors have extensively considered and explored a variety of strategic alternatives to achieve a restructuring of the Company that addresses the liquidity challenges of the Business, maximizes value for the benefit of stakeholders, and enables the continued operation of the Business on a going concern basis. The Company believes that the implementation of the Golf Town Transaction and the Golfsmith Restructuring represents the best available outcome for the Company and its stakeholders at this time.

190. Having regard to its challenged financial circumstances, the Company has determined that it is necessary to implement the Golf Town Transaction in connection with these CCAA proceedings. The CCAA proceedings and the relief sought in the Initial Order are necessary to stabilize the Golf Town Business and to enable Golf Town to continue operations without disruption while the Golf Town Transaction is completed.

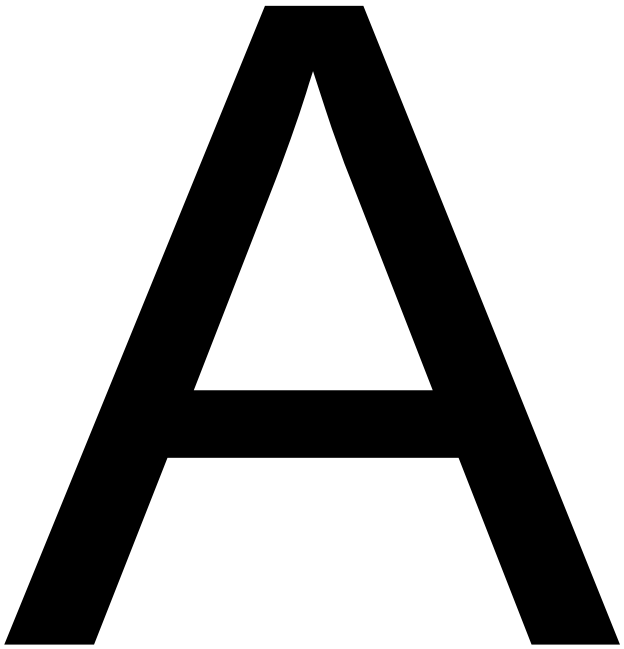
191. I swear this affidavit in support of the relief sought by the Golf Town Entities and for no improper purpose.

SWORN before me at the City of Austin, in the State of Texas, on September 13, 2016.

A Commissioner for taking affidavits

David Roussy

MARTHA L. MURGIA
MY COMMISSION EXPIRES
June 15, 2018



THIS IS EXHIBIT "A"

TO THE AFFIDAVIT OF DAVID ROUSSY

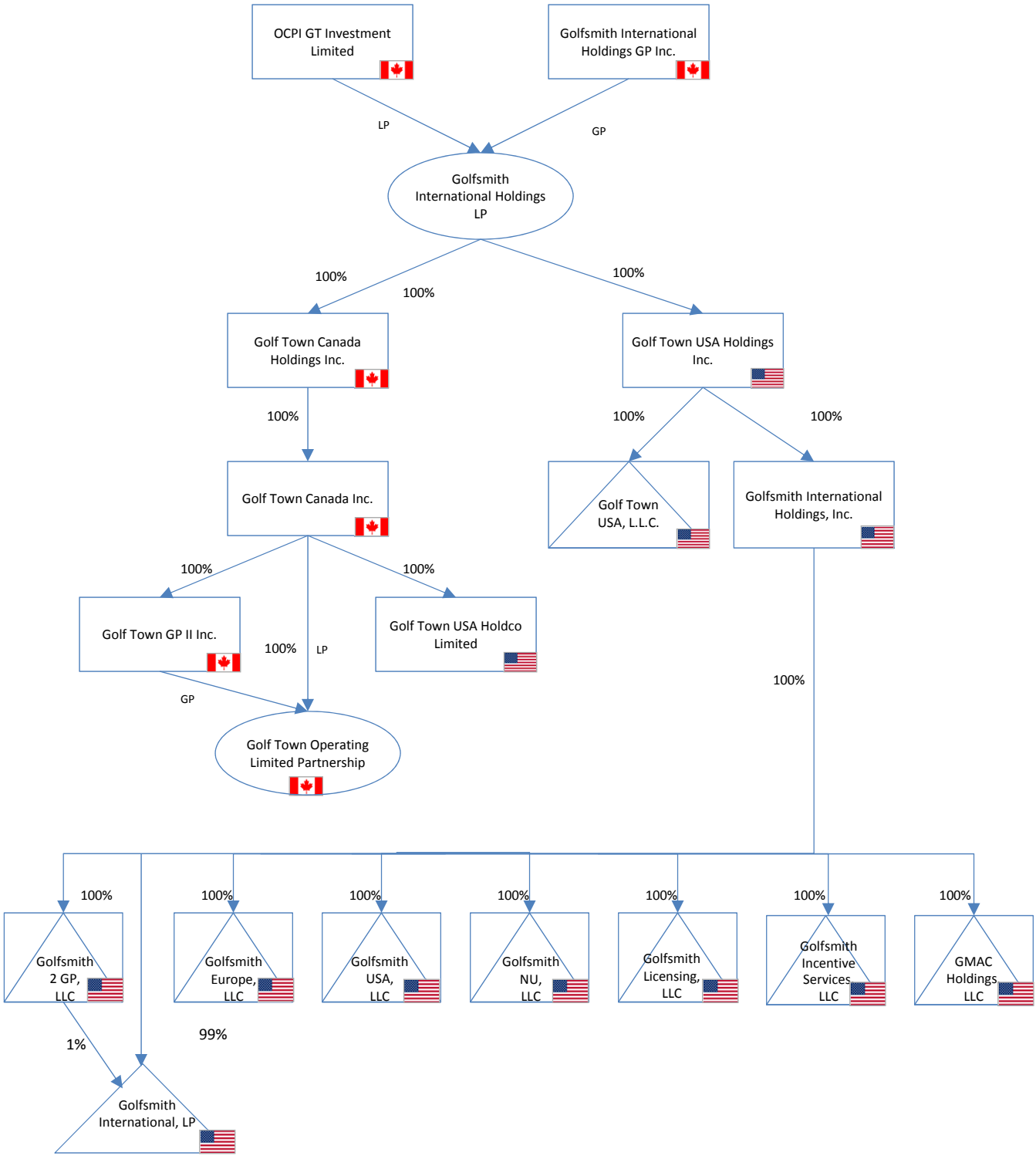
SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L Murgia, Notary Public

Commissioner for Taking Affidavits

MARTHA L. MURGIA
MY COMMISSION EXPIRES
June 15, 2018

Golf Town and Golfsmith
Simplified Organizational Chart



B

THIS IS EXHIBIT "B"

TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L Murgia, Notary Public

Commissioner for Taking Affidavits

MARTHA L. MURGIA
MY COMMISSION EXPIRES
June 15, 2018

Golfsmith International Holdings LP

Consolidated Financial Statements

For the Fiscal Years Ended January 2, 2016 and January 3, 2015

Ernst & Young LLP
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Building a better working world

Report of Independent Auditors

The Board of Directors of Golfsmith International Holdings GP
and the Partners of Golfsmith International Holdings LP

We have audited the accompanying consolidated financial statements of Golfsmith International Holdings LP and subsidiaries, which comprise the consolidated balance sheets as of January 2, 2016 and January 3, 2015, and the related consolidated statements of comprehensive loss, Partners' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method for classifying deferred tax assets and liabilities effective January 2, 2016.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Golfsmith International Holdings LP and subsidiaries at January 2, 2016 and January 3, 2015, and the consolidated results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 31, 2016

Golfsmith International Holdings LP

Consolidated Balance Sheets

(in thousands of US dollars)

	January 2, 2016	January 3, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$ 7,907	$ 3,261
Receivables, net of allowances for doubtful accounts of $431 and $256 at January 2, 2016 and January 3, 2015, respectively	6,876	12,629
Inventories	173,623	209,406
Prepaid expenses and other current assets	14,698	12,966
Total current assets	203,104	238,262
Property and equipment, net of accumulated depreciation	103,029	123,686
Goodwill	35,547	47,708
Intangible assets, net of accumulated amortization	70,413	75,442
Other long-term assets	3,204	4,880
Total assets	**$415,297**	**$489,978**
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable	$ 96,722	$ 103,621
Accrued expenses and other current liabilities	63,466	67,326
Total current liabilities	160,188	170,947
Deferred tax liabilities	21,129	21,124
Deferred rent and other long-term liabilities	34,896	33,972
First in last out term loan ("FILO")	10,842	12,852
ABL facility	91,076	93,557
Senior notes	90,350	107,100
Total liabilities	408,481	439,552
Partners' equity:		
Accumulated other comprehensive income (loss)	836	(2,964)
Partners' equity	5,980	53,390
Total partners' equity	6,816	50,426
Total liabilities and partners' equity	**$415,297**	**$489,978**

See accompanying notes to consolidated financial statements.

Golfsmith International Holdings LP

Consolidated Statements of Comprehensive Loss

(in thousands of US dollars)

	Fiscal Year Ended	
	January 2, 2016	January 3, 2015
Net revenues	$ 727,768	$ 786,288
Cost of products sold	473,273	520,382
Gross profit	254,495	265,906
Selling, general and administrative	242,961	253,457
Store pre-opening expenses	183	987
Store closing and lease termination charges	355	847
Corporate restructuring and refinancing	5,879	7,357
Merger and integration	-	837
Impairment charges	139	90,246
Depreciation and amortization	33,631	34,377
Total operating expenses	283,148	388,108
Operating loss	(28,653)	(122,202)
Other expense (income)		
Interest expense	16,469	18,359
Other (income) expense, net	780	(187)
Net loss before income taxes	(45,902)	(140,374)
Income tax expense (benefit)	1,434	(9,186)
Net loss	$ (47,336)	$ (131,188)
Other Comprehensive Income (Loss)		
Net loss	$ (47,336)	$ (131,188)
Foreign currency translation adjustment	3,800	221
Comprehensive Loss	$ (43,536)	$ (130,967)

See accompanying notes to consolidated financial statements.

Golfsmith International Holdings LP

Consolidated Statements of Cash Flows

(in thousands of US dollars)

	Fiscal Year Ended	
	January 2, 2016	January 3, 2015
Operating Activities		
Net loss	$ (47,336)	$ (131,188)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	33,631	34,377
Amortization of debt issue costs	1,435	1,504
Impairment charges	139	90,246
Asset retirement obligations adjustments	2,470	-
Provision for bad debt expense	161	44
Unit-based compensation	(74)	(361)
Deferred income taxes	1,339	(9,314)
Change in operating assets and liabilities:		
Accounts receivable	(588)	(370)
Inventories	20,337	(15,402)
Prepaids and other current assets	(1,547)	8,098
Accounts payable and other current liabilities	5,487	40,789
Deferred rent	(2,848)	4,416
Net cash provided by operating activities	12,606	22,839
Investing Activities		
Proceeds from sale of APG	10,580	-
Purchases of property and equipment	(13,674)	(24,599)
Net cash used in investing activities	(3,094)	(24,599)
Financing Activities		
Principal payments under credit facilities	(154,209)	(251,256)
Proceeds under credit facilities	152,588	252,398
Distributions to partnership	-	(255)
Payments of capital leases	(36)	(202)
Net cash provided by / (used) in investing activities	(1,657)	685
Effect of exchange rate changes on cash and cash equivalents	(3,208)	(263)
Change in cash and cash equivalents	4,647	(1,338)
Cash and cash equivalents, beginning of period	3,260	4,599
Cash and cash equivalents, end of period	$ 7,907	$ 3,261
Supplemental cash flow information:		
Interest payments	$ 15,029	$ 16,997
Income tax payments	$ 163	$ 306

See accompanying notes to consolidated financial statements.

Golfsmith International Holdings LP

Consolidated Statements of Partners' Equity

(in thousands of US dollars)

	Other Comprehensive Income	Partners' Equity	Consolidated Total
Balance at December 28, 2013	$ (3,185)	$ 185,141	$ 181,956
Partnership distributions	-	(202)	(202)
Unit-based compensation	-	(361)	(361)
Foreign currency translation adjustments	221	-	221
Net loss	-	(131,188)	(131,188)
Balance at January 3, 2015	$ (2,964)	$ 53,390	$ 50,426
Unit-based compensation	-	(74)	(74)
Foreign currency translation adjustments	3,800	-	3,800
Net loss	-	(47,336)	(47,336)
Balance at January 02, 2016	$ 836	$ 5,980	$ 6,816

See accompanying notes to consolidated financial statements.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

1. Summary of Significant Accounting Principles

Basis of Presentation and Principles of Consolidation

Golfsmith International Holdings LP (the "Partnership") was formed in June 2012. The Partnership's general partner is Golfsmith International Holdings GP Inc. ("Golfsmith GP"). In July 2012, the Partnership entered into a series of financing and reorganization transactions (collectively, the "Reorganization") that resulted in, among other things, the Partnership holding all of the shares of Golf Town Canada Holdings Inc. ("Golf Canada Holdings"), Golf Town USA Holdings Inc. ("Golf USA Holdings") and their respective subsidiaries. The Reorganization involved transactions that were effected by affiliates of OMERS Administration Corporation, for and on behalf of the OMERS pension plans ("OMERS"), and certain members of current and former management. In connection with the Reorganization, the Partnership issued 246,684,027 Class A Units and 9,184,166 Class B Units. As entities acquired by the Partnership in connection with the Reorganization were previously under the common control of OMERS, the basis in such assets and liabilities was recorded at those entities' historical cost, and has been retroactively adjusted in the Partnership's financial statements as if the contributions occurred on January 1, 2012.

On July 24, 2012, the Partnership indirectly acquired all of the outstanding shares of Golfsmith International Holdings, Inc. ("GS Holdings") as further discussed in Note 2.

The Partnership is regarded as the primary beneficiary of Golf Canada Holdings, Golf USA Holdings and their respective subsidiaries, with the voting controlling interest retained by other parties. As the Partnership has the obligation to absorb essentially all losses and the right to receive essentially all benefits from the operations of Golf Canada Holdings and Golf USA Holdings, and the activities of such entities are most closely associated with the Partnership, the Partnership is considered the primary beneficiary, and these entities are consolidated for financial reporting purposes. (See also "Variable Interest Entity").

The Partnership, together with its subsidiaries (collectively referred to as the "Company"), is a multi-channel, specialty retailer of golf equipment, apparel and related accessories. It retails golf equipment from top national brands as well as its own proprietary brands through 166 retail stores across North America and through its direct-to-consumer channels under the Golfsmith name in the United States and the Golf Town name in Canada. The Company, through Golf Town Canada Inc. ("GT Canada") previously operated a promotional product business in Canada by the name of Accolade Promotion Group which was sold to Staples, Inc. on May 29, 2015 as further discussed in Note 4.

The accompanying audited consolidated financial statements include the accounts of the Partnership, its wholly-owned subsidiaries, Golf Holdings Canada, Golf Holdings USA and each of their respective subsidiaries. All intercompany account balances and transactions have been eliminated in consolidation.

Liquidity

During fiscal year 2015 and 2014, the Company reported net losses of approximately $47.3 million and $131.2 million, respectively. Management believes that its cash on hand, ability to access additional working capital available under existing credit agreements, and the expected cash generated from the Company's anticipated revenues in fiscal year 2016 will be sufficient to fund its operations through the end of fiscal year 2016.

Variable Interest Entity

The Company applies accounting guidance for consolidation of variable interest entities ("VIE") to certain entities in which equity investors do not have characteristics of a controlling financial interest. The primary beneficiary of a VIE is the party that both (1) has the power to direct the activities of a VIE that most significantly affect the VIE's economic performance and (2) has an obligation to absorb losses or the right to receive benefits that in either case could potentially be significant to the VIE. The Company consolidates entities of which it is the primary beneficiary.

The Company determines whether it is the primary beneficiary of a VIE upon its initial involvement with the VIE and reassesses whether it is the primary beneficiary on an ongoing basis as long as it has any continuing involvement with the VIE. This determination is based upon an analysis of the design of the VIE, including the VIE's structure and activities, the power to make significant economic decisions held by the

Company, its related parties and by other parties, and the variable interests owned by the Company, its related parties and other parties. The factors that will be taken into account in the analyses of the design of a VIE, and the weight to be accorded those factors, will vary depending on the specific facts in each case. The total combined assets and liabilities of Golf Canada Holdings and Golf USA Holdings and their respective subsidiaries were $415,297 and $408,481, respectively, at January 2, 2016 and $489,978 and $439,552, respectively, at January 3, 2015.

Revenue Subject to Seasonal Variations

The Company's business is seasonal and its sales leading up to and during the warm weather golf season and the December holiday gift-giving season have historically contributed a significantly higher percentage of the Company's annual revenues and annual operating income than in other periods in its fiscal year.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash and cash equivalents, accounts receivable and accounts payable approximate fair values due to their short-term nature. The carrying value of the Company's credit facility at January 2, 2016 and January 3, 2015, respectively, approximates fair value based on rates available for similar debt available to comparable companies in the marketplace. As of January 2, 2016 and January 3, 2015, fair value of the Company's senior secured notes was approximately 37% less and 4% less than their carrying value, respectively, based on market quotes, a level 3 input.

The fair values of the Company's financial instruments are recorded using a hierarchal disclosure framework based upon the level of subjectivity of the inputs used in measuring assets and liabilities as follows:

Level 1—Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs are unobservable for the asset or liability and are developed based on the best information available in the circumstances, which might include the Company's own data.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits in banks. The carrying amount approximates fair value due to the short-term maturity of those instruments.

Accounts Receivable, Net

Accounts receivable, net consists primarily of amounts due from credit card merchants who process the Company's credit card sales and remit the proceeds to the Company. The Company also maintains certain accounts receivable for individual customers for whom credit is provided. Allowances are made based on historical data for estimated unrecoverable amounts.

Inventories

The Company uses the weighted average cost method for inventory valuation. Inventories consist primarily of finished goods (i.e., golf equipment, accessories and apparel) and are stated at the lower of cost or market. Inbound freight charges, import fees, vendor rebates and early payment discounts are capitalized into inventory upon receipt of the purchased goods. These costs, rebates and discounts are included in cost of products sold upon the sale of the respective inventory item. Inventory values are reduced for anticipated physical inventory losses,

such as theft, that have occurred since the last physical inventory date on a location-by-location basis, as well as for anticipated amounts of carrying value over the amount expected to be realized from the ultimate sale or other disposal of the inventory.

Property and Equipment

Property and equipment are stated at cost net of accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, generally 5 to 10 years for equipment, furniture, and fixtures and 20 to 40 years for buildings. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the related lease or the estimated useful life of the leasehold improvement. Maintenance and repairs are expensed as incurred.

Impairment of Long-Lived, Intangible Assets and Goodwill

The Company evaluates its long-lived assets, which include its property and equipment and definite-lived intangible assets annually, or more frequently if events or changes in circumstances indicate the carrying value of an asset may not be recoverable. When such factors and circumstances exist, an impairment loss is recognized when estimated future undiscounted cash flows expected to result from the use of the asset plus net proceeds expected from disposition of the asset, if any, are less than the carrying value of the asset. When an impairment loss is recognized, the carrying amount of the asset is reduced to its estimated realizable fair value in the period in which the determination is made.

The Company assesses the carrying value of its indefinite-lived intangible assets and goodwill for indications of impairment annually, or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible assets may be impaired. The Company's indefinite-lived intangible assets consist of its trade names and trademarks. The impairment test consists of a comparison of the fair value of the intangible assets and goodwill (by each reporting unit) with their carrying amount. If their carrying amount exceeds their estimated fair value, an impairment loss shall be recognized in an amount equal to that excess. The Company bases its measurement of fair value of its indefinite-lived intangible assets using the relief-from-royalty method. This method assumes that the trade names and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires the Company to estimate the future revenue for the related brands and the appropriate royalty rate. Trademarks are combined into a single unit of account for purposes of testing impairment for the following reasons: (1) the Company believes that utilizing its proprietary brands as a group represents the highest and best use of the assets and (2) the Company's marketing and branding strategies indicate that its trademarks are complementary.

The Company evaluates the fair value of goodwill, a non-recurring level 3 fair value measurement, using the present value of the expected future net cash flows and market multiple analyses to determine the estimated fair values of its reporting units.

Factors that are considered by management in assessing for impairments include, but are not limited to, the Company's performance relative to its projected or historical results, its intended use of the assets and its strategy for its overall business, as well as industry and economic trends. In the event future revenue and cash flow projections are not achieved, impairments are likely to occur and such amounts could be material.

In conjunction with this evaluation, during fiscal 2015 the Company recorded a noncash impairment charge of $139 related to the GT Canada tradename. During fiscal 2014 the Company recorded a noncash impairment charge of $90.2 million. See Note 6.

Store Impairments

The Company evaluates leasehold improvements on a store level to assess whether the carrying values have been impaired annually or more frequently if events and circumstances indicate that the carrying value of these store assets may not be recoverable based on estimated undiscounted future cash flows. Factors considered important that could result in an impairment review include, but are not limited to, significant underperformance relative to historical or planned operating results, significant changes in the manner of use or expected life of the assets, or significant changes in our business strategies. An impairment loss is recognized when the estimated undiscounted cash flows expected to result from a store's operations are less than the carrying value of its leasehold improvements. When an impairment loss is recognized, the carrying amount of a store's leasehold improvements is reduced to its estimated realizable fair value in the period in which the determination is made. During fiscal 2015, the Company recorded $4.2 million in noncash impairment charges associated with 19 store locations. These charges have been aggregated under "Depreciation and amortization" in the Company's consolidated statement of

comprehensive loss for the fiscal year ended January 2, 2016. During fiscal 2014, the Company recorded $4.2 million in noncash impairment charges associated with nine store locations. These charges have been aggregated under "Depreciation and amortization" in the Company's consolidated statement of comprehensive loss for the fiscal year ended January 3, 2015.

Lease Termination Charges

Lease termination charges include costs incurred when the Company closes a store. It includes expense related to the discounted future lease obligation net of estimated sublease rental income and any contractual lease buyouts directly related to the associated store closure. Store closing costs also include severance costs and other liabilities. The Company is required to make judgments about these exit costs. The ability to obtain agreements with lessors, to terminate leases or to assign leases to third parties may materially affect the accuracy of these estimates.

During 2015, the Company recorded $355 in charges for estimated future rental costs associated with three store closures which occurred in January, February and September of the current year. During the prior year, the Company recorded $847 in charges for estimated future rental costs associated with two store relocations and one store closure.

Reporting Units

A reporting unit is a component of an enterprise that earns revenue and incurs expenses, of which discrete financial information is available, and a level of internal reporting which reflects the way an entity manages its business or operations. The Company has three reporting units, "Golfsmith Retail", our US retail store channel, "Golf Town Canada," our Canadian store operations, and "Golfsmith Direct," the internet and catalog businesses which comprise our eCommerce sales channel.

Revenue Recognition

The Company recognizes revenue from its retail sales channel at the time the customer takes possession of the merchandise and purchases are paid for, primarily with either cash or by credit card. Revenue from catalog and Internet sales are recognized upon shipment of merchandise and any service related revenue as the services are performed. This policy is based on the following factors: (1) the customer has generally already paid for the goods with a credit card, thus minimal collectability risk exists, (2) the product has been shipped, (3) risk of loss and title passes to the customer and the Company has no further obligations to provide services related to such merchandise, and (4) the Company maintains a returns reserve for estimated returns not yet occurred. For all merchandise sales, the Company reserves for sales returns in the period of sale using estimates based on historical experience. The Company's sales returns reserve was $717 and $704 as of January 2, 2016 and January 3, 2015, respectively.

The Company sells gift cards in retail stores, through independent third parties, through the Internet, and through its call center in Austin, Texas. Revenue from the sale of gift cards is recognized when (1) the cards are redeemed by the customer, or (2) the likelihood of the cards redeemed by the customer is remote (breakage) and the Company determines that there is no legal obligation to remit the value of the unredeemed cards to the relevant jurisdiction. Breakage income is included in net revenues in the consolidated statement of operations as further disclosed in the following paragraph.

The Company recognizes breakage income and derecognizes the gift card liability for unredeemed gift cards in proportion to actual redemptions of gift cards ("Redemption Method"). The Company will continue to review historical gift card redemption information at each reporting period to assess the continued appropriateness of the gift card breakage rates and pattern of redemption. The Company recognized $2,310 in breakage income in fiscal 2015. During fiscal 2014, the Company recognized $1,767 in breakage income.

Sales Taxes

Sales taxes collected from customers are excluded from net revenue.

Shipping and Handling Costs

Amounts billed to customers in connection with a sales transaction related to shipping and handling, if any, are included in net revenues. Shipping and handling costs incurred by the Company are included in cost of products sold in the period incurred. These costs include salary and facility expenses associated with the Company's distribution and fulfillment center in Austin, Texas.

Vendor Rebates, Promotions and Margin Assistance

The Company receives funding from certain merchandise suppliers in the form of rebates, promotions and margin assistance. Agreements are made with individual suppliers and income is earned as buying levels are met. These agreements are effective for a twelve-month period and are typically negotiated annually at the beginning of the calendar year. Rebate income and margin assistance is recorded as a reduction of the cost of inventory purchased from the respective supplier and is recognized as cost of products sold when the related merchandise is sold.

Cooperative promotional funds are recorded as a reduction of selling, general and administrative expense to the extent the Company maintains support evidencing the incurrence of direct incremental advertising costs. Any cooperative promotional funding received that does not pertain to incremental direct advertising costs is recorded as a reduction to inventory purchased and is recognized as cost of products sold when the related merchandise is sold. Cooperative promotional income received and recorded as a reduction of selling, general and administrative expenses was approximately $6,382 and $8,218 in fiscal year 2015 and 2014, respectively. Cooperative promotional income received and recorded as a reduction to cost of products sold was approximately $2,391 and $3,942 in fiscal year 2015 and 2014, respectively. A receivable balance for total vendor rebates and promotional funding of approximately $161 and $103 is included in prepaid and other current assets as of January 2, 2016 and January 3, 2015, respectively.

Operating Leases

The Company leases retail space under operating leases. Lease agreements often include rent holidays, rent escalation clauses and contingent rent provisions for percentage of gross sales in excess of specified levels, as defined in the respective lease agreements. Most of the Company's lease agreements include renewal periods at the Company's option. The Company recognizes rent holiday periods and scheduled rent increases on a straight-line basis over the lease term beginning with the possession date. The Company records tenant improvement allowances and rent holidays as deferred rent liabilities on the consolidated balance sheet and amortizes the deferred rent over the terms of the lease to rent expense on the consolidated statement of operations. The Company records rent liabilities on the consolidated balance sheet for contingent percentage of gross sales lease provisions when the Company determines it is probable that the specified levels will be reached during the fiscal year.

The Company has entered into certain sublease agreements with third parties to sublease retail space previously occupied by the Company. Sublease rental income is recorded on a straight-line basis over the term of the sublease as a reduction of rent expense. Refer to Note 9 for further discussion.

Advertising and Capitalized Catalog Costs

Catalog costs are amortized over the expected revenue stream, which typically ranges between two and twelve months from the date the catalogs are mailed. As of January 2, 2016 and as of January 3, 2015, the Company had zero prepaid catalog costs, respectively. Advertising costs are expensed as incurred. Advertising costs, net of cooperative advertising funding, totaled approximately $20,939 and $22,224 in fiscal 2015 and fiscal 2014, respectively.

Medical Self-Insurance Reserves

While the Company's Canadian subsidiaries pay a required fixed premium for medical plans which provide employee health insurance coverage, the Company's U.S. subsidiaries are primarily self-insured for employee health benefits. The Company records its self-insurance liability based on claims filed and an estimate of claims incurred but not yet reported. There is stop-loss coverage for amounts in excess of $200 per individual per year. If more claims are made than were estimated or if the costs of actual claims increase beyond what was anticipated, reserves recorded may not be sufficient and additional accruals may be required in future periods.

Unit-Based Compensation

The Company estimates the fair value of equity-based payment awards on the date of grant or modification using the Black-Scholes option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as an expense over the requisite service periods in the Company's consolidated statements of operations. Determining the fair value of equity-based awards at the grant date requires judgment, with specific estimates regarding risk-free interest rates, dividend yields, volatility, expected life of the award and estimated forfeitures of awards during the service period.

Store Pre-opening Expenses

Store pre-opening expenses consist primarily of rent, marketing, payroll and recruiting costs related to the opening of new retail stores that are incurred prior to opening.

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense over the terms of the related debt. Amortization of such costs was $1,435 and $1,504 in 2015 and 2014, respectively.

Income Taxes

The Company uses the asset and liability method to account for income taxes, whereby deferred tax asset and liability account balances are determined based on differences between financial reporting and the tax basis of assets and liabilities, and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. These differences result in deferred tax assets and liabilities, which are included in the Company's consolidated balance sheet. At each period end, the Company assesses the likelihood that the deferred tax assets are more likely than not to be recovered. A full valuation allowance has been established against accumulated deferred tax assets, net of certain deferred tax liabilities, as the Company does not believe that recovery is more likely than not based on the level of historical taxable income and projections for future taxable income over the periods in which the temporary differences are deductible.

The Company recognizes tax benefits from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Foreign Currency Translation

The financial statements of the Company's Canadian operations are translated into U.S. dollars using period-end exchange rates for assets and liabilities, historical exchange rates for partners' equity, and average exchange rates during the period for revenues and expenses. Cumulative translation gains and losses are excluded from the results of operations and recorded as a separate component of accumulated comprehensive income (loss). Gains and losses resulting from transactions denominated in foreign currencies are included in other income (expense) in the audited consolidated statements of operations and were not material for the year presented.

Concentrations of Credit Risk

Financial instruments which potentially subject the Company to concentrations of credit risk are primarily accounts receivables. Concentration of credit risk with respect to the Company's account receivables relates primarily to the Company's arrangements with several national brand credit card companies and is minimized due to the large number of customer transactions and short settlement terms with the credit card companies.

The Company maintains an allowance for estimated losses resulting from uncollectible customer receivables based on historical collection experience, age of the receivable balance, both individually and in the aggregate, and general economic conditions.

Concentrations of Suppliers

A significant portion of purchases of the Company's proprietary products are from manufacturers located outside of the United States, primarily in Asia. While the Company is not dependent on any single manufacturer outside the U.S., the Company could be adversely affected by political or economic disruptions affecting the business or operations of third-party manufacturers located outside of the United States. During fiscal 2015, three of the Company's suppliers individually supplied approximately 15%, 14% and 12% respectively of the Company's consolidated purchases. During fiscal 2014, one of the Company's suppliers individually supplied approximately 15%, of the Company's consolidated purchases.

Concentrations of Operations

A significant portion of the Company's operations are conducted outside of the United States, in Canada. As of January 2, 2016 and January 3, 2015 the carrying amount of the Company's net assets in Canada was $17,404 and $29,829, respectively.

Fiscal Year

The Company's fiscal year ends on the Saturday closest to December 31 and consists of either 52 weeks or, as is the case of fiscal 2014, 53 weeks. Each quarter of each fiscal year generally consists of 13 weeks, although the fourth quarter of fiscal 2014 had 14 weeks.

Subsequent Event

In preparing the accompanying consolidated financial statements, the Company has reviewed events that have occurred after January 2, 2016, through the date of issuance of the financial statements, March 31, 2016.

Recently Issued Accounting Standards

Revenue from Contracts with Customers. In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ASU 2014-09, *Revenue from Contracts with Customers* (*Topic 606*) ("ASU 2014-09"). ASU 2014-09 is a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. In adopting ASU 2014-09, companies may use either a full retrospective or a modified retrospective approach. ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2017, and early adoption is not permitted. Management is evaluating the provisions of this statement and has not yet selected a transition method and has not determined what impact the adoption of ASU 2014-09 will have on the Company's financial position or results of operations.

Intangibles – Goodwill and Other. In January 2014, the FASB issued ASU 2014-02, *Intangibles – Goodwill and Other*. Under this standard, the FASB allows companies that do not meet the new definition of a public business entity to elect to amortize goodwill acquired in a business combination and to perform a one-step impairment test, beginning with their 2013 financial statements. Before electing this and other private company alternatives, private companies should consider whether they expect to go public or otherwise become a public business entity. Because neither the FASB nor the Securities and Exchange Commission (SEC) has provided specific transition guidance for this situation, companies that become public business entities after using the goodwill alternative would have to retrospectively apply the public entity accounting and reporting requirements to all prior periods presented. This standard is effective for annual periods beginning after December 15, 2014 and interim periods within annual periods beginning after December 15, 2015. The Company has elected not to apply this alternative standard.

Balance Sheet Classification of Deferred Taxes. In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, which amends existing guidance on income taxes to require the classification of all deferred tax assets and liabilities as non-current on the balance sheet. The Company is required to adopt this ASU no later than January 1, 2018, with early adoption permitted, and the guidance may be applied either prospectively or retrospectively. The Company early adopted this guidance prospectively effective January 2, 2016.

Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The new standard provides guidance around management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

Simplifying the Measurement of Inventory. In July 2015, the FASB issued ASU 2015-11, *Simplifying the Measurement of Inventory*. The amendments in ASU 2015-11 apply to inventory that is measured using any method other than the last-in, first-out (LIFO) or retail inventory method and require that entities measure inventory at the lower of cost and net realizable value. The amendments are effective for fiscal years beginning after December 15, 2016, and interim reporting periods within fiscal years beginning after December 15, 2017. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

Simplifying the Presentation of Debt Issuance Costs. In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

2. Accounting Changes and Error Correction

In fiscal year 2014, the Partnership corrected an error in purchase accounting and recorded an increase to the Golfsmith Retail goodwill balance and a decrease to deferred income taxes of $3,500. This goodwill amount was subsequently written off in 2014 in conjunction with the Partnership's annual goodwill impairment test, as discussed in Note 1. The Partnership believes that the correction of this error to be both quantitatively and qualitatively immaterial to the annual results for 2014.

3. Organization

The Partnership was formed in June 2012. The Partnership's general partner is Golfsmith International Holdings GP Inc. In July 2012, the Company completed the Reorganization that resulted in, among other things, the Partnership holding all of the shares of Golf Canada Holdings, Golf USA Holdings and their respective subsidiaries. The Reorganization involved transactions that were effected with, among others, affiliates of OMERS and certain members of current and former management. In connection with the Reorganization, the following events occurred:

- The Partnership issued 246,684,027 Class A Units and 9,184,166 Class B Units.
- OMERS invested approximately $173,300 to restructure and recapitalize the Company and contributed a note payable of C$99,000 to partners' equity.
- Subsidiaries of the Partnership repaid $100,900 of existing shareholder debt with OMERS.
- And on July 24, 2012, the Partnership indirectly acquired 100% of the outstanding common equity and stock based awards of GS Holdings for approximately $109,284 (the "Acquisition").

As part of the organization and acquisition, the Partnership recorded no related amounts during the fiscal year ended January 2, 2016 and recorded $837 in charges during the fiscal year ended January 3, 2015. Fiscal year 2014 includes approximately $837 for severance and other restructuring charges. Such amounts have been reflected in merger and integration expenses in the consolidated statements of comprehensive loss. As of January 3, 2016, the Partnership's estimated remaining obligation for these charges has been fully satisfied, so no remaining obligation is recorded in accrued expenses and other current liabilities.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

4. Sale of APG

On April 20, 2015, GT Canada and Staples, Inc. announced that they had reached an agreement for Staples to acquire GT Canada's Accolade Promotion Group division ("APG"). The transaction successfully closed on May 29, 2015. With the sale of APG, Golf Town exited the promotional products business, allowing the Company to focus 100% on its golf retail businesses. The loss on the transaction was approximately $377 and is recorded in "Corporate restructuring and refinancing" in the consolidated statement of comprehensive loss.

As of January 2, 2016 and January 3, 2015, the financial results of APG are as follows:

			% of Consolidated Company	
	January 2, 2016	January 3, 2015	January 2, 2016	January 3, 2015
Net revenues	15,556	49,575	2.1%	6.3%
Net (loss) / income	(3)	2,032	0.0%	-1.5%
Total assets	-	17,364	0.0%	3.5%

5. Corporate Restructuring and Refinancing

As part of its strategy to improve margins and cash flows, the Company has taken a number of actions to reduce operating expenses, conserve cash resources, secure financing and align ongoing expenses with the businesses of the Partnership. In conjunction with this effort, the Company recorded $5,879 in charges during the fiscal year ended January 2, 2016. The Company recorded $7,357 in charges during the fiscal year ended January 3, 2015

Fiscal year 2015 includes approximately $3,459 in legal and other professional services, $2,043 for severance and other restructuring charges, and $377 in costs related to the sale of APG. Fiscal year 2014 includes approximately $3,100 in legal and other professional services and $4,300 for severance and other restructuring charges. Such amounts have been reflected in corporate restructuring and refinancing expenses in the consolidated statements of comprehensive loss. As of January 2, 2016, the Company's estimated remaining obligation for these charges of $2,649 has been recorded in accrued expenses and other current liabilities. As of January 3, 2015, the Company's estimated remaining obligation for these charges of $3,888 had been recorded in accrued expenses and other current liabilities.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

6. Goodwill and Intangible Assets

Changes in goodwill for the years ended January 2, 2016 and January 3, 2015 were as follows:

Balance at December 28, 2013	$	109,072
Purchase price adjustment	$	3,500
Impairment charges		(59,534)
Impact of exchange rate changes and other		(5,330)
Balance at January 3, 2015 (1)	$	47,708
Sale of APG - May 29, 2015		(5,531)
Impact of exchange rate changes and other		(6,630)
Balance at January 2, 2016	$	35,547

(1) Includes accumulated impairment charges of $107,249.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

Identifiable intangible assets consisted of the following:

	January 2, 2016			January 3, 2015		
	Carrying Amount	Accumulated Amortization	Net	Carrying Amount	Accumulated Amortization	Net
Definite lived intangibles						
Customer database	$ 8,442	$ (6,890)	$ 1,552	$ 15,808	$ (13,276)	$ 2,532
	$ 8,442	$ (6,890)	$ 1,552	$ 15,808	$ (13,276)	$ 2,532
Indefinite lived intangibles						
Trade name and trademarks (a)	$ 68,861	$ -	$ 68,861	$ 72,910	$ -	$ 72,910
	$ 68,861	$ -	$ 68,861	$ 72,910	$ -	$ 72,910
Total	$ 77,303	$ (6,890)	$ 70,413	$ 88,718	$ (13,276)	$ 75,442

(a) Includes a noncash charge of $30,712 associated with the impairment of Golf Town's trade name during fiscal 2014.
Also includes a charge of $139 associated with the impairment of Golf Town's trade name during fiscal 2015

During 2015 and 2014, total amortization expense was approximately $980 and $1,434, respectively, and is recorded in depreciation and amortization in the consolidated statements of comprehensive loss. The Company's definite lived intangibles include a customer database which is being amortized over a useful life of 5 years through fiscal 2017.

The annual estimated amortization expense of the finite-lived intangible assets recorded as of January 2, 2016, is expected to be follows:

Fiscal Year	Estimated Amortization Expense
2016	980
2017	572
2018	-
2019	-
Thereafter	-
Total	**$ 1,552**

Goodwill and Indefinite-Lived Intangible Assets Impairment Assessment

The Company assesses the carrying value of its goodwill and indefinite-lived intangible assets for indications of impairment annually, on October 1st, or more frequently if events or changes in circumstances indicate that the carrying amount of the intangible assets may be impaired.

Goodwill Impairment Assessment

Testing for goodwill impairment is a two-step process. The first step screens for potential impairment, and if there is an indication of possible impairment, the second step must be completed to measure the amount of impairment loss, if any. The first step of the goodwill impairment test used to identify potential impairment compares the fair value of a reporting unit with the carrying value of its net assets. If the fair value of the reporting unit is less than the carrying value of the reporting unit, the second step of the goodwill impairment test would be performed to measure the amount of impairment loss we would be required to record, if any. The second step, if required, would compare the implied fair value of our recorded goodwill with the current carrying amount. If the implied fair value of our goodwill is less than the carrying value, an impairment charge would be recorded as a charge to our operations.

As part of the first step of our goodwill impairment test, the fair value of our reporting units was determined using an income approach, which measures the present worth of anticipated future net cash flows generated by a business, and a market approach, which is performed by observing the price at which comparable companies, or shares of those guideline companies, are bought and sold. Based on this assessment during the fourth quarter of fiscal 2015, the Company had no reporting units at risk for goodwill impairment. During fiscal 2014, the Company concluded that impairment indicators existed within our Golfsmith Retail and Golf Town Retail reporting units due to a decline in our anticipated net sales growth rate and projected operating margins for these businesses. As part of the second step of our prior year 2014 evaluation, we determined that the carrying value of our Golfsmith Retail and Golf Town Retail reporting units exceeded their implied fair value, a non-recurring level 3 fair value measurement, resulting in noncash goodwill impairment charges of $20,337 and $39,197 for each of these reporting units, respectively. These charges have been aggregated under “Impairment charges” in the Company’s consolidated statement of comprehensive loss for the fiscal year ended January 3, 2015. Our Golfsmith Retail reporting unit has no remaining goodwill.

Impairment Assessment of Indefinite-Lived Intangibles

The Company assesses the fair value of its indefinite-lived intangible assets using the relief-from-royalty method, a non-recurring level 3 fair value measurement. This method assumes that trade names and trademarks have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method requires the Company to estimate the future revenue for the related brands and the appropriate royalty rate. Trademarks are combined into a single unit of account for purposes of testing impairment for the following reasons: (1) the Company believes that utilizing its proprietary brands as a group represents the highest and best use of the assets and (2) the Company’s marketing and branding strategies indicate that its trademarks are complementary.

As part of our evaluation of indefinite-lived intangible assets through application of the relief from royalty method during the fourth quarter of fiscal 2015 we determined that the fair value the Golf Town trade name exceeded its carrying value, resulting in a noncash impairment charge of $139. This loss has been aggregated under “Impairment charges” in the Company’s consolidated statement of comprehensive loss for the fiscal year ended January 2, 2016.

Year End Update of Goodwill and Indefinite-Lived Intangible Assets Impairment Analysis

In addition to our annual goodwill and indefinite-lived intangible asset impairment test, on a quarterly basis, we review for impairment indicators which could impact the fair value of our reporting units and intellectual property. Conditions which could indicate that the fair value of these assets has declined include the following:

- Macroeconomic conditions, such as a deterioration in general economic conditions, limitations on accessing capital and other developments in financial markets;
- Industry and market considerations such as a deterioration in the environment in which the reporting unit operates, an increased competitive environment, a decline in market-dependent multiples or metrics (considered in both absolute terms and relative to peers), a change in the market for a reporting units products or services, or a regulatory or political development;
- Overall financial performance such as negative or declining cash flows or a decline in revenue or earnings compared with results of current and relevant prior periods.

(in thousands of US dollars, except unit information)

We did not note any indicators that goodwill or our trade name and trademarks were impaired as of January 2, 2016. Should such conditions arise in the future between our annual goodwill and indefinite-lived intangible asset impairment tests, we will perform an interim impairment test and record an impairment, which could be material, if we determine the carrying value of a these assets exceeds their fair value.

7. Property and equipment

Property and equipment consist of the following:

		January 2, 2016		
		Cost	Accumulated depreciation	Net
Land and buildings		27,047	(3,311)	23,736
Equipment, furniture and fixtures		96,288	(59,614)	36,674
Leasehold improvements and construction in progress	(a)	88,174	(45,555)	42,619
		$ 211,509	$ (108,481)	$ 103,029

(a) Includes a noncash impairment charge of $4,173 associated with the 19 store locations during fiscal 2015.

		January 3, 2015		
		Cost	Accumulated depreciation	Net
		27,035	(2,367)	24,668
Land and buildings		98,311	(51,179)	47,132
Equipment, furniture and fixtures		83,418	(31,532)	51,886
Leasehold improvements and construction in progress	(a)	$ 208,764	$ (85,078)	$ 123,686

(a) Includes a noncash impairment charge of $4,226 associated with the nine store locations during fiscal 2014.

During 2015 and 2014, total depreciation expense was approximately $28,478 and $28,718, respectively, and is recorded in depreciation and amortization in the consolidated statement of comprehensive loss.

(in thousands of US dollars, except unit information)

As of January 2, 2016 and January 3, 2015, assets held under capital lease were as follows:

	January 2, 2016		
	Cost	Accumulated amortization	Net
Equipment, furniture and fixtures	$ 1,029	($1,029)	$ -

	January 3, 2015		
	Cost	Accumulated amortization	Net
Equipment, furniture and fixtures	$ 1,029	($844)	$ 185

8. Debt

In conjunction with the Reorganization and Acquisition, subsidiaries of the Company undertook the following in July 2012:

- Entered into a credit facility (the "Credit Facility") with General Electric Capital Corporation ("GE"), as lender and agent consisting of a $135,000 revolving credit facility (the "ABL Facility") and a C$15,000 non-revolving first-in last-out term loan facility ("FILO"), the proceeds of which were used, for among other things, to repay GS Holding's existing credit facility and to provide funds for working capital, capital expenditures and general corporate needs.

- Completed a private placement note offering in Canada for aggregate gross proceeds of C$125,000 (the "Offering"),

As of January 2, 2016, and January 3, 2015, the Company's long-term debt included the following:

	January 2, 2016	January 3, 2015
Long-term debt		
Senior notes (a)	90,350	107,100
First in first out term loan ("FILO") (b)	10,842	12,852
ABL Facility (b)	91,076	93,557
	$ 192,268	$ 213,509

(a) On July 24, 2012, subsidiaries of the Partnership completed the Offering for aggregate gross proceeds of C$125,000. The Offering was comprised of 125,000,000 units (the "Units"), with each unit consisting of C$1.00 principal amount of senior second lien notes (collectively, the "Notes"). The Notes bear interest at the rate of 10.50% per annum, payable semi-annually in arrears on January 24 and July 24 of each year, commencing on January 24, 2013 and mature on July 24, 2018. The Notes are secured by second-priority liens, subject to certain permitted liens, on substantially all of the tangible and intangible assets of the Company, other than certain excluded assets. Upon a Change of Control (as defined in the indenture governing the

Notes (the "Indenture")), each holder of Notes shall have the right to require the Company to purchase all or a portion of such holder's Notes at a purchase price in cash equal to 101% of the aggregate principal amount of the Notes constituting such Units, plus accrued and unpaid interest to the date of purchase, pursuant to the terms and procedures set forth in the Indenture. At January 2, 2016, and January 3, 2015, the Company was in compliance with the requirements of the Indenture.

(b) On July 24, 2012, subsidiaries of the Partnership, as borrower, and GE, as lender and agent, and others entered into the Credit Facility consisting of the ABL Facility and FILO, the proceeds of which were used, among other things, to repay GS Holdings previous credit facility with GE and to provide funds for working capital, capital expenditures and general corporate needs. Loans under the ABL Facility are made available subject to a borrowing base test with the maximum amount available under the revolving credit facility of $135,000, and borrowings can be made in either U.S. or Canadian dollars. The maximum amount available under the FILO is C$15,000. To the extent the borrowing base for the FILO is less than C$15,000 such deficiency will be deducted from the borrowing base for the ABL Facility.

The maturity date of the Credit Facility is the sooner of (a) six months prior to the maturity of the Notes and (b) July 24, 2017. The Credit Facility is secured on a first-priority basis (subject to permitted liens) by substantially all of the personal property and owned real property of the borrowers and guarantors thereunder (which borrowers and guarantors do not include the Partnership, Golf Canada Holdings and Golf USA Holdings).

On October 14, 2014, the Company and related parties, as borrowers, and General Electric Capital Corporation, as lender and agent, amended the Company's existing Credit Facility. The amendments provide for a seasonal $20,000 credit increase effective from February 1, 2015 to June 30, 2015 and added a new limited recourse guarantor that has provided $20,000 of additional collateral support to strengthen the borrowing base under the Credit Facility. The stated maturity date of the Credit Facility remains July 27, 2017.

(c) On August 21, 2015, Antares Holdings, a subsidiary of Canada Pension Plan Investment Board Credit Investments Inc. completed the acquisition of Antares Capital ("Antares") from General Electric Capital Corporation ("GE") which included our revolving credit facility previously managed by GE which will now be managed by Antares going forward.

As of January 2, 2016, the borrowers under the Credit Facility had outstanding borrowings of $91,077 and C$10 under the ABL Facility and C$15,000 under the FILO at a weighted average effective rate of 2.43% and 5.50%, respectively, with approximately $42,331 in total available borrowings under the Credit Facility. As of January 3, 2015, the borrowers under the Credit Facility had outstanding borrowings of $83,616 and C$11,603 under the ABL Facility and C$15,000 under the FILO at a weighted average effective interest rate of 2.83% and 5.50%, respectively, with approximately $34,700 in total available borrowings under the Credit Facility.

At January 2, 2016, and January 3, 2015, subsidiaries of the Partnership were in compliance with the requirements of the Credit Facility.

Debt Covenants

The Notes described above contain certain covenants that, subject to certain exceptions, among other things, limit or restrict the Company's (and, in certain cases, the Company's subsidiaries) incurrence of indebtedness, making of certain restricted payments, incurrence of liens, entry into transactions with affiliates, conduct of its business and the merger, consolidation or sale of all or substantially all of its property.

The Credit Facility contains certain covenants that, subject to exceptions, limit or restrict each borrower's incurrence of liens, investments (including acquisitions), sales of assets, indebtedness, payment of dividends, distributions and payments of certain indebtedness, sale and leaseback transactions, swap transactions, affiliate transactions, capital expenditures and mergers, liquidations and consolidations. The Credit Facility also contains certain covenants that, subject to exceptions, limit or restrict the Company's incurrence of liens, indebtedness, ownership of assets, sales of assets, payment of dividends or distributions or modifications of the senior subordinated notes.

(in thousands of US dollars, except unit information)

As of January 2, 2016, the Company was in compliance with all of the covenants associated with its Notes and Credit Facility.

Our future minimum long-term debt principal payments are as follows:

	Payments Due by Period			
	Total	Less than 1 year	1 -3 Years	4 - 5 Years
Senior notes	$ 90,350	-	$ 90,350	
FILO	10,842	-	10,842	-
ABL Facility	91,076	-	91,076	-
Total	$ 192,268	$ -	$ 192,268	$ -

9. Commitments and Contingencies

Lease Commitments

The Company leases all but one of its store locations under operating leases that provide for annual payments that, in some cases, increase over the life of the lease and in most cases, include renewal options. The operating leases expire at various times through November 2029. The aggregate of the minimum annual payments is expensed on a straight-line basis over the term of the related lease. In addition, the Company has entered into certain sublease agreements with third parties to sublease retail space previously occupied by the Company. The sublease terms end at various times through November 2029. Rent expense, net of sublease rental income, was $53,667 and $56,800 for fiscal 2015 and fiscal 2014, respectively. Sublease rental income for fiscal 2015 and 2014 was $1,814 and $1,900, respectively.

At January 2, 2016, future minimum payments due and sublease rental income to be received under non-cancelable operating leases with initial terms of one year or more are as follows for each of the fiscal years presented below:

	Operating Lease Obligations	Sublease Rental Income
2016	$ 49,498	$ 1,843
2017	45,694	1,614
2018	39,009	1,306
2019	33,707	1,095
2020	28,871	978
Thereafter	77,918	2,631
Total	$ 274,697	$ 9,466

Letters of Credit

The Company has issued five letters of credit, one in the amount of $450 in conjunction with an insurance policy for US workers compensation, two in the amount C$144 and $114 to secure payment of credit cards in Canada and the US, respectively, and two letters of credit in the amount of $674 and $250 as security for leased store space in the United States.

(in thousands of US dollars, except unit information)

Legal Proceedings

The Company is involved in various legal proceedings arising in the ordinary course of conducting business. The Company believes that the ultimate outcome of such matters, in the aggregate, will not have a material adverse impact on our financial position, liquidity or results of operations. The Company believes the amounts provided in our consolidated financial statements are adequate in consideration of the probable and estimable liabilities.

10. Benefit Plans

The Company retains a Retirement Savings Plan (the "GT Plan"), which permits eligible Canadian employees to make retirement savings contributions on a pre-tax basis, in accordance with the Canada Revenue Agency. Under the GT Plan, the Company matches 25% of associate contributions, up to C$2.5 annually, which is deposited to a deferred profit sharing plan with a two-year vesting rule. During 2015 and 2014, the Company contributed C$76 and C$82 to the plan, respectively.

Additionally, the Company retains a Retirement Savings Plan (the "GS Holdings Plan"), which permits eligible US employees to make retirement savings contributions on a pre-tax basis, in accordance with the provisions of Section 401(k) of the Internal Revenue Code. Under the GS Holdings Plan, the Company may also make matching contributions at its discretion, dependent on certain pre-defined performance targets. The Company has made no contributions to the GS Holdings Plan.

11. Partners' Equity and Unit-Based Compensation

Units of Partnership Interest

The Company had issued and outstanding the following units as of January 2, 2016 and January 3, 2015, respectively:

	Units
General Partner Unit	1
Class A Units	246,684,027
Class B Units	9,184,166
Class C Unit	-
	255,868,194

Pursuant to the Company's Third Amended and Restated LP Agreement, the Company is authorized to issue an unlimited number of Class A, Class B and Class C Units. The Company's General Partner unit is held by Golfsmith GP, which has primary discretion over actions of the Company.

In accordance with the Company ' s Third Amended and Restated LP Agreement, the holders of Class B Units certain executives of the Company (an " Employee Management Limited Partner ") have certain put rights (" Put Rights ") associated with the Company units they own which may be exercised at their discretion. Generally, in the event the employment of an Employee Management Limited Partner executive (an " Employee Management Limited Partner ") is terminated due to voluntary resignation, the Employee Management Limited Partner may require the Company to repurchase his or her units at fair market value, subject to adjustments. If the Employee Management Limited Partner is terminated without cause, resigns for good reason, retires, dies or becomes disabled, the Employee Management Limited Partner may require the Company to purchase his or her units at fair market value. Generally, on the date that is seven years from the date the Employment Management Limited Partner initially invested in the Company, and on each anniversary thereafter, each Employee Management Limited Partner may require the Company to repurchase up to one-third of his or her units at fair market value.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

Unit-Based Compensation Plans

Unit Option Plan

On July 24, 2012, the board of directors of Golfsmith GP (the "Board") approved a unit option plan (the "Unit Option Plan") for designated employees (the "Participants"). The units of the Company subject to the Unit Option Plan are Class C Units in the capital of the Company. The maximum aggregate number of Class C Units reserved for issuance upon the exercise of all unit options granted under the Unit Option Plan is 12,000,000. Unless otherwise determined by the Board, 50% of all options granted to a Participant under the Unit Option Plan are performance-based and 50% are time-based. Time-based options typically vest at a rate of 20% on the date of grant, with the balance vesting 20% annually over the next four years, regardless of the Company's performance. Performance-based options vest based on the passage of time and on the Company meeting specific annual EBITDA targets. Such targets are determined annually by the Board in connection with the preparation of the annual budget. Performance-based options granted between January 1st and June 30th are eligible to vest and become exercisable, with respect to the aggregate number of Class C Units equal to 20% of the Class C Units subject to the performance-based option granted, on March 31st of the following year, and then each anniversary thereof until the fourth anniversary thereof. Performance-based options granted between July 1st and December 31st are eligible to vest and become exercisable, with respect to the aggregate number of Class C Units equal to 20% of the Class C Units subject to the performance-based option granted, on March 31st of the second following year, and then each anniversary thereof until the fourth anniversary thereof. If a performance-based option becomes eligible to vest but does not because of a failure to meet the applicable EBITDA target, such performance-based option will automatically terminate. The Participants, exercise price and options granted under the Unit Option Plan are denominated in Canadian dollars, determined at the sole discretion of the Board, and the contractual term of these awards is generally ten years.

During 2013, 1,027,500 time-based options were granted under the Unit Option Plan, each at an exercise price of C$1.00 per Class C Unit. In accordance with the Unit Option Plan, recipients of these time-based options were awarded the opportunity to receive up to 1,027,500 performance based awards, subject to the Company achieving certain Board approved plan EBITDA targets. As of the date of this report, these EBITDA targets had not been achieved.

No time-based options were granted under the Unit Option Plan during 2015 or 2014.

A summary of time-based options as of January 2, 2016 and January 3, 2015 and changes during the years then ended is presented below:

Time-Based Awards				
	Number of Options	Weighted-Average Exercise Price C$	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value C$
Outstanding at December 28, 2013	5,710,000	$1.00	8.83	$ -
Granted	-	-		
Forfeited	(3,317,500)	$1.00		
Outstanding at January 3, 2015	2,392,500	$1.00	7.88	$ -
Granted	-	-		
Forfeited	(942,500)	$1.00		
Outstanding at January 2, 2016	1,450,000	$1.00	6.88	$ -
Exercisable at January 2, 2016	1,096,500	$1.00	6.86	$ -

(in thousands of US dollars, except unit information)

The number and weighted average grant-date fair value of time-based options issued under the Unit Option Plan for the fiscal years ended January 2, 2016 and January 3, 2015 was as follows:

	Fiscal Year Ended			
	January 2, 2016		January 3, 2015	
	Number of Time-Based Options	WA Fair Value (C$ per option)	Number of Time-Based Options	WA Fair Value (C$ per option)
Outstanding Non-vested Shares, beginning of the period	1,048,000	$0.42	3,615,000	$0.41
Non-vested Shares granted, during the period	-	-	-	-
Vested Shares, during the period	(290,000)	$0.42	(478,500)	$0.42
Non-vested Shares forfeited, during the period	(404,500)	$0.42	(2,088,500)	$0.41
Outstanding Non-vested shares, end of the period	353,500	$0.43	1,048,000	$0.42

As of January 2, 2016, the Company had 10,550,000 remaining options reserved for issuance under the Unit Option Plan.

During fiscal 2015 and 2014, the Company recorded non-cash compensation benefits of $74 and $361 in selling, general and administrative expense, respectively, related to Option grants. Compensation expense on time-based Option grants is recorded on a straight-line basis over the requisite service (vesting) period based on the calculated fair value of the Option at the date of grant. See "*Accounting for Unit-based Compensation*" for further discussion.

Phantom Plan

On October 25, 2012, the Board adopted a new phantom equity plan (the "Phantom Plan") for designated employees ("Phantom Participants"). The Phantom Plan replaced the previous phantom equity plan of OCPI Golf Holdings Inc. / Golf Town, and rendered any phantom rights granted under the previous phantom equity plan null and void. The maximum number of rights (the "Phantom Rights") to be issued under the Phantom Plan is 1,500,000. Each Phantom Right has an associated base price (the "Base Price"). Upon the occurrence of a triggering event, Phantom Participants are entitled to receive a cash payment determined by multiplying the amount, if any, by which the value of a Class C Unit in the capital of the Company on the date of the triggering event exceeds the Base Price, by the number of Phantom Rights held by the Phantom Participant. A triggering event includes the sale of the majority of the Company's units or a sale of all or substantially all of the Company's assets. Phantom Rights have no value unless a triggering event takes place. Therefore, no compensation costs or liability in relation to the Phantom Plan has been recognized. Phantom Rights are not transferrable and are forfeited if the Phantom Plan Participant's employment is ended, regardless of the reason. The Phantom Plan participants, Base Price and Phantom Rights granted under the Phantom Plan are determined at the sole discretion of the Board. During 2012, the Board authorized the granting of 905,535 Phantom Rights, of which 857,795 were distributed in fiscal 2013. No additional Phantom Rights were distributed during 2015 and 2014.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

A summary of Phantom Rights as at January 2, 2016 and changes during the year then ended is presented below:

	Number of Shares	Weighted-Average Base Price C$	Aggregate Intrinsic Value C$
Outstanding at December 28, 2013	763,533	$ 1.22	$ -
Forfeited	(71,243)	$ 1.22	
Outstanding at January 3, 2015	692,290	$ 1.22	$ -
Forfeited	(185,213)	$ 1.20	
Outstanding at January 2, 2016	507,077	$ 1.23	$ -

As of January 2, 2016, the Company had 507,077 remaining Phantom Rights reserved for issuance under the Phantom Plan.

Accounting for Unit-based Compensation

The Company records compensation expense on a straight-line basis for time based awards over the requisite service (vesting) period in its consolidated statements of comprehensive loss based on the calculated fair value of share-based awards at the time of issuance or modification. The expected term of Options issued to employees is estimated based on the average of the vesting period and contractual term of the Option and is determined using the simplified method as permitted under the provisions of stock-based compensation. The Company calculates the fair value of Option awards using the Black-Scholes option pricing model. This model incorporates various subjective assumptions including expected volatility, expected term, risk-free interest rate and expected dividend yield. In calculating fair value for Options issued during fiscal 2013, the Company based its expected volatility on the historical volatility for a comparable, publicly traded, industry peer group over periods of time which are equivalent to the expected life of the awards granted. The Company bases the estimate of risk-free interest rate on the U.S. Treasury yield curve in effect at the time of grant. The Company has never paid cash dividends and does not currently intend to pay cash dividends, and thus has assumed a 0% dividend yield. The assumptions used to calculate the fair value of unit options granted are evaluated and revised, as necessary, to reflect market conditions and experience.

As of January 2, 2016, the Company had approximately $80 of unrecognized compensation costs related to time-based awards issued under the Unit Option Plan that are expected to be recognized over a weighted-average period of 1.9 years.

Golfsmith International Holdings LP

Notes to Consolidated Financial Statements
For the fiscal years ended January 2, 2016 and January 3, 2015

(in thousands of US dollars, except unit information)

12. Income Taxes

The components of the provision (benefit) for income taxes are as follows for the years ended January 2, 2016 and January 3, 2015, respectively.

	Fiscal Year Ended	
	January 2, 2016	**January 3, 2015**
Income tax provision:		
Current:		
Federal	-	-
Foreign	-	-
State	98	128
Total Current	98	128
Deferred:		
Federal	1,149	(1,093)
Foreign	38	(8,079)
State	149	(142)
Total Deferred (Benefit)	1,336	(9,314)
Income Tax Provision (Benefit)	**1,434**	**(9,186)**

As of January 2, 2016, the Company had US federal net operating loss carryforwards of approximately $128,000, US federal tax credit carryforwards of approximately $400, and foreign net operating loss carryforwards of $39,700. As of January 3, 2015, the Company had US federal net operating loss carryforwards of approximately $108,900, US federal tax credit carryforwards of approximately $600, and foreign net operating loss carryforwards of $32,700. The net operating loss and tax credits will begin to expire in 2015 if not utilized.

Utilization of the US net operating losses and tax credits may be subject to substantial annual limitation due to the "change in ownership" provisions of the Internal Revenue Code of 1986. The annual limitation may result in the expiration of net operating losses before utilization.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and the amounts used for income tax purposes. The significant components of total deferred tax assets of $80,450 and $72,234, (before valuation allowance) as of January 2, 2016 and January 3, 2015, respectively, included net operating losses and basis differences in various accruals. The Company's deferred tax liabilities of $22,434 and $27,679 as of January 2, 2016 and January 3, 2015, respectively, are comprised principally of basis differences in indefinite lived intangible assets and property and equipment. The Company recorded a valuation allowance of $79,145 and $65,377 as of January 2, 2016 and January 3, 2015, respectively, due to uncertainties regarding realization of the net deferred tax asset resulting in a net deferred tax liability of $21,129 and $21,124. The valuation allowance increased by approximately $15,400 for the year ended January 2, 2016, ignoring the effect of foreign exchange fluctuation.

The Company's provision for income tax reflects an effective tax rate of approximately (3.1%) and 6.5% for the years ending January 2, 2016 and January 3, 2015, respectively. For the period ending January 2, 2016, the Company's effective tax rate was lower than the U.S. federal statutory rate primarily due to changes in valuation allowances and foreign taxes. For the period ending January 3, 2015, the Company's effective tax rate was lower than the U.S. federal statutory rate primarily due to changes in valuation allowances, foreign taxes and the write-off of goodwill.

The Company has no accruals for tax uncertainties. In the event the Company has unrecognized tax benefits, the Company will recognize related accrued interest and penalties as income tax expense

The Company files consolidated and separate tax returns in the U.S. federal jurisdiction, Canada and several state jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal or foreign income tax examinations for years before 2011, and is no longer

subject to state and local income tax examinations by tax authorities for years before 2010. During 2013, an examination of the Company was completed by the U.S. federal taxing jurisdiction for the 2010 and 2011 tax years, and no material adjustments were proposed.

13. Related Parties

In connection with the Reorganization in July 2012, subsidiaries of the Company entered into a management services agreement (the "Sponsor Management Agreement") with OMERS Private Equity Inc. ("OPE"), which is the entity responsible for identifying and managing the private equity investments of OMERS. The Sponsor Management Agreement replaced a previous agreement dated September 28, 2007 between a wholly owned subsidiary of GT Canada and OPE (the "Original Management Agreement"). Pursuant to the Sponsor Management Agreement, OPE provides services relating to strategic and corporate planning and operational support, mergers and acquisitions planning, corporate finance, strategic governance and such other services as the parties shall mutually agree from time to time.

In consideration for the services rendered under the Sponsor Management Agreement, subsidiaries of the Company pay an annual fee in an amount not to exceed $1,000 in the aggregate (plus applicable taxes, if any). Fees payable under the Sponsor Management Agreement are invoiced quarterly.

During 2015 and 2014, the Company recorded approximately $1,000 and $1,000 in management service fees provided by OPE as selling, general and administrative expenses within the consolidated statement of operations.

During 2015 and 2014, the Company distributed $0 and $202, respectively to Employee Management Limited Partners as reimbursement for taxes incurred in conjunction with their ownership interest in the Partnership.

At January 2, 2016, fees totalling approximately $2,542 were included in accounts payable and accrued liabilities.

GolfTown International Holdings, Inc.

Consolidated Statements of Operations
In CAD
Unaudited

	July 30, 2016
	YTD Date
Net revenues	$ 181,728,369
Cost of products sold	121,623,123
Gross profit	60,105,246
Selling, general and administrative	47,181,936
Other one time expenses	1,007,305
Store pre-opening expenses	-
Store closing, lease termination charges	209,020
Depreciation	2,938,860
Amortization	-
Total operating expenses	51,337,120
Operating income (loss)	8,768,126
Interest expense	5,912,447
Other income (expense), net	118,451
Income (loss) before income taxes	2,974,130
Income tax (expense) benefit	1,005
Net income (loss)	$ 2,975,135

GolfTown International Holdings, Inc.

Consolidated Balance Sheets

In CAD

Undaudited

	July 30 2016
	Combined
ASSETS	
Current assets:	
Cash	$ 130,141
Receivables, net of allowances	2,786,699
Inventories	86,482,508
Prepaid expenses and other current assets	5,292,633
Total current assets	94,691,981
Property and equipment, net	15,299,955
Goodwill	46,652,630
Other intangible assets, net	29,000,000
Other long-term assets	1,213,098
Total assets	**$ 186,857,665**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 51,476,854
Accrued expenses and other current liabilities	24,082,630
Current portion of long-term debt	224,796
Deferred tax liabilties	-
Intercompany	(20,407,952)
Total current liabilities	55,376,329
Deferred tax liabilities	7,727,791
Deferred rent liabilities	6,256,669
FILO	15,000,000
ABL Facility	0
Shareholder Debt	117,837,113
Senior Second Lien Notes	80,000,000
Total liabilities	282,197,901
Stockholders' Equity:	
Common stock	8,708,480
Preferred stock	-
Deferred stock units	-
Additional paid-in capital	106,573,155
Accumulated other comprehensive loss	(820,086)
Accumulated deficit	(209,801,787)
Total stockholders' equity	(95,340,237)
Total liabilities and stockholders' equity	**$ 186,857,665**

Golf Town Canada

Consolidated Statement of Operations
January 02, 2016
Unaudited

	January 2, 2016 YTD
Net revenues	$ 273,272,267
Cost of products sold	182,891,615
Gross profit	90,380,651.69
Selling, general and administrative	77,334,719
Other one time charges	2,049,676
Store pre-opening expenses	45,198
Store closing and lease termination charges	216,742
Depreciation	8,193,882
Total operating expenses	87,840,216
Operating income (loss)	2,540,435.23
Interest expense	10,726,185
Other income (expense), net	(15,620,348)
Income (loss) before income taxes	(23,806,097.95)
Income tax (expense) benefit	(52,506)
Net income (loss)	$ (23,858,604)

Golf Town Canada

Consolidated Balance Sheet

In CAD

Unaudited

	January 02 2016
ASSETS	
Current assets:	
Cash	$ 10,651,519
Receivables, net of allowances	1,418,526
Inventories	75,625,099
Prepaid expenses and other current assets	6,859,892
Total current assets	94,555,036
Property and equipment, net	17,223,219
Goodwill	46,652,630
Other intangible assets, net	29,000,000
Other long-term assets	1,533,108
Total assets	**$ 188,963,993**
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 37,563,960
Accrued expenses and other current liabilities	26,469,955
Current portion of long-term debt	3,797,628
Deferred tax liabilities	-
Intercompany	(8,762,201)
Total current liabilities	59,069,341
Deferred tax liabilities	7,727,791
Deferred rent and Other long term liabilities	7,187,326
FILO	15,000,000
ABL Facility	(10)
Senior Second Lien Notes	80,000,000
Inteco Debt - APG	(1)
Shareholder Debt	117,837,113
Total liabilities	286,821,560
Stockholders' Equity:	
Common stock	8,708,480
Additional paid-in capital	106,573,155
Accumulated other comprehensive loss	(362,408)
Accumulated deficit	(212,776,794)
Total stockholders' equity	(97,857,567)
Total liabilities and stockholders' equity	**$ 188,963,993**

C

THIS IS EXHIBIT "C"

TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L. Murgia, Notary Public

Commissioner for Taking Affidavits

SUPPORT AGREEMENT

WHEREAS, this support agreement (the "**Support Agreement**"), dated as of September 13, 2016, sets out the agreement between Golfsmith International Holdings, Inc. ("**Golfsmith Holdings**" or the "**Company**", together with its direct and indirect wholly-owned subsidiaries and Golf Town USA LLC, "**Golfsmith**") and each of the other signatories hereto (each a "**Supporting Noteholder**" and collectively the "**Supporting Noteholders**"), whether as an original signatory or by executing a consent agreement in the form of Schedule C (a "**Consent Agreement**"), being a holder (a "**Noteholder**") of 10.50% Senior Second Lien Notes due 2018 (the "**Second Lien Notes**") (which Second Lien Notes are issued in the form of "**Units**" with each Unit consisting of $0.36 in principal amount of Second Lien Notes issued by Golfsmith Holdings and $0.64 in principal amount of Second Lien Notes issued by Golf Town Canada Inc.), regarding the principal aspects of a restructuring and recapitalization transaction (the "**Restructuring Transaction**") under which it is contemplated that the Second Lien Notes will be exchanged for (i) new 10.50% Second Lien Notes (the "**New Second Lien Notes**") issued by Restructured Golfsmith in an aggregate amount of US$35 million (a reduction of approximately US$60 million in the principal amount of the Second Lien Notes) due three years from the Effective Date and (ii) equity in Restructured Golfsmith, all as more fully described herein and on Schedule B hereto (with the terms of the Restructuring Transaction set out herein and on the Schedules hereto being, collectively, the "**Restructuring Transaction Terms**"), which Restructuring Transaction Terms shall form the basis for the terms of, be set forth in, and be implemented pursuant to, a restructuring plan (the "**Plan**") to be filed in respect of Golfsmith in proceedings (the "**U.S. Proceedings**") commenced before the United States Bankruptcy Court for the District of Delaware (the **"U.S. Court")** under title 11, chapter 11 of the United States Code (the "**U.S. Code**") and such other approvals as may be warranted in proceedings in respect of Golf Town commenced before the Ontario Superior Court of Justice [Commercial List] (the "**Canadian Court**") under the *Companies' Creditors Arrangement Act* (the "**Canadian Proceedings**").

AND WHEREAS, capitalized terms used but not otherwise defined in the main body of this Support Agreement have the meanings given to them in Schedule A.

NOW THEREFORE, the Company and the Supporting Noteholders (each a "**Party**" and collectively, the "**Parties**") hereby agree as follows:

1. Restructuring Transaction

The material terms of the Restructuring Transaction are as follows:

(a) a restructured Golfsmith or a newly incorporated company (such restructured Golfsmith or newly incorporated company being "**Restructured Golfsmith**") will operate the Golfsmith business following consummation of the Restructuring Transaction, which Golfsmith business will be as restructured and recapitalized as contemplated herein and substantially as contemplated in the restructuring plan presented to the Advisors;

(b) the Golf Town Transaction;

(c) in exchange for the full and final settlement of all obligations owed to the Second Lien Noteholders under the Second Lien Notes and the Second Lien Notes Indenture, as applicable, including, without limitation, all guarantee obligations of Golf Town or Golfsmith in respect thereof (collectively, the "**Second Lien Notes Obligations**"), the Second Lien Notes shall be exchanged for the New Second Lien Notes and 100% of the common shares of Restructured Golfsmith (the "**Restructured Golfsmith Shares**"), provided that on agreement of the Supporting Noteholders and Golfsmith, some portion of the Restructured Golfsmith Shares may be available to unsecured creditors;

(d) Golfsmith shall enter into the Transition Services Agreement with New Golf Town on terms consistent with the Golf Town APA (defined below);

(e) the existing security granted in respect of the Second Lien Notes will be amended, amended and restated or otherwise addressed so that it secures all of the obligations of Restructured Golfsmith under the New Second Lien Notes, provided that to the extent it is necessary to provide new security to replace the existing security, the new security shall have the same priority as the priority resulting from the existing lien registrations and charges in respect of the Second Lien Notes;

(f) the Second Lien Notes and the Second Lien Notes Indenture shall be cancelled and all Second Lien Notes Obligations shall be fully and finally released and extinguished;

(g) the First Lien Credit Facility will be refinanced with a new first-lien asset-based revolving facility for Restructured Golfsmith on terms acceptable to Golfsmith and the Supporting Noteholders, acting reasonably (the "**New Credit Facility**"), which New Credit Facility will be secured by liens on all of the assets of Restructured Golfsmith in priority to liens securing the New Second Lien Notes; and

(h) holders of the existing common shares in the capital of Golfsmith will receive no distribution under the Plan.

2. Representations and Warranties of the Supporting Noteholders

Each Supporting Noteholder hereby represents and warrants to the Company (and acknowledges that the Company is relying upon such representations and warranties) that as of the date hereof:

(a) it is, as at the date of this Support Agreement (or in the case of a Consent Agreement, the date of the Consent Agreement), the sole legal and beneficial holder of (or has sole voting and investment discretion, including discretionary authority to manage or administer funds, or investment management authority with respect to) Second Lien Notes in the principal amount(s) set forth on its signature page to this Support Agreement (or on its signature page to the Consent Agreement, as applicable) (collectively, the "**Relevant Notes**", the Relevant

Notes, together with all obligations owing in respect of the Relevant Notes, including accrued and unpaid interest and any other amount that the Supporting Noteholder is entitled to claim in respect of the Relevant Notes pursuant to the Second Lien Notes Indenture or otherwise, its "**Debt**") and no other Second Lien Notes;

(b) it has the sole authority to vote or direct the voting of its Debt and Relevant Notes;

(c) it (i) is a sophisticated party with sufficient knowledge and experience to evaluate properly the terms and conditions of this Support Agreement; (ii) has conducted its own analysis and made its own decision to enter into this Support Agreement; (iii) has obtained such independent advice in this regard as it deemed appropriate; and (iv) has not relied in such analysis or decision on any person other than its own independent advisors;

(d) this Support Agreement has been duly authorized, executed and delivered by it, and, assuming the due authorization, execution and delivery by the other Parties, this Support Agreement constitutes the legal, valid and binding obligation of such Supporting Noteholder, enforceable in accordance with its terms, subject to laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity;

(e) it is duly organized and validly existing under the laws of the jurisdiction of its organization and has all necessary power and authority to execute and deliver this Support Agreement and to perform its obligations hereunder;

(f) the execution and delivery of this Support Agreement by it and the completion by it of the transactions contemplated herein do not and will not, to the best of its knowledge, violate or conflict with any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to the Supporting Noteholder or any of its properties or assets or result (with or without notice or the passage of time) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, bylaws or other constituent documents;

(g) except as contemplated by this Support Agreement, it has not deposited any of its Relevant Notes or Debt into a voting trust, or granted (or permitted to be granted) any proxies or powers of attorney or attorney in fact, or entered into a voting agreement, understanding or arrangement, with respect to the voting of its Relevant Notes or Debt where such trust, grant, agreement, understanding or arrangement would in any manner restrict the ability of the Supporting Noteholder to comply with its obligations under this Support Agreement, including the obligations in Section 4, or the ability of any Supporting Noteholder to exercise all ownership rights thereto;

(h) the Debt held by it is not subject to any liens, charges, encumbrances or other similar restrictions that would reasonably be expected to adversely affect its ability to perform its obligations under this Support Agreement; and

(i) to the best of its knowledge, there is no proceeding, claim or investigation pending before any Governmental Entity, or threatened against the Supporting Noteholder or any of its properties that, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the Supporting Noteholder's ability to execute and deliver this Support Agreement, to perform its obligations hereunder and to consummate the Restructuring Transaction.

3. The Company's Representations and Warranties

The Company hereby represents and warrants to each Supporting Noteholder (and the Company acknowledges that the Supporting Noteholders are relying upon such representations and warranties) that as of the date hereof:

(a) this Support Agreement has been duly authorized, executed and delivered by it, and, assuming the due authorization, execution and delivery by all Parties, this Support Agreement constitutes a legal, valid and binding obligation of it, enforceable in accordance with its terms, subject to laws of general application and bankruptcy, insolvency and other similar laws affecting creditors' rights generally and general principles of equity;

(b) it is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has all necessary power and authority to execute and deliver this Support Agreement resulting from its acceptance hereof and to perform its obligations hereunder;

(c) the execution and delivery of this Support Agreement by it and the completion by it of the transactions contemplated herein do not and will not, to the best of its knowledge, violate or conflict with any judgment, order, notice, decree, statute, law, ordinance, rule or regulation applicable to such Company or any of its properties or assets or result (with or without notice or the passage of time) in a violation, conflict or breach of, or constitute a default under, or require any consent to be obtained under its certificate of incorporation, articles, bylaws or other constituent documents;

(d) there is no proceeding, claim or investigation pending before any Governmental Entity, or threatened against it or any of its properties that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on its ability to execute and deliver this Support Agreement, to perform its obligations hereunder and to consummate the Restructuring Transaction; and

(e) it is conducting its business in substantial compliance with all applicable Laws.

4. Supporting Noteholder Covenants

Subject to, and in consideration of, the matters set forth in Section 5 below, each of the Supporting Noteholders hereby covenants and agrees:

(a) to the Restructuring Transaction Terms;

(b) not to, directly or indirectly, from the date hereof to the date this Support Agreement is terminated:

(i) sell, assign, lend, pledge, hypothecate, dispose or otherwise transfer (in each case, "**Transfer**") any of its Relevant Notes or Debt or any rights or interests therein (or permit any of the foregoing with respect to any of its Relevant Notes or Debt) or enter into any agreement, arrangement or understanding in connection therewith (a) while the asset purchase agreement in respect of the Golf Town Transaction (the "**Golf Town APA**") is in full force and effect in accordance with its terms, or (b) if the Golf Town Transaction has been completed, for a period of 3 months following such completion (unless the Restructuring Transaction has been completed with no restrictions therein) (clause (a) and (b) being the "**Relevant Period**"); provided that a Supporting Noteholder may Transfer any of its Relevant Notes or Debt to its affiliates at any time after the date hereof provided that such affiliates execute a joinder to this Support Agreement and, following the Relevant Period, the Supporting Noteholder may thereafter Transfer Relevant Notes and/or Debt to (a) another fund managed by the Supporting Noteholder so long as the Supporting Noteholder retains sole voting power and investment discretion over such Relevant Notes and/or Debt, (b) any other Supporting Noteholder, or (c) any other Person, provided each case such person agrees to be bound by the terms of this Support Agreement with respect to the transferred Relevant Notes and/or Debt and, contemporaneously with the Transfer, delivers an executed Consent Agreement. Each Supporting Noteholder hereby agrees to provide the Company with written notice and a fully executed copy of the Consent Agreement within three (3) Business Days following any Transfer to a transferee described in this Section 4(b). Any Transfer that does not comply with this Section 4(b) shall be void *ab initio*. For greater certainty, where a Supporting Noteholder assigns all of its Relevant Notes pursuant to this Section 4(b), this Support Agreement shall continue to be binding upon such Supporting Noteholder with respect to any Second Lien Notes it subsequently acquires;

(ii) except as contemplated by this Support Agreement, deposit any of its Relevant Notes or Debt into a voting trust, or grant (or permit to be granted) any proxies or powers of attorney or attorney in fact, or enter into a voting agreement, understanding or arrangement, with respect to the voting of its Relevant Notes or Debt if such trust, grant, agreement, understanding or arrangement would in any manner restrict the ability of

the Supporting Noteholder to comply with its obligations under this Support Agreement, including the obligations in this Section 4;

(c) not to take any action, or omit to take any action, that is inconsistent with its obligations under this Support Agreement or that would frustrate, hinder or delay the consummation of the Restructuring Transaction and the Plan;

(d) to vote (or cause to be voted) all of its Relevant Notes and Debt:

(i) in favour of the approval, consent, ratification and adoption of the Plan (and any actions required in furtherance thereof) in accordance with the terms herein; and

(ii) against the approval, consent, ratification and adoption of any matter or transaction that, if approved, consented to, ratified or adopted could reasonably be expected to delay, challenge, frustrate or hinder the consummation of the Restructuring Transaction or the Plan, as applicable, except if it is in respect of an Other Transaction that the Company has provided to the Supporting Noteholders or the Advisors for approval in accordance with Section 10 hereof,

and that it shall tender its proxy for any such vote in compliance with any deadlines set forth in respect thereof;

(e) not to propose, file, solicit, vote for or otherwise support any alternative offer, restructuring, liquidation, workout or plan of compromise or arrangement or reorganization of, for or involving Golfsmith, including any proceeding that is inconsistent with the Restructuring Transaction and the Plan, except with the prior written consent of the Companies or in connection with an Other Transaction in accordance with Section 10 hereof;

(f) to execute any and all documents and perform any and all commercially reasonable acts required by this Support Agreement to satisfy its obligations hereunder including any consent, approval, amendment or waiver requested by the Company, acting reasonably;

(g) to use commercially reasonable efforts to assist in dialogue and discussions with other Noteholders to gather additional support for the Restructuring Transaction and the Company shall inform the Supporting Noteholders of the substance of any material discussions and the identity of the other Noteholders on a confidential basis upon such Noteholder’s consent thereto;

(h) to support and assist the Company in seeking a replacement and refinancing of the First Lien Credit Facility;

(i) to support and instruct the Advisors to support all motions filed by the Companies in the Proceedings that are in furtherance of, and consistent with, the Restructuring Transaction and the Plan and, if requested by the Companies,

provide commercially reasonable information to the Companies in obtaining any required approvals to effect the Restructuring Transaction;

(j) to support the Golf Town Transaction and not to take any action (including, without limitation, proposing, filing, soliciting, voting for or otherwise supporting any alternative offer, restructuring, liquidation, workout or plan of compromise or arrangement or reorganization of, for or involving Golf Town, except with the prior written consent of the Companies), or omit to take any action, that would frustrate, hinder or delay the consummation of the Golf Town Transaction;

(k) support the Transition Services Agreement being assumed, upheld and implemented during the Restructuring consistent with the Golf Town APA;

(l) not to accelerate or enforce or take any action or initiate any proceeding to accelerate or enforce the payment or repayment of any of its Debt and not to support any other Person in taking any of the foregoing enforcement actions;

(m) to the existence and factual details of this Support Agreement being set out in any public disclosure made by the Companies, including, without limitation, press releases and court materials, and to the filing of this Support Agreement with the Courts in connection with the Proceedings, provided that the Companies shall provide a draft of any such disclosure to the Advisors before it is publicly disseminated for their review and comment;

(n) to waive any defaults or events of default under the Second Lien Notes Indenture that may occur as a result of (i) the commencement and/or continuation of the Proceedings in conformity with this Support Agreement; and (ii) the pursuit of the Restructuring Transaction, including the entering into of any related documents, as specifically contemplated by this Support Agreement; and, in all such cases, (i) to not take any enforcement steps in connection therewith, and (ii) to the extent permitted pursuant to the Second Lien Notes Indenture, cause or instruct the Second Lien Trustee to waive any defaults or events of default, and to refrain from taking any enforcement steps, with respect to the matters set forth in this paragraph 4(n);

(o) to consent to a stay of any existing and potential defaults in connection with their Debt; and

(p) that this Support Agreement shall in no way be construed to preclude a Supporting Noteholder from acquiring additional Second Lien Notes (collectively, the "**Additional Notes**") that are not otherwise subject to this Support Agreement; *provided, however*, that such Additional Notes shall automatically and immediately upon acquisition by a Supporting Noteholder be deemed to constitute Relevant Notes (and together with all accrued and unpaid interest and any other amount that the Supporting Noteholder is entitled to claim in respect of the Additional Notes pursuant to the Second Lien Notes Indenture or otherwise shall be deemed to constitute Debt) hereunder subject to the terms of

this Support Agreement, and the Supporting Noteholder hereby agrees to provide written notice to the Companies advising of (i) the acquisition by it of Additional Notes, (ii) the principal amount of Additional Notes so acquired, and (iii) the date of such acquisition, within three (3) Business Days of any such acquisition.

5. Company's Covenants

Subject to, and in consideration of, the matters set forth in Section 4 above, the Company hereby acknowledges, covenants and agrees:

(a) to the Restructuring Transaction Terms;

(b) to pursue the completion of the Restructuring Transaction on a timely basis and in good faith by way of the Plan, and not to take any action (or inaction) that is inconsistent with the terms of this Support Agreement;

(c) to seek and use commercially reasonable efforts to obtain U.S. Court approval of this Support Agreement no later than fourteen (14) days after the commencement of the U.S. Proceedings;

(d) to seek Canadian Court approval of the Golf Town Transaction no later than fourteen (14) days after the commencement of the Canadian Proceedings;

(e) to file the Plan on a timely basis, recommend to any person entitled to vote on the Plan that they vote to approve the Plan and take all reasonable actions necessary to obtain any regulatory approvals for the Restructuring Transaction and to achieve the following timeline (which timeline may be extended at any time as agreed by the Parties):

(i) the Plan shall have been confirmed by the U.S. Court pursuant to the Final Order by no later than December 23, 2016; and

(ii) the Restructuring Transaction shall have been implemented pursuant to the Plan on or prior to the Outside Date;

(f) to obtain a court order approving the Transition Services Agreement in the U.S. Proceedings, and to include the Transition Services Agreement as an assumed contract in the Plan or any going concern sale conducted in the U.S. Proceedings under Section 363 of the U.S. Code;

(g) to obtain all required consents and approvals for its performance of the Transition Services Agreement;

(h) to provide draft copies of all motions or applications and other documents with respect to the Restructuring Transaction and the Plan that the Companies are intending to be filed with the Courts in connection with the Proceedings to Stikeman Elliott LLP at least three (3) Business Days prior to the date when the Companies intend to file or otherwise disseminate such documents (or, where

circumstances make it impracticable to allow for three (3) Business Days' review, with as much opportunity for review and comment as is practically possible in the circumstances), and all such filings shall be on terms consistent with this Support Agreement;

(i) to operate its business in the ordinary course on substantially similar terms as contemplated in the restructuring plan presented to the Advisors, except for such effects as may be caused by commencement of the Proceedings;

(j) to complete the Company's restructuring and recapitalization transaction for the Golfsmith business on substantially similar terms as contemplated in the restructuring plan presented to the Advisors, including, without limitation, the Company may market and sell the owned real estate in Austin, Texas and use the proceeds thereof to pay down the First Lien Credit Facility;

(k) to promptly notify the Advisors of any claims brought against it which may reasonably be expected to materially impede or delay the consummation of the Restructuring Transaction or the Plan; and

(l) to complete the Golf Town Transaction on or before December 1, 2016 or such later date as may be agreed to by the Companies and the Supporting Noteholders, acting reasonably.

6. Negotiation of Documents

(a) The Parties shall cooperate with each other and shall coordinate their activities (to the extent practicable) in respect of (i) the timely satisfaction of conditions with respect to the effectiveness of the Restructuring Transaction and the Plan, (ii) all matters concerning the consummation of the Restructuring Transaction and the Plan, and (iii) the pursuit and support of the Restructuring Transaction and the Plan. Furthermore, subject to the terms hereof, each of the Parties shall take such actions as may be reasonably necessary to carry out the purposes and intent of this Support Agreement.

(b) Each Party hereby covenants and agrees (i) to cooperate and negotiate in good faith, and consistent with this Support Agreement, the definitive documents implementing, achieving and relating to the Restructuring Transaction and the Plan, all ancillary documents relating thereto, and any orders of the Courts relating thereto, and (ii) to the extent it is a party thereto, to execute, deliver and perform its obligations under such documents.

7. Conditions to Supporting Noteholder's Support Obligations

The obligation of the Supporting Noteholders to vote in favour of the Plan pursuant to Section 4(d)(i) shall be subject to the satisfaction of the following conditions, each of which may be waived, in whole or in part, by the Supporting Noteholders (provided that such conditions shall not be enforceable by the Supporting Noteholders if any failure to

satisfy such conditions results from an action, error or omission by or within the control of the Supporting Noteholder seeking enforcement):

(a) the Company shall have executed this Support Agreement;

(b) the Company has executed a binding agreement for the Golf Town Transaction with the Canadian Purchaser;

(c) the Plan and all transaction documents relating to the Restructuring Transaction and the Plan shall be on terms consistent with this Support Agreement and shall be acceptable to the Supporting Noteholders, acting reasonably;

(d) the Supporting Noteholders shall have approved the composition of the board of directors or managers of Restructured Golfsmith, acting reasonably;

(e) all orders made and judgments rendered by any competent court of law and all rulings and decrees of any competent regulatory body, agent or official in respect of the U.S. Proceedings and the Restructuring Transaction shall be satisfactory to the Supporting Noteholders, acting reasonably;

(f) the Company shall have complied in all material respects with each covenant and obligation in this Support Agreement that is to be performed on or before the date that is three (3) Business Days prior to the Voting Deadline (subject to any agreed upon extension of the milestones set out herein);

(g) since the date hereof, there shall not exist or have occurred any Material Adverse Change;

(h) there shall not be in effect any final decision, order or decree by a Governmental Entity that materially restrains, impedes or prohibits the Restructuring Transaction or requires or purports to require a material variation of the Restructuring Transaction;

(i) all actions taken by the Company in furtherance of the Restructuring Transaction and the Plan shall be consistent in all material respects with this Support Agreement; and

(j) the Company shall be in material compliance with all of its respective commitments and obligations under or in respect of this Support Agreement.

8. Conditions to the Restructuring Transaction

(a) The Restructuring Transaction shall be subject to the satisfaction of the following conditions prior to or at the time the Restructuring Transaction is implemented (the "**Effective Time**") each of which is for the mutual benefit of the Company, on the one hand, and the Supporting Noteholders, on the other hand, and may be waived in whole or in part jointly by the Company and the Supporting Noteholders (provided that such conditions shall not be enforceable

by the Company or the Supporting Noteholders, as the case may be, if any failure to satisfy such conditions results from an action, error or omission by or within the control of the Party seeking enforcement):

(i) the Plan shall have been approved by (A) the Court; and (B) the requisite majority of affected creditors;

(ii) the Plan shall have been approved and the Final Order shall have been issued (the consummation, operation or effect of which shall not have been stayed, varied in a manner not acceptable to the Company or the Supporting Noteholders, vacated or subject to pending appeal and as to which order any appeal periods relating thereto shall have expired);

(iii) the Plan and all material transaction documents relating to the Restructuring Transaction and the Plan shall be in form and substance satisfactory to the Company and the Supporting Noteholders, acting reasonably;

(iv) the Golf Town Transaction is approved by the Canadian Court and consummated;

(v) all disclosure documents (including press releases) in respect of the Restructuring Transaction shall be in form and substance acceptable to the Company and the Supporting Noteholders, each acting reasonably, provided that nothing herein shall prevent a Party from making public disclosure in respect of the Restructuring Transaction to the extent required by applicable Law;

(vi) all required stakeholder, regulatory, Court approvals, consents, waivers and filings shall have been obtained or made, as applicable, on terms satisfactory to the Company and the Supporting Noteholders, each acting reasonably;

(vii) the Company shall have entered into the New Credit Facility for Restructured Golfsmith acceptable to Golfsmith and the Supporting Noteholders, acting reasonably;

(viii) all filings that are required under applicable Laws in connection with the Restructuring Transaction shall have been made and any material regulatory consents or approvals that are required in connection with the Restructuring Transaction shall have been obtained and, in the case of waiting or suspensory periods, such waiting or suspensory periods shall have expired or been terminated;

(ix) there shall not be in effect any preliminary or final decision, order or decree by a Governmental Entity, no application shall have been made to any Governmental Entity, and no action or investigation shall have been commenced by any Governmental Entity, in consequence of or in

connection with the Restructuring Transaction or the Plan that materially restrains, impedes or prohibits (or if granted would reasonably be expected to materially restrain, impede or prohibit), the Restructuring Transaction or the Plan or requires or purports to require a material variation of the Restructuring Transaction Terms;

(x) the Effective Date shall have occurred no later than the Outside Date; and

(xi) the reasonable and documented fees and expenses of Kasowitz Torres & Friedman LLP and Scotiabank (in the case of Scotiabank, to a maximum of CDN$1.5 million) shall have been paid or satisfactory provision made for payment thereof in the Plan;

(b) The obligations of the Company to complete the Restructuring Transaction and the other transactions contemplated hereby are subject to the satisfaction of the following conditions prior to or at the Effective Time, each of which is for the benefit of the Company and may be waived, in whole or in part, by the Company (provided that such conditions shall not be enforceable by the Company if any failure to satisfy such conditions results from an action, error or omission by or within the control of the Company):

(i) each of the Supporting Noteholders shall have complied in all material respects with each covenant and obligation in this Support Agreement that is to be performed by it on or before the Effective Time;

(ii) the representations and warranties of each of the Supporting Noteholders set forth in this Support Agreement shall be true and correct in all material respects as of the Effective Date with the same force and effect as if made at and as of such date, except (i) that representations and warranties that are given as of a specified date shall be true and correct in all material respects as of such date and (ii) as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by this Support Agreement; and

(iii) all orders made and judgments rendered by any competent court of law, and all rulings and decrees of any competent regulatory body, agent or official in relation to the Proceedings shall be satisfactory to the Company.

(c) The obligations of the Supporting Noteholders to complete the Restructuring Transaction and the other transactions contemplated hereby are subject to the satisfaction of the following conditions prior to or at the Effective Time, each of which is for the benefit of the Supporting Noteholders and may be waived, in whole or in part, by the Supporting Noteholders (provided that such conditions shall not be enforceable by the Supporting Noteholders if any failure to satisfy such conditions results from an action, error or omission by or within the control of the Supporting Noteholder seeking enforcement):

(i) the Company shall have complied in all material respects with each covenant and obligation in this Support Agreement that is to be performed by them on or before the Effective Date (including achieving the milestones set out in Section 5(c));

(ii) the representations and warranties of the Company set forth in this Support Agreement shall be true and correct in all material respects as of the Effective Date with the same force and effect as if made at and as of such date, except (i) that representations and warranties that are given as of a specified date shall be true and correct in all material respects as of such date and (ii) as such representations and warranties may be affected by the occurrence of events or transactions contemplated and permitted by this Support Agreement;

(iii) all actions taken by the Company in furtherance of the Restructuring Transaction and the Plan shall be consistent in all material respects with the Plan and this Support Agreement;

(iv) the Transition Services Agreement is approved by the U.S. Court as provided herein, and remains in full force and effect; and

(v) since the date hereof, there shall not exist or have occurred any Material Adverse Change.

9. Releases

The Parties agree that there shall be usual and customary releases and exculpations in connection with the consummation of the Restructuring Transaction under the Proceedings to be effective as of the Effective Date pursuant to the Plan, the Final Order and, if applicable, an Order of the Canadian Court.

10. Other Transaction

(a) Notwithstanding any other provision herein, Golfsmith shall be permitted to, and not be restricted in any way or manner from, at any time and from time to time, directly or indirectly (a) soliciting, initiating, encouraging, engaging in or responding to any inquiries, submissions, proposals or offers regarding any Other Transaction; (b) encouraging or participating in any discussions or negotiations regarding any Other Transaction, (c) providing any information to, or otherwise cooperating in any way with, any Person in connection with any Other Transaction or (d) entering into any agreement related to an Other Transaction which would provide aggregate cash proceeds to the Noteholders in excess of the aggregate principal amount of the New Second Lien Notes or is otherwise on terms acceptable to the Majority Supporting Noteholders, provided such Other Transaction provides for assumption and fulfillment of obligations under the Transition Services Agreement by a party and in a form acceptable to the Canadian Purchaser, acting reasonably.

(b) Golfsmith shall promptly (and in any event within one Business Day of receipt) notify the Advisors of its receipt of a written proposal in respect of any Other Transaction. The Advisors may in turn disclose such information to those of the Supporting Noteholders which have entered into confidentiality agreements acceptable to the Company, acting reasonably. Subject to the foregoing, the Company shall provide such Supporting Noteholders and the Advisors with a copy of any proposed Other Transaction within three Business Days of receipt thereof. The Company shall keep the Advisors and any such Supporting Noteholders informed of the status and of any change to the material terms of any such proposed Other Transaction.

11. Termination

(a) This Support Agreement may be terminated by the Supporting Noteholders in their sole discretion, by providing written notice to the Company:

(i) if the Company fails to meet any of the milestones set forth in Section 5(c) within the times set forth therein (as such times may be extended in accordance with Section 5(c));

(ii) if Golfsmith enters into a written agreement to pursue an Other Transaction or determines that it will be liquidating all or substantially all of its assets without the consent of the Majority Supporting Noteholders;

(iii) if the Company has failed to comply with, or defaulted in the performance or observance of, any material term, condition, covenant or agreement set for in this Support Agreement that, if capable of being cured, is not cured within three (3) Business Days after receipt of written notice of such failure or default and provided that, for greater certainty, no cure period shall apply with respect to any termination pursuant to Sections 11(a)(i), 11(a)(ii), 11(a)(vi) or 11(a)(viii);

(iv) any representation, warranty or acknowledgement of the Company made in this Support Agreement shall prove untrue in any material respect as of the date when made;

(v) upon the issuance of any final decision, order or decree by a Governmental Entity, which materially restrains, impedes or prohibits the Restructuring Transaction or the Plan;

(vi) if the U.S. Proceedings are dismissed or a receiver, interim receiver, receiver and manager, trustee in bankruptcy, examiner with expanded powers, liquidator or administrator is appointed with respect to Golfsmith, unless such appointment is made with the prior written consent of the Supporting Noteholders;

(vii) the amendment, modification or filing of a pleading by the Company seeking to amend or modify the Restructuring Transaction Terms or the

Plan in a manner that would materially affect the treatment of the Supporting Noteholders that is not acceptable to the Supporting Noteholders, acting reasonably; or

(viii) if the Restructuring Transaction has not been completed and the Plan has not been implemented by the Outside Date;

in each case unless the event giving rise to the termination right is waived or cured in accordance with the terms hereof.

(b) This Support Agreement may be terminated by the Company in its sole discretion, by providing written notice to the Supporting Noteholders, provided that the Company is not in default hereunder, upon the occurrence and continuation of any of the following events:

(i) if Golfsmith decides to proceed with an Other Transaction as permitted under Section 10 hereof;

(ii) upon the issuance of any final decision, order or decree by a Governmental Entity, in consequence of or in connection with the Restructuring Transaction or the Plan, which restrains, impedes or prohibits the Restructuring Transaction or the Plan; or

(iii) if the Restructuring Transaction has not been completed and the Plan has not been implemented by the Outside Date;

in each case unless the event giving rise to the termination right is waived or cured in accordance with the terms hereof.

(c) This Support Agreement may be terminated by the Company in its sole discretion as to a breaching Supporting Noteholder (the "**Breaching Noteholder**") only, by providing written notice to such Breaching Noteholder and provided that the Company is not in default hereunder, upon the occurrence and continuation of any of the following events:

(i) failure by the Breaching Noteholder to comply in all material respects with, or default by the Breaching Noteholder in the performance or observance of, any material term, condition, covenant or agreement set forth in this Agreement which is not cured within three (3) Business Days after the receipt of written notice of such failure or default; or

(ii) if any representation, warranty or other statement of the Breaching Noteholder made or deemed to be made in this Agreement shall prove untrue in any material respect as of the date when made;

and the Breaching Noteholder shall thereupon no longer be a Supporting Noteholder, in each case unless the event giving rise to the termination right is waived or cured in accordance with the terms hereof.

(d) This Support Agreement may be terminated at any time by mutual written consent of the Company and the Supporting Noteholders.

(e) This Support Agreement shall terminate automatically on the Effective Date upon consummation of the Plan.

(f) Subject to paragraphs 11(g) and 11(i) below, this Support Agreement, upon its termination, shall be of no further force and effect and each Party hereto shall be automatically and simultaneously released from its commitments, undertakings, and agreements under or related to this Support Agreement.

(g) Subject to paragraph 11(i) below, upon termination of this Agreement by the Companies with respect to a Breaching Noteholder under Section 11(c), this Agreement shall be of no further force or effect with respect to such Breaching Noteholder and, subject to the right of the Company to pursue any and all legal and equitable rights against a Breaching Noteholder in respect of the circumstances that resulted in them becoming a Breaching Noteholder, all rights, obligations, commitments, undertakings, and agreements under or related to this Agreement of or in respect of such Breaching Noteholder shall be of no further force or effect, except for the rights and obligations under Section 15, all of which shall survive such termination.

(h) Each Party shall be responsible and shall remain liable for any breach of this Support Agreement by such Party occurring prior to the termination of this Support Agreement.

(i) Notwithstanding the termination of this Support Agreement pursuant to this Section 11(a), the agreements and obligations of the Parties in Section 15 shall survive such termination and shall continue in full force and effect for the benefit of the Parties in accordance with the terms hereof.

12. Further Assurances

Each Party shall take all such actions as are commercially reasonable, deliver to the other Parties such further information and documents and execute and deliver to the other Parties such further instruments and agreements as another Party shall reasonably request to consummate or confirm the transactions provided for in this Support Agreement, to accomplish the purpose of this Support Agreement or to assure to the other Party the benefits of this Support Agreement, including, the consummation of the Restructuring Transaction (or an Alternative Transaction, if applicable).

13. Public Disclosure

No information with respect to the principal amount of Second Lien Notes held or managed by any individual Supporting Noteholder shall be disclosed by the Company or any of its affiliates, except as may be required by applicable Law or by any regulatory authority having jurisdiction over the Company, or by any court of competent

jurisdiction; provided, however, that the aggregate amount of Relevant Notes held by the Supporting Noteholders collectively may be disclosed.

14. Approval, Consent, Waiver, Amendment, Termination of or by Supporting Noteholders

(a) Notwithstanding any other provision herein, where this Support Agreement provides that a matter shall have been approved, agreed to, consented to, waived, amended or terminated by the Supporting Noteholders, or that a matter must be satisfactory or acceptable to the Supporting Noteholders, such approval, agreement, consent, waiver, amendment, termination, satisfaction, acceptance or other action shall be effective or shall have been obtained or satisfied, as the case may be, for the purposes of this Support Agreement where Supporting Noteholders, holding at least 65% of the aggregate principal amount of all Relevant Notes held by the Supporting Noteholders (the "**Majority Supporting Noteholders**") shall have confirmed their approval, consent, waiver, amendment, termination, satisfaction or acceptance, as the case may be, to the Company or to the Advisors, in which case the Advisors shall communicate (which may be by email) any such approval, agreement, consent, waiver, amendment, termination, satisfaction, acceptance, or other action to (i) the Supporting Noteholders, and (ii) the Company for purposes of this Agreement and the terms and conditions hereof. The Company shall be entitled to rely on any such confirmation of approval, agreement, consent, waiver, amendment, termination, satisfaction, acceptance, or other action communicated to the Company by the Advisors without any obligation to inquire into the Advisors' authority to do so on behalf of the Supporting Noteholders, as the case may be, and such communication shall be effective for all purposes of this Support Agreement and the terms and conditions hereof.

(b) Except as expressly set forth in this Agreement, no Supporting Noteholder shall enter into any agreement or understanding with any other Supporting Noteholder which requires any voting threshold higher than that which is set forth in Section 14(a). Each Supporting Noteholder represents and warrants to the Company that it has not entered into any such agreement or understanding.

15. Miscellaneous

(a) The headings in this Support Agreement are for reference only and shall not affect the meaning or interpretation of this Support Agreement.

(b) Unless the context otherwise requires, words importing the singular shall include the plural and vice versa and words importing any gender shall include all genders.

(c) This Support Agreement (including the Term Sheet and the other schedules attached to this Support Agreement) constitute the entire agreement and supersede

all prior agreements and understandings, both oral and written, among the Parties with respect to the subject matter hereof.

(d) This Support Agreement may be modified, amended or supplemented as to any matter in writing (which may include e-mail) by the Company and the Supporting Noteholders.

(e) At any time, a Noteholder that is not a Supporting Noteholder may enter into this Support Agreement by executing and delivering a Consent Agreement to the Company pursuant to Section 15(m) hereof.

(f) Any Person signing this Support Agreement in a representative capacity (i) represents and warrants that he/she is authorized to sign this Support Agreement on behalf of the Party he/she represents and that his/her signature upon this Support Agreement will bind the represented Party to the terms hereof, and (ii) acknowledges that the other Parties hereto have relied upon such representation and warranty.

(g) Any provision of this Support Agreement may be waived if, and only if, such waiver is in writing (which may include e-mail) by the Party against whom the waiver is to be effective. No failure or delay by any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise.

(h) Any date, time or period referred to in this Support Agreement shall be of the essence except to the extent to which the Parties agree in writing to vary any date, time or period, in which event the varied date, time or period shall be of the essence.

(i) This Support Agreement shall be governed by, construed and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein (excluding any conflict of laws rule or principle which might refer such construction to the laws of another jurisdiction) and all actions or proceedings arising out of or relating to this Support Agreement shall be heard and determined exclusively in the courts of the Province of Ontario.

(j) It is understood and agreed by the Parties that money damages would not be a sufficient remedy for any breach of this Support Agreement, and each non-breaching Party shall be entitled to specific performance and injunctive or other equitable relief as a remedy of any such breach, including an order by a court of competent jurisdiction requiring any Party to comply promptly with any of such obligations.

(k) Unless expressly stated otherwise herein, this Support Agreement is intended to solely bind and inure to the benefit of the Parties and their respective successors, permitted assigns, heirs, executors, administrators and representatives. No other person or entity shall be a third party beneficiary hereof.

(l) No Party may assign, delegate or otherwise transfer any of its rights, interests or obligations under this Support Agreement without the prior written consent of the other Parties hereto.

(m) All notices, requests, consents and other communications hereunder to any Party shall be deemed to be sufficient if contained in a written instrument delivered in person or sent by facsimile, internationally-recognized overnight courier or email. All notices required or permitted hereunder shall be deemed effectively given: (i) upon personal delivery to the Party to be notified, (ii) when sent by facsimile or email if sent during normal business hours of the recipient, if not, then on the next Business Day of the recipient; or (iii) one (1) Business Day after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All deliveries required or permitted hereunder shall be deemed effectively made: (A) upon personal delivery to the Party receiving the delivery; (B) one (1) Business Day after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt; or (C) upon receipt of delivery in accordance with instructions given by the Party receiving the delivery. Any Party may change the address to which notice should be given to such Party by providing written notice to the other Parties hereto of such change. The address, facsimile and email for each of the Parties shall be as follows:

(i) If to the Company or Companies at:

Golfsmith International Holdings, Inc. / Golf Town Canada Inc.
c/o Goodmans LLP
333 Bay Street, Suite 3400
Toronto, Ontario
M5H 2S7

Attention: Robert J. Chadwick & Melaney Wagner
Facsimile: 416.979.1234
Email: rchadwick@goodmans.ca / mwagner@goodmans.ca

With a required copy (which shall not be deemed notice) to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, NY
10153

Attention: Michael Walsh
Facsimile: 212.310.8007
Email: michael.walsh@weil.com

(ii) If to the Supporting Noteholders at:

the address set forth for the Supporting Noteholder at the address shown for it beside its signature

With a required copy (which shall not be deemed notice) to:

Stikeman Elliott LLP
199 Bay Street, Suite 5300
Toronto, Ontario
M5L 1B9

Attention: Elizabeth Pillon
Facsimile: 416.947.0866
Email: lpillon@stikeman.com

And a copy (which shall not be deemed notice) to:

Kasowitz Benson Torres & Friedman LLP
1633 Broadway
New York, NY
10019

Attention: Andrew Glenn
Facsimile: 212.506.1800
Email: aglenn@kasowitz.com

(n) If any term, provision, covenant or restriction of this Support Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions, including terms, covenants and restrictions, of this Support Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated and the parties shall negotiate in good faith to modify this Support Agreement to preserve each party's anticipated benefits under this Support Agreement.

(o) This Support Agreement may be executed by facsimile or other electronic means and in one or more counterparts, all of which shall be considered one and the same agreement.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the undersigned has caused this Support Agreement to be duly executed and delivered by its proper and duly authorized officer as of the date first written above.

GOLFSMITH INTERNATIONAL HOLDINGS, INC.

Per: _____
Name:
Title:

Per: _____
Name:
Title:

IN WITNESS WHEREOF, the undersigned has caused this Support Agreement to be duly executed and delivered by its proper and duly authorized officer as of the date first written above.

NORTHBRIDGE GENERAL INSURANCE CORPORATION, By its Investment Manager. HAMBLIN WATSA INVESTMENT COUNSEL LTD.

Per: _____

Name: Paul Rivett
Title: Chief Operating Officer

Address: 95 Wellington St W, Suite 802
Toronto, ON M5J 2N7

Principal Amount of Second Lien Notes subject to this Support Agreement:	[redacted]

IN WITNESS WHEREOF, the undersigned has caused this Support Agreement to be duly executed and delivered by its proper and duly authorized officer as of the date first written above.

CI INVESTMENTS INC. on behalf of certain funds managed by it

Per: _____

Name: Greg Shin

Title: SVP

Address: 2 Queen St. East
Twentieth Floor
Toronto Ontario
M5C 3G7

Principal Amount of Second Lien Notes subject to this Support Agreement:	[redacted]

SCHEDULE A

DEFINITIONS

"**Advisors**" means Stikeman Elliott LLP, Kasowitz Benson Torres & Friedman LLP and Scotiabank, as legal and financial advisors, respectively, to the Supporting Noteholders.

"**Business Day**" means each day, other than a Saturday or Sunday or a statutory or civic holiday, on which banks are open for business in Toronto, Ontario.

"Canadian Purchaser" means Fairfax Financial Holdings Ltd. and CI Investments Inc., as trustee and manager, on behalf of certain investment funds managed by it.

"**Companies**" means collectively, Golfsmith and Golf Town.

"**Courts**" means the U.S. Court and the Canadian Court.

"**Disclosure Statement Order**" means an order of the U.S. Court in form and substance acceptable to the Supporting Noteholders, acting reasonably, that, *inter alia*, approves the disclosure statement for the Plan and authorizes balloting for the Plan.

"**Effective Date**" means the date on which the Restructuring Transaction is implemented pursuant to the Plan.

"**Final Order**" means a final order of the U.S. Court pursuant to the U.S. Code, in form and substance acceptable to the Supporting Noteholders, acting reasonably, that, *inter alia*, approves the Plan.

"**First Lien Credit Facility**" means the credit facility provided to Golfsmith and Golf Town pursuant to a credit agreement dated July 24, 2012 with the lenders party thereto and Antares Capital LP, as agent.

"**Golf Town**" means collectively, Golf Town Canada Holdings Inc. and its direct and indirect wholly-owned subsidiaries.

"**Golf Town Transaction**" means the sale of substantially all of the assets of Golf Town under an asset purchase agreement dated as of the date hereof among Golf Town and a newly incorporated entity owned by the Canadian Purchaser to be implemented in the Canadian Proceedings.

"**Governmental Entity**" means any government, regulatory authority, governmental department, agency, commission, bureau, official, minister, Crown corporation, court, board, tribunal or dispute settlement panel or other law, rule or regulation-making organization or entity: (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power.

"**Law**" or "**Laws**" means any law, statute, order, decree, consent decree, judgment, rule regulation, ordinance or other pronouncement having the effect of law whether in Canada, the United States or any other country, or any domestic or foreign state, county, province, city or other political subdivision or of any Governmental Entity.

"**Material Adverse Change**" means any event, change, circumstance or effect occurring up to and including the closing of the Restructuring Transaction that is reasonably likely to be or become, individually or in the aggregate, materially adverse to Golfsmith (taken as a whole), provided that none of the following shall constitute a Material Adverse Change: (a) any change in applicable accounting standards; (b) any change in global, national or regional political conditions (including the outbreak of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or global financial or capital markets; (c) any change resulting from the commencement of the Proceedings, the execution, announcement, performance or consummation of the Golf Town Transaction, this Support Agreement, the Plan, the Restructuring Transaction or any other agreement related to the foregoing; (d) any change in the market price or trading volume of any securities of Golfsmith (it being understood that the underlying facts giving rise to or contributing to such change may be taken into account in determining whether there has been a Material Adverse Change); or (e) the failure, in and of itself, of Golfsmith to meet any internal or public projections, forecasts or estimates of revenues or earnings (it being understood that the underlying facts giving rise to or contributing to such failure may be taken into account in determining whether there has been a Material Adverse Change); or (f) any action taken by Golfsmith in accordance with this Support Agreement, except in the cases of clause (b), to the extent that Golfsmith, taken as a whole, is disproportionately affected as compared with other participants in the industries in which Golfsmith operates.

"**Other Transaction**" means any transaction that is an alternative to the Restructuring Transaction, including, without limitation, any sale or disposition of assets of Golfsmith, including through bidding procedures in respect of a sale under Section 363 of the U.S. Code.

"**Outside Date**" means February 15, 2017, or such other date as the Company and the Supporting Noteholders may agree.

"**Person**" means an individual, a corporation, a partnership, a limited liability company, a trust, an unincorporated association, a Governmental Entity or any agency, instrumentality or political subdivision of a Governmental Entity, or any other entity or body.

"**Proceedings**" means the U.S. Proceedings and the Canadian Proceedings.

"**Second Lien Notes Indenture**" means the indenture dated as of July 24, 2014 among Golf Town Canada Inc. as Canadian issuer, Golfsmith Holdings as U.S. issuer, the guarantors party thereto, as guarantors, and BNY Trust Company of Canada and The Bank of New York Mellon, as trustee and collateral agent.

"**Second Lien Trustee**" means BNY Trust Company of Canada.

"**Transition Services Agreement**" means an agreement to be entered into among Golfsmith and its affiliates and the purchaser in the Golf Town Transaction providing for the provision of shared services by Golfsmith (or a purchaser thereof) for an agreed upon period of time and on agreed upon terms while the purchaser of the Golf Town Transaction transitions the services to the purchased Golf Town business.

"**Voting Deadline**" means the date on which votes are due in respect of the Plan, as established by the Disclosure Statement Order to be entered in the U.S. Proceedings, as the same may be amended by the order of the U.S. Court or with the consent of the Company and the Supporting Noteholders, acting reasonably.

SCHEDULE B

TERMS OF NEW SECOND LIEN NOTES

The New Second Lien Notes shall be effected under a new senior secured notes indenture (the "**New Second Lien Notes Indenture**") on customary terms for a transaction of this nature, including the following terms:

Principal Amount	US$35 million
Issuer	Restructured Golfsmith
Term	3 years from the Effective Date plus Restructured Golfsmith's option to extend maturity date on the consent of Noteholders holding in aggregate 66 2/3 % or more principal amount of all New Second Lien Notes
Interest	12.0%, with company option to cash pay or PIK interest
Sale of Company/Sale of Assets/Change of Control	105% of par
Callable	105% of par
Security	Secured by all assets of Restructured Golfsmith on a second lien basis behind the New Credit Facility and any amount required in order for Golfsmith to complete its Restructuring Transaction and emerge from the U.S. Proceedings
Mandatory Prepayment	105% of par
Other Terms	Other than as set out above, other terms and conditions to be similar to existing Second Lien Notes, having regard to a transaction of this nature

SCHEDULE C

FORM OF CONSENT AGREEMENT

This Consent Agreement is made as of the date below (the "**Consent Agreement**") by the undersigned (the "**Consenting Party**") in connection with the support agreement dated as of September 13, 2016 (the "**Support Agreement**") between Golfsmith International Holdings, Inc. and the Supporting Noteholders. Capitalized terms used herein have the meanings assigned in the Support Agreement unless otherwise defined herein.

RECITALS:

A. The Consenting Party wishes to be bound by the terms of the Support Agreement on the terms and subject to the conditions set forth in this Consent Agreement.

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Consenting Party agrees as follows:

1. The Consenting Party hereby acknowledges that the Consenting Party has received and reviewed a copy of the Support Agreement.

2. The Consenting Party hereby agrees to be fully bound as a Supporting Noteholder under the Support Agreement in respect of the Second Lien Notes that are identified on the signature page hereto, and hereby represents and warrants that the Second Lien Notes set out on the signature page hereto constitute all of the Second Lien Notes that are legally or beneficially owned by such Consenting Party or which such Consenting Party has the sole power to vote or dispose of.

3. The Consenting Party hereby represents and warrants to each of the other Parties that the representations and warranties set forth in Section 2 of the Support Agreement are true and correct with respect to such Consenting Party as if given on the date hereof.

4. Except as expressly modified hereby, the Support Agreement shall remain in full force and effect, in accordance with its terms.

5. This Consent Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to principles of conflicts of law.

6. This Consent Agreement may be executed by facsimile or other electronic means and in one or more counterparts, all of which shall be considered one and the same agreement.

[Remainder of this page intentionally left blank; next page is signature page]

DATED as of _____.

Name of Supporting Noteholder or Authorized Representative:

Per: _____

_____

Name:

_____

Title:

_____

Address:

_____

_____

Principal Amount of Second Lien Notes subject to this Support Agreement:	$●

D

THIS IS EXHIBIT "D"

TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L Murgia, Notary Public

Commissioner for Taking Affidavits

Golf Town Entities

Cash Flow Forecast

(USD, 000s)

			Week #:	2016-37	2016-38	2016-39	2016-40	2016-41	2016-42	2016-43	7 Week
			Week Ending:	9/17	9/24	10/1	10/8	10/15	10/22	10/29	Total
	Notes										
Receipts	2	A		$ 3,769	$ 2,949	$ 2,517	$ 2,302	$ 2,031	$ 1,774	$ 1,753	$ 17,095
Operating Disbursements											
Merchandise and Freight	3			(662)	(1,191)	(787)	(636)	(1,266)	(1,598)	(1,504)	(7,643)
Employee Costs	4			-	-	(893)	-	(832)	-	(832)	(2,556)
Rent and Other Operating Costs	5			(1,415)	(83)	(1,135)	(47)	(1,203)	(147)	(1,203)	(5,232)
Sales Tax	6			(443)	(1,243)	(200)	-	-	-	-	(1,887)
Capex and Maintenance	7			(5)	(5)	(5)	(6)	(6)	(6)	(6)	(40)
Total Operating Disbursements		B		$ (2,525)	$ (2,522)	$ (3,020)	$ (688)	$ (3,306)	$ (1,752)	$ (3,545)	$ (17,358)
Non-Operating Disbursements											
DIP Fees and Interest	8			(1,020)	(43)	(40)	(38)	(35)	(32)	(31)	(1,239)
Third-Party Deposits	9			(563)	-	-	-	-	-	-	(563)
Professional Fees	10			(720)	-	-	(646)	-	(625)	-	(1,992)
KEIP	11			-	-	-	-	-	-	-	-
Total Non-Operating Disbursements		C		$ (2,303)	$ (43)	$ (40)	$ (684)	$ (35)	$ (657)	$ (31)	$ (3,793)
Total Disbursements		D=B+C		$ (4,828)	$ (2,565)	$ (3,059)	$ (1,373)	$ (3,341)	$ (2,409)	$ (3,575)	$ (21,151)
Net Cash Inflows / (Outflows)		A - D		**$ (1,059)**	**$ 384**	**$ (543)**	**$ 929**	**$ (1,310)**	**$ (635)**	**$ (1,822)**	**$ (4,056)**
Book Cash											
Opening Book Cash Balance				300	-	-	-	-	-	-	300
Add: Receipts		A		3,769	2,949	2,517	2,302	2,031	1,774	1,753	17,095
Less: Pre-Petition ABL / FILO (Repayments)	12			(3,769)	(2,949)	(2,517)	(2,302)	(2,031)	(1,774)	(1,753)	(17,095)
Book Cash Available After Pre-Petition ABL / FILO Repayments				300	-	-	-	-	-	-	300
Less: Total Disbursements		D		(4,828)	(2,565)	(3,059)	(1,373)	(3,341)	(2,409)	(3,575)	(21,151)
Net DIP Borrowing Requirement				(4,528)	(2,565)	(3,059)	(1,373)	(3,341)	(2,409)	(3,575)	(20,851)
Add: DIP Borrowings / (Repayments)	13			4,528	2,565	3,059	1,373	3,341	2,409	3,575	20,851
Ending Book Cash Balance				**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

GOLF TOWN ENTITIES CASH FLOW FORECAST
NOTES AND SUMMARY OF ASSUMPTIONS

In the Matter of the CCAA Proceedings of Golf Town Canada Holdings Inc., Golf Town Canada Inc., and Golf Town GP II Inc. (collectively, the "Applicants" or "Golf Town Entities").

Disclaimer

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

Overview

The Company, with the assistance of A&M, the CRO, and the Monitor, has prepared the Cash Flow Forecast based primarily on historical results and Management's current expectations for operations during the 7-week forecast period. The Cash Flow Forecast is presented in thousands of US dollars.

Assumptions to Golf Town Entities Cash Flow Forecast:

1. The purpose of this cash flow forecast is to determine the liquidity requirements of the Golf Town Entities during the 7-week period for the weeks ending from September 17, 2016 to October 29, 2016.

2. Receipts include product sales net of credit card and processing fees, and include sales tax collections. Product sales include sales from all in-store and e-commerce sales of merchandise and gift cards, net of returns and discounts. Forecast product sales amounts are based on historical sales patterns on a weekly basis, accounting for seasonal cyclicality in the Canadian market. Sales tax collections are based on a blended average sales tax rate for all in-store sales and all e-commerce sales across Canada. Payments for sales tax are forecast to be made one month in arrears for the prior month's collections. Credit card and processing fees are forecast at 1.5% of all credit in-store sales, and 2.3% of all e-commerce sales.

3. Merchandise and Freight include payments to vendors based on forecast purchasing requirements, and amounts include sales taxes paid. Freight includes costs associated with all outbound shipping for e-commerce customers, inbound from all vendors, and other transportation related costs.

4. Employee costs include all corporate and store related payroll, benefits, employer/employee taxes, and store employee commissions (paid quarterly).

5. Rent and other operating costs includes payments to landlords, common area maintenance (CAM), sales tax, utilities, maintenance, advertising, marketing, and other operating costs.

6. Sales taxes reflects the net PST, HST, and GST amounts remitted (collected) to (from) the provinces and federal governments in lieu of prior month's activity. Payments are generally made one month in arrears for the prior month's collections.

7. Capex and maintenance is an estimate for capital spending required to maintain the stores in the normal course.

8. DIP fees and interest include all payments regarding the Golf Town Entities borrowings during the forecast period including a commitment fee, an unused commitment fee, a letter of credit fee, and an administration fee.

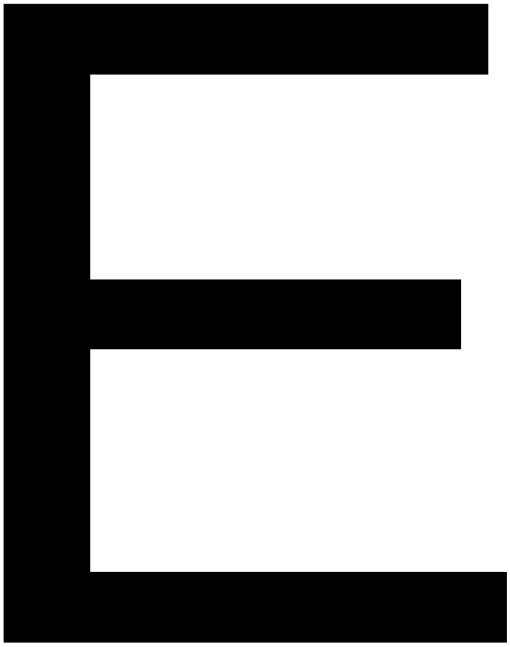
9. Third-party deposits, if required, are payable to utility providers in relation to the supply of services at the stores and corporate offices.

10. Professional fees include fees of consultants, advisors, and lawyers involved in the CCAA Proceedings.

11. KEIP payments are not expected to be paid within the forecast period.

12. Pre-petition ABL / FILO repayments represent the forecast repayment amount based on receipts in accordance with the terms of the DIP Facility. Even though receipts deposited into the GTW Bank Account are excluded from the required pre-filing ABL / FILO repayments as noted in this Report, Management has assumed for the purposes of this Cash Flow Forecast that receipts collected by the GTW Bank Account will be applied against the pre-petition ABL / FILO repayments. Alternatively and at Management's discretion, these funds could also be used to pay post-filing operating expenses of the Golf Town Entities, thereby reducing the amount of DIP borrowings.

13. DIP borrowings (repayments) are calculated based on the cash balance requirements from post-filing operating disbursements. Since all cash receipts are to be applied against the pre-petition ABL /FILO repayments, all disbursements will be funded using DIP borrowings.



THIS IS EXHIBIT "E"

TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L Murgia Notary Public

Commissioner for Taking Affidavits

MORGAN LEWIS
DRAFT 09.13.16-A
PRIVILEGED AND CONFIDENTIAL

SENIOR SECURED, SUPER-PRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT

Dated as of September [__], 2016

by and among

GOLF TOWN CANADA INC., GOLF TOWN USA, L.L.C., GOLFSMITH INTERNATIONAL HOLDINGS, INC., GOLF TOWN GP II INC., GOLF TOWN OPERATING LIMITED PARTNERSHIP, GOLF TOWN USA HOLDCO LIMITED, GOLFSMITH EUROPE, L.L.C., GOLFSMITH LICENSING, L.L.C., GOLFSMITH INCENTIVE SERVICES, LLC, GOLFSMITH 2 GP, L.L.C., GOLFSMITH INTERNATIONAL, INC., GOLFSMITH INTERNATIONAL, L.P., GOLFSMITH NU, L.L.C. AND GOLFSMITH USA, L.L.C., as Borrowers

THE OTHER PERSONS FROM TIME TO TIME PARTY HERETO AS BORROWERS,

GOLFSMITH INTERNATIONAL HOLDINGS, INC.,
as the Borrower Representative

THE OTHER PERSONS PARTY HERETO THAT ARE DESIGNATED AS CREDIT PARTIES

ANTARES CAPITAL LP
as Agent,

THE OTHER FINANCIAL INSTITUTIONS PARTY HERETO,
as Lenders,

and

ANTARES CAPITAL LP,
as Sole Lead Arranger and Bookrunner

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SENIOR SECURED, SUPER-PRIORITY
DEBTOR-IN-POSSESSION CREDIT AGREEMENT

This **SENIOR SECURED, SUPER-PRIORITY DEBTOR-IN-POSSESSION CREDIT AGREEMENT** (including all exhibits and schedules hereto, as the same may be amended, modified and/or restated from time to time, this "Agreement") is entered into as of September [__], 2016, by and among Golf Town Canada Inc., a corporation formed under the laws of Canada ("GT Canada"), Golf Town USA, L.L.C., a Delaware limited liability company ("GT USA"), Golfsmith International Holdings, Inc., a Delaware corporation ("Golfsmith"), Golf Town GP II Inc., a corporation formed under the laws of Ontario ("GT GP II"), Golf Town Operating Limited Partnership, a limited partnership formed under the laws of Ontario ("GT Partnership"), Golf Town USA Holdco Limited (formerly known as Accolade Reaction Promotion Group USA Inc.), a Delaware corporation ("GT Holdco"), Golfsmith Europe, L.L.C., a Delaware limited liability company ("GS Europe"), Golfsmith Licensing, L.L.C., a Delaware limited liability company ("GS Licensing"), Golfsmith Incentive Services, LLC, a Texas limited liability company ("GS Incentive"), Golfsmith 2 GP, L.L.C., a Delaware limited liability company ("Golfsmith 2 GP"), Golfsmith International, Inc., a Delaware corporation ("Golfsmith International"), Golfsmith International, L.P., a Delaware limited partnership ("Golfsmith LP"), Golfsmith NU, L.L.C., a Delaware limited liability company ("Golfsmith NU"), Golfsmith USA, L.L.C., a Delaware limited liability company ("Golfsmith USA" and together with GT Canada, GT USA, Golfsmith, GT GP II, GT Partnership, GT Holdco, GS Europe, GS Licensing, GS Incentive, Golfsmith 2 GP, Golfsmith International, Golfsmith LP, and Golfsmith NU, each as a debtor-in-possession or CCAA applicant or entity, as applicable, shall be referred to herein collectively as the "Borrowers" and each individually as a "Borrower"), Golfsmith, as Borrower Representative (as defined in Section 1.12 below), the other Persons party hereto that are designated as a "Credit Party", Antares Capital LP, a Delaware limited partnership (in its individual capacity, "Antares"), as the Agent for the several financial institutions from time to time party hereto (collectively, the "Lenders" and each individually, a "Lender"), Antares Holdings LP, as a Lender (including as Swingline Lender) (in its individual capacity, "Antares Finance"), and the other Lenders.

W I T N E S S E T H:

WHEREAS, on September [__], 2016, GT USA Holdco, GT USA, Golfsmith, GT Holdco, GS Europe, GS Licensing, GS Incentive, Golfsmith 2 GP, Golfsmith International, Golfsmith LP, Golfsmith NU, Golfsmith USA and GMAC (collectively, the "U.S. Debtors" and each individually, a "U.S. Debtor") commenced Chapter 11 Case Nos. [16- through 16-], as administratively consolidated at Chapter 11 Case No. [16-] (collectively, the "Chapter 11 Cases" and each individually, a "Chapter 11 Case"), with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). The U.S. Debtors continue to operate their businesses and manage their properties as debtors and debtors-in-possession pursuant to Sections 1107(a) and 1108 of the Bankruptcy Code;

WHEREAS, on September [__], 2016, GT Canada Holdco, GT Canada and GT GP II (collectively, the "Applicants") made an application pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (as amended from time to time, the "CCAA"), seeking, among other things, a Stay of Proceedings (the "CCAA Proceedings") and the extension of such

Stay of Proceedings and other benefits to GT Partnership (together with the Applicants, the "Canadian Debtors" and each a "Canadian Debtor"; the Canadian Debtors, together with the U.S. Debtors, collectively, the "Debtors"). Pursuant to the Initial Order granted by the Ontario Superior Court of Justice (Commercial List) (the "Canadian Court"), each of the Canadian Debtors shall remain in possession and control of its properties;

WHEREAS, prior to the Petition Date, the Lenders provided financing to the Borrowers pursuant to that certain Credit Agreement, dated as of July 24, 2012, among the Borrowers, the other credit parties signatory thereto, Antares (as successor in interest to General Electric Capital Corporation) as Prior Agent, the Prior Lenders and the other parties thereto (as amended, amended and restated, supplemented or otherwise modified through the Petition Date, the "Pre-Petition Credit Agreement");

WHEREAS, as of the date hereof, the Prior Lenders under the Pre-Petition Credit Agreement are owed approximately (i) $[90,715,806.76] in revolving loan principal obligations, including reimbursement obligations in the amount of $[1,573,750.00] in respect of the face amount of outstanding letters of credit denominated in Dollars (ii) Cdn$[0] in revolving loan principal obligations, including reimbursement obligations in the amount of Cdn$[0] in respect of the face amount of outstanding letters of credit denominated in Canadian Dollars, (iii) and Cdn$15,000,000 in first-in last-out term loan principal obligations, plus interest, fees, costs and expenses and all other Obligations (under and as defined in the Pre-Petition Credit Agreement);

WHEREAS, the Obligations, under and as defined in the Pre-Petition Credit Agreement, are secured by a security interest in substantially all of the existing and after-acquired assets of the Credit Parties as more fully set forth in the Pre-Petition Loan Documents and such security interest is perfected (except with respect to leases; provided, however, that such security interests were perfected as to proceeds of leases) and, with certain exceptions, as described in the Pre-Petition Loan Documents, has priority over other security interests;

WHEREAS, the Borrowers have requested, and upon the terms and conditions set forth in this Agreement, the Lenders have agreed to make available to the Borrowers, a senior secured, super-priority revolving credit facility of up to $135,000,000 in the aggregate to fund the working capital requirements of the Borrowers during the pendency of the Insolvency Cases (provided that extensions of credit thereunder shall not be used to repay the Prior Lender Obligations unless otherwise approved by the Insolvency Courts);

WHEREAS, the Borrowers and the other Credit Parties have agreed to secure all of their Obligations under the Loan Documents by granting to Agent, for the benefit of Agent and the other Secured Parties, a security interest in and lien upon all of their existing and after-acquired personal and real property;

WHEREAS, the Borrowers' and the other Credit Parties' business is a mutual and collective enterprise and the Borrowers and the other Credit Parties believe that the loans and other financial accommodations to the Borrowers under this Agreement will enhance the aggregate borrowing powers of the Borrowers and facilitate the administration of the Insolvency Cases and their loan relationship with the Agent and the Lenders, all to the mutual advantage of the Credit Parties;

WHEREAS, each Credit Party acknowledges that it will receive substantial direct and indirect benefits by reason of the making of loans and other financial accommodations to the Borrowers as provided in this Agreement;

WHEREAS, Agent's and the Lenders' willingness to extend financial accommodations to the Borrowers, and to administer the Credit Parties' collateral security therefor, on a combined basis as more fully set forth in this Agreement, is done solely as an accommodation to the Credit Parties and at the Credit Parties' request and in furtherance of the Credit Parties' mutual and collective enterprise; and

WHEREAS, all capitalized terms used in this Agreement, including in these Recitals, shall have the meanings ascribed to them in Article X, and, for purposes of this Agreement and the other Loan Documents, the rules of construction set forth in Article X shall govern. All Annexes, Schedules, Exhibits and other attachments hereto, or expressly identified to this Agreement, are incorporated by reference, and taken together with this Agreement, shall constitute a single agreement. These Recitals shall be construed as part of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, the parties hereto agree as follows:

ARTICLE I. - THE CREDITS

1.1 Amounts and Terms of Commitments.

(a) The Revolving Credit.

(i) Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Credit Parties contained herein, each Revolving Lender severally and not jointly agrees to make Loans to the Borrowers in Dollars or Canadian Dollars (each such Loan, a "Revolving Loan") from time to time on any Business Day during the period from the Closing Date through the date immediately prior to the Revolving Termination Date, in an aggregate amount not to exceed at any time outstanding the amount (or, in the case of Loans made in Canadian Dollars, the U.S. Dollar Equivalent of such amount subject to the proviso to this sentence) set forth opposite such Lender's name in Schedule 1.1(a) under the heading "Revolving Loan Commitment" (such amount as the same may be reduced from time to time pursuant to Section 1.7(c) or as a result of one or more assignments pursuant to Section 8.9, being referred to herein as such Lender's "Revolving Loan Commitment"); provided, however, that after giving effect to any Borrowing of Revolving Loans, (x) (A) except as may be permitted by Agent pursuant to Section 1.1(a)(ii) or (iii) below, Excess Availability shall not be less than zero and (B) the Revolving Exposure of any Lender shall not exceed such Lender's Revolving Loan Commitment and (y) (A) except as may be permitted by Agent pursuant to Sections 1.1(a)(ii) or (iii) below, in the case of a Borrowing of Revolving Loans to be made in Canadian Dollars, Excess Canadian Availability shall not be less than zero and (B) the Canadian Dollar Revolving Exposure of any Lender shall not exceed the Canadian Dollar Equivalent of such Lender's Revolving Loan Commitment multiplied by the Canadian Dollar Revolving Sublimit

Percentage. Subject to the other terms and conditions hereof, amounts borrowed under this Section 1.1(a) may be repaid and reborrowed from time to time.

(ii) If the Borrower Representative requests that Revolving Lenders make, or permit to remain outstanding, Revolving Loans that when aggregated with all Revolving Loans, Letter of Credit Obligations, Swing Loans and the U.S. Dollar Equivalent of the aggregate amount of Prior Lender Obligations outstanding at such time, would be in excess of the Revolving Credit Borrowing Base (any such excess Revolving Loan is herein referred to as an "Overadvance"), Agent may, in its sole discretion, elect to make, or permit to remain outstanding such Overadvance; provided, however, that Agent may not cause Revolving Lenders to make, or permit to remain outstanding, (A) the U.S. Dollar Equivalent of the aggregate Revolving Loans in excess of the Aggregate Revolving Loan Commitment, minus the sum of (I) the U.S. Dollar Equivalent of the outstanding Swing Loans, (II) the U.S. Dollar Equivalent of the aggregate amount of Letter of Credit Obligations and (III) the U.S. Dollar Equivalent of the aggregate amount of Prior Lender Obligations outstanding at such time or (B) the U.S. Dollar Equivalent of an Overadvance in an aggregate amount in excess of 10% of the Aggregate Revolving Loan Commitment. If an Overadvance is made, or permitted to remain outstanding, pursuant to the preceding sentence, then all Revolving Lenders shall be bound to make, or permit to remain outstanding, such Overadvance based upon their Revolving Loan Commitment Percentage of the Aggregate Revolving Loan Commitment in accordance with the terms of this Agreement, regardless of whether the conditions to lending set forth in Section 2.2 have been met. Furthermore, Required Lenders may prospectively revoke Agent's ability to make or permit Overadvances by written notice to Agent.

(iii) Agent shall be authorized, in its reasonable credit judgment, at any time, whether or not a Default or Event of Default exists or any conditions in Section 2.2 are not satisfied, without regard to the amount of Excess Availability, to make Revolving Loans ("Protective Advances") if Agent, in its reasonable credit judgment, deems such Protective Advances necessary or desirable to preserve or protect any Collateral or the Credit Parties' business operations, or to enhance the collectability or repayment of the Obligations; provided, however, that Agent may not cause Revolving Lenders to make, or permit to remain outstanding, the U.S. Dollar Equivalent of the aggregate Revolving Loans in excess of the Aggregate Revolving Loan Commitment, minus the sum of (A) the U.S. Dollar Equivalent of the outstanding Swing Loans, (B) the U.S. Dollar Equivalent of the aggregate amount of Letter of Credit Obligations and (C) the U.S. Dollar Equivalent of the aggregate amount of Prior Lender Obligations outstanding at such time. If a Protective Advance is made pursuant to the preceding sentence, then all Revolving Lenders shall be bound to make such Protective Advance based upon their Revolving Loan Commitment Percentage of the Aggregate Revolving Loan Commitment in accordance with the terms of this Agreement, regardless of whether the conditions to lending set forth in Section 2.2 have been met.

(iv) All Overadvances and Protective Advances shall constitute Canadian Prime Rate Loans (if such Overadvances or Protective Advances are denominated in Canadian Dollars) or Base Rate Loans (if such Overadvances or Protective Advances are denominated in Dollars) and shall bear interest at the Canadian

Prime Rate (if such Overadvances or Protective Advances are Canadian Prime Rate Loans) or the Base Rate (if such Overadvances or Protective Advances are Base Rate Loans) plus the Applicable Margin for Revolving Loans at the default rate under Section 1.3(c). All Protective Advances and Overadvances shall be Obligations secured by the Collateral and the OMERS LC and shall be payable by the Borrowers on demand by Agent. Any funding of Overadvances or Protective Advances shall not constitute a waiver by Agent or the Lenders of any Default or Event of Default caused thereby. In no event shall the Borrowers or any other Credit Party be deemed a beneficiary of Sections 1.1(a)(ii) or (iii) nor authorized to enforce any of its terms. **NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THE BORROWERS SHALL UNDER ALL CIRCUMSTANCES REMAIN JOINTLY AND SEVERALLY LIABLE FOR ALL OVERADVANCES, PROTECTIVE ADVANCES AND ANY OTHER EXTENSIONS OF CREDIT MADE IN EXCESS OF THE REVOLVING CREDIT BORROWING BASE OR OTHER LIMITATIONS IMPOSED BY THE LOAN DOCUMENTS, THE APPLICABLE ORDER, AND ALL SUCH OVERADVANCES, PROTECTIVE ADVANCES AND ANY OTHER EXTENSIONS OF CREDIT SHALL CONSTITUTE PART OF THE OBLIGATIONS.**

(b) [Intentionally Omitted].

(c) Letters of Credit. (i) Commitment and Conditions. On the terms and subject to the conditions contained herein, each L/C Issuer agrees to Issue, at the request of the Borrower Representative, in accordance with such L/C Issuer's usual and customary business practices, and for the account of the Borrowers (or, as long as the Borrowers remain responsible for the payment in full of all amounts drawn thereunder and related fees, costs and expenses, for the account of any Credit Party other than the Holding Companies), Letters of Credit (denominated in Dollars or Canadian Dollars) from time to time on any Business Day during the period from the Closing Date through the earlier of the Revolving Termination Date and seven (7) days prior to the date specified in clause (a) of the definition of Revolving Termination Date; provided, however, that such L/C Issuer shall not be under any obligation to Issue any Letter of Credit upon the occurrence of any of the following, or, if after giving effect to such Issuance:

(A) (i) Excess Availability would be less than zero, (ii) in the case of an Issuance of any Letter of Credit denominated in Canadian Dollars, Excess Canadian Availability would be less than zero, (iii) the Letter of Credit Obligations for all Letters of Credit denominated in Dollars would exceed $10,000,000 (the "U.S. L/C Sublimit") or (iv) the U.S. Dollar Equivalent of Letter of Credit Obligations for all Letters of Credit denominated in Canadian Dollars would exceed $10,000,000 (the "Canadian L/C Sublimit" and together with the U.S. L/C Sublimit, the "L/C Sublimit");

(B) the expiration date of such Letter of Credit is (i) not a Business Day, (ii) more than one year after the date of Issuance thereof or (iii) later than seven (7) days prior to the date specified in clause (a) of the definition of Revolving Termination Date; provided, however, that any Letter of Credit with a term not exceeding one year may provide for its renewal for additional periods not exceeding one year as long as (x) each applicable Borrower and, upon at least ten (10) days' notice, such L/C Issuer have

the option to prevent such renewal before the expiration of such term or any such period and (y) neither such L/C Issuer nor any Borrower shall permit any such renewal to extend such expiration date beyond the date set forth in clause (iii) above; or

(C) (i) any fee due in connection with, and on or prior to, such Issuance has not been paid, (ii) such Letter of Credit is requested to be Issued in a form that is not reasonably acceptable to such L/C Issuer or (iii) such L/C Issuer shall not have received, each in form and substance reasonably acceptable to it and duly executed by the Borrowers or the Borrower Representative on their behalf (and, if such Letter of Credit is issued for the account of any Credit Party (other than the Holding Companies), such Person), the documents that such L/C Issuer customarily uses in the ordinary course of its business for the Issuance of letters of credit of the type of such Letter of Credit (collectively, the "L/C Reimbursement Agreement").

For each such Issuance, the applicable L/C Issuer may, but shall not be required to, determine that, or take notice whether, the conditions precedent set forth in Section 2.2 have been satisfied or waived in connection with the Issuance of any Letter of Credit; provided, however, that no Letter of Credit shall be Issued during the period starting on the first Business Day after the receipt by such L/C Issuer of notice from Agent or the Required Lenders that any condition precedent contained in Section 2.2 is not satisfied and ending on the date all such conditions are satisfied or duly waived.

Notwithstanding anything else to the contrary herein, if any Lender is a Non-Funding Lender or Impacted Lender, no L/C Issuer shall be obligated to Issue any Letter of Credit unless (w) the Non-Funding Lender or Impacted Lender has been replaced in accordance with Section 8.9 or 8.22, (x) the Letter of Credit Obligations of such Non-Funding Lender or Impacted Lender have been cash collateralized, (y) the Revolving Loan Commitments of the other Lenders have been increased by an amount sufficient to satisfy Agent that all future Letter of Credit Obligations will be covered by all Revolving Lenders that are not Non-Funding Lenders or Impacted Lenders, or (z) the Letter of Credit Obligations of such Non-Funding Lender or Impacted Lender have been reallocated to other Revolving Lenders in a manner consistent with Section 1.11(e)(ii).

(ii) Notice of Issuance. The Borrower Representative shall give the relevant L/C Issuer and Agent a notice of any requested Issuance of any Letter of Credit, which shall be effective only if received by such L/C Issuer and Agent not later than 2:00 p.m. on the third Business Day prior to the date of such requested Issuance. Such notice shall be made in a writing or Electronic Transmission substantially in the form of Exhibit 1.1(c) duly completed or in a writing in any other form acceptable to such L/C Issuer (an "L/C Request").

(iii) Reporting Obligations of L/C Issuers. Each L/C Issuer agrees to provide Agent, each in form and substance satisfactory to Agent, each of the following on the following dates: (A) (i) on or prior to any Issuance of any Letter of Credit by such L/C Issuer, (ii) immediately after any drawing under any such Letter of Credit or any cancellation, extension or renewal thereof or (iii) immediately after any payment (or failure to pay when due) by the Borrowers of any related L/C Reimbursement Obligation, notice thereof, which shall contain a reasonably detailed description of such Issuance,

drawing or payment; (B) upon the request of Agent (or any Revolving Lender through Agent), copies of any Letter of Credit Issued by such L/C Issuer and any related L/C Reimbursement Agreement and such other documents and information as may reasonably be requested by Agent; and (C) on the first Business Day of each calendar week, a schedule of the Letters of Credit Issued by such L/C Issuer, in form and substance reasonably satisfactory to Agent, setting forth the Letter of Credit Obligations for such Letters of Credit outstanding on the last Business Day of the previous calendar week.

(iv) Acquisition of Participations. Upon any Issuance of a Letter of Credit in accordance with the terms of this Agreement resulting in any increase in the Letter of Credit Obligations, each Revolving Lender shall be deemed to have acquired, without recourse or warranty, an undivided interest and participation in such Letter of Credit and the related Letter of Credit Obligations in an amount equal to its Revolving Loan Commitment Percentage of such Letter of Credit Obligations.

(v) Reimbursement Obligations of the Borrowers. The Borrowers agree to pay to the L/C Issuer of any Letter of Credit each L/C Reimbursement Obligation owing with respect to such Letter of Credit (in Dollars in the case of Letters of Credit denominated in Dollars and in Canadian Dollars in the case of Letters of Credit denominated in Canadian Dollars) no later than the first Business Day after the Borrowers or the Borrower Representative receive notice from such L/C Issuer that payment has been made under such Letter of Credit or that such L/C Reimbursement Obligation is otherwise due (the "L/C Reimbursement Date") with interest thereon computed as set forth in clause (A) below. In the event that any L/C Issuer incurs any L/C Reimbursement Obligation which is not repaid by the Borrowers as provided in this clause (v) (or any such payment by the Borrowers is rescinded or set aside for any reason), such L/C Issuer shall promptly notify Agent of such failure (and, upon receipt of such notice, Agent shall forward a copy to each Revolving Lender) and, irrespective of whether such notice to each Revolving Lender is given, such L/C Reimbursement Obligation shall be payable on demand by the Borrowers with interest thereon computed (A) from the date on which such L/C Reimbursement Obligation arose to the L/C Reimbursement Date, at the interest rate applicable during such period to Revolving Loans that are Canadian Prime Rate Loans (if such L/C Reimbursement Obligations are denominated in Canadian Dollars) or Base Rate Loans (if such L/C Reimbursement Obligations are denominated in Dollars) and (B) thereafter until payment in full, at the interest rate applicable during such period to past due Revolving Loans that are Canadian Prime Rate Loans (if such L/C Reimbursement Obligations are denominated in Canadian Dollars) or Base Rate Loans (if such L/C such Reimbursement Obligations are denominated in Dollars).

(vi) Reimbursement Obligations of the Revolving Lenders. Upon receipt of the notice described in clause (v) above from Agent, each Revolving Lender shall pay, in the currency in which such Letter of Credit was issued, to Agent for the account of such L/C Issuer its Revolving Loan Commitment Percentage of such L/C Reimbursement Obligation. By making such payment, such Lender shall be deemed to have made a Revolving Loan in Dollars, if such Letter of Credit was issued in Dollars, or in Canadian Dollars, if such Letter of Credit was issued in Canadian Dollars to the

Borrowers, which, upon receipt thereof by such L/C Issuer, the Borrowers shall be deemed to have used in whole to repay such L/C Reimbursement Obligation. Any such payment that is not deemed a Revolving Loan shall be deemed a funding by such Lender of its participation in the applicable Letter of Credit and the Letter of Credit Obligation in respect of the related L/C Reimbursement Obligations. Such participation shall not otherwise be required to be funded. Following receipt by any L/C Issuer of any payment from any Lender pursuant to this clause (vi) with respect to any portion of any L/C Reimbursement Obligation, such L/C Issuer shall promptly pay over to such Lender, such Lender's Revolving Loan Commitment Percentage of all payments received by such L/C Issuer from the Credit Parties on account of such L/C Reimbursement Obligations.

(vii) Obligations Absolute. The obligations of the Borrowers and the Revolving Lenders pursuant to clauses (iv), (v) and (vi) above shall be absolute, unconditional and irrevocable and performed strictly in accordance with the terms of this Agreement irrespective of (A) (i) the invalidity or unenforceability of any term or provision in any Letter of Credit, any document transferring or purporting to transfer a Letter of Credit, any Loan Document (including the sufficiency of any such instrument), or any modification to any provision of any of the foregoing, (ii) any document presented under a Letter of Credit being forged, fraudulent, invalid, insufficient or inaccurate in any respect or, so long as the L/C Issuer has not acted with gross negligence or willful misconduct with respect to such Letter of Credit, failing to comply with the terms of such Letter of Credit or (iii) any loss or delay, including in the transmission of any document, (B) the existence of any setoff, claim, abatement, recoupment, defense or other right that any Person (including any Credit Party) may have against the beneficiary of any Letter of Credit or any other Person, whether in connection with any Loan Document or any other Contractual Obligation or transaction, or the existence of any other withholding, abatement or reduction, (C) in the case of the obligations of any Revolving Lender, (i) the failure of any condition precedent set forth in Section 2.2 to be satisfied (each of which conditions precedent the Revolving Lenders hereby irrevocably waive) or (ii) any adverse change in the condition (financial or otherwise) of any Credit Party and (D) so long as the L/C Issuer has not acted with gross negligence or willful misconduct with respect to such Letter of Credit, any other act or omission to act or delay of any kind of Agent, any Lender or any other Person or any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section 1.1(c)(vii), constitute a legal or equitable discharge of any obligation of the Borrowers or any Revolving Lender hereunder.

(viii) Applicable Rules. Unless otherwise expressly agreed by the L/C Issuer and the Borrowers when a Letter of Credit is issued, (A) the rules of the ISP shall apply to each standby Letter of Credit, and (B) the rules of the UCP shall apply to each documentary Letter of Credit. Notwithstanding the foregoing, the L/C Issuer shall not be responsible to the Borrowers for, and the L/C Issuer's rights and remedies against the Borrowers shall not be impaired by, any action or inaction of the L/C Issuer required or permitted under any law, order, or practice that is required or permitted to be applied to any Letter of Credit or this Agreement, including any Requirement of Law of a jurisdiction where the L/C Issuer or the beneficiary is located, the practice stated in the ISP or UCP, as applicable, or in the decisions, opinions, practice statements, or official

commentary of the ICC Banking Commission, the Bankers Association for Finance and Trade – International Financial Services Association (BAFT-IFSA), or the Institute of International Banking Law & Practice, whether or not any Letter of Credit chooses such law or practice.

(ix) Existing Letters of Credit. On and as of the Closing Date, all letters of credit issued for the account of the Borrowers under the Pre-Petition Credit Agreement (the "Existing Letters of Credit") shall continue in place as letters of credit under the Pre-Petition Credit Agreement; provided that, within five (5) Business Days of the Closing Date, all such Existing Letters of Credit shall be cash collateralized in an amount equal to one hundred five percent (105%) of the amount thereof. All such cash collateral shall be held in an account with the Agent, in the name of the Agent and for the benefit of the Revolving Lenders (the "Existing LC Collateral Account"). For greater certainty, the Existing of Letters of Credit shall not be secured by the charge granted to the Agent in the Initial Order.

(d) Swing Loans. (i) Availability. Subject to the terms and conditions of this Agreement and in reliance upon the representations and warranties of the Credit Parties contained herein, the Swingline Lender may, in its sole discretion, make Loans in Dollars or Canadian Dollars (each a "Swing Loan") available to the Borrowers under the Revolving Loan Commitments from time to time on any Business Day during the period from the Closing Date through the date immediately prior to the Revolving Termination Date; provided that (i) the U.S. Dollar Equivalent of the aggregate principal amount at any time outstanding of Swing Loans shall not exceed its Swingline Commitment and (ii) the Swingline Lender may not make any Swing Loan (x) to the extent that after giving effect to such Swing Loan, (A) Excess Availability would be less than zero or, in the case of a Borrowing of Swing Loans to be made in Canadian Dollars, Excess Canadian Availability would be less than zero, in each case, other than as may be permitted by Agent pursuant to Sections 1.1(a)(ii) or (iii), either (B) the aggregate principal amount of Swing Loans denominated in Dollars would exceed $5,000,000 (the "U.S. Swingline Sublimit") or (C) the U.S. Dollar Equivalent of the aggregate principal amount of Swing Loans denominated in Canadian Dollars would exceed $5,000,000 (the "Canadian Swingline Sublimit") and (y) during the period commencing on the first Business Day after it receives notice from Agent or the Required Lenders that one or more of the conditions precedent contained in Section 2.2 are not satisfied and ending when such conditions are satisfied or duly waived. In connection with the making of any Swing Loan, the Swingline Lender may but shall not be required to determine that, or take notice whether, the conditions precedent set forth in Section 2.2 have been satisfied or waived. Each Swing Loan shall be a Canadian Prime Rate Loan (if such Swing Loan is denominated in Canadian Dollars) or a Base Rate Loan (if such Swing Loan is denominated in Dollars) and must be repaid in full on the earliest of (x) the funding date of any Borrowing of Revolving Loans and (y) the Revolving Termination Date. Within the limits set forth in the first sentence of this clause (i), amounts of Swing Loans repaid may be reborrowed under this clause (i).

(ii) Borrowing Procedures. In order to request a Swing Loan, the Borrower Representative shall give to Agent a notice to be received not later than 2:00 p.m. on the day of the proposed Borrowing, which shall be made in a writing or Electronic Transmission in the form of Exhibit 1.1(d) duly completed (a "Swingline

Request"). In addition, if any Notice of Borrowing of Revolving Loans requests a Borrowing of Canadian Prime Rate Loans or Base Rate Loans (other than a Borrowing to refinance outstanding Swing Loans), the Swingline Lender may, notwithstanding anything else to the contrary herein, make a Swing Loan available to the Borrowers in an aggregate amount not to exceed such proposed Borrowing, and the aggregate amount of the corresponding proposed Borrowing shall be reduced accordingly by the principal amount of such Swing Loan. Agent shall promptly notify the Swingline Lender of the details of the requested Swing Loan. Upon receipt of such notice and subject to the terms of this Agreement, the Swingline Lender may make a Swing Loan available to the Borrowers by making the proceeds thereof available to Agent and, in turn, Agent shall make such proceeds available to the Borrowers on the date set forth in the relevant Swingline Request or Notice of Borrowing.

(iii) Refinancing Swing Loans. The Swingline Lender or, subject to Section 1.5(a), the Borrower Representative may at any time, and the Swingline Lender, shall no less frequently than once each week, forward a demand to Agent (which Agent shall, upon receipt, forward to each Revolving Lender) that each Revolving Lender pay to Agent, for the account of the Swingline Lender, such Revolving Lender's Revolving Loan Commitment Percentage of the outstanding Swing Loans in the applicable currency. Each Revolving Lender shall pay such amount equal to its Revolving Loan Commitment Percentage of the outstanding Swing Loans to Agent in the applicable currency for the account of the Swingline Lender if (A) the notice or demand therefor was received by such Lender prior to 11:00 a.m. on any Business Day, on such Business Day and (B) otherwise, on the Business Day following such receipt. Payments received by Agent after 1:00 p.m. shall be deemed to be received on the next Business Day. Upon receipt by Agent of such payment, such Revolving Lender shall be deemed to have made a Revolving Loan to the Borrowers, which, upon receipt of such payment by the Swingline Lender from Agent, the Borrowers shall be deemed to have used in whole to refinance such Swing Loan. In addition, regardless of whether any such demand is made, each Revolving Lender shall be deemed to have acquired, without recourse or warranty, an undivided interest and participation in each Swing Loan in an amount equal to such Revolving Lender's Revolving Loan Commitment Percentage of such Swing Loan in the applicable currency. If any payment made by any Revolving Lender as a result of any such demand is not deemed a Revolving Loan, such payment shall be deemed a funding by such Lender of such participation. Such participation shall not be otherwise required to be funded. Upon receipt by the Swingline Lender of any payment from any Revolving Lender pursuant to this clause (iii) with respect to any portion of any Swing Loan, the Swingline Lender shall promptly pay over to such Revolving Lender all payments of principal (to the extent received after such payment by such Lender) and interest (to the extent accrued with respect to periods after such payment) received by the Swingline Lender with respect to such portion.

(iv) Obligation to Fund Absolute. Each Revolving Lender's obligations pursuant to clause (iii) above shall be absolute, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever, including (A) the existence of any setoff, claim, abatement, recoupment, defense or other right that such Lender, any Affiliate thereof or

any other Person may have against the Swingline Lender, Agent, any other Lender or L/C Issuer or any other Person, (B) the failure of any condition precedent set forth in Section 2.2 to be satisfied or the failure of the Borrower Representative to deliver a Notice of Borrowing (each of which requirements the Revolving Lenders hereby irrevocably waive) and (C) any adverse change in the condition (financial or otherwise) of any Credit Party.

1.2 Notes.

(a) The Revolving Loans made by each Revolving Lender shall be evidenced by this Agreement and, if requested by such Lender, a Revolving Note payable to such Lender in an amount equal to such Revolving Lender's Revolving Loan Commitment.

(b) Swing Loans made by the Swingline Lender shall be evidenced by this Agreement and, if requested by such Swingline Lender, a Swingline Note in an amount equal to the Swingline Commitment.

1.3 Interest.

(a) Subject to Section 1.3(c) and Section 1.3(d), each Loan shall bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to the LIBOR, the Base Rate, the Canadian Prime Rate or the BA Rate, as the case may be, plus the Applicable Margin; provided that (i) Swing Loans may not be LIBOR Loans or BA Rate Loans, (ii) only Loans denominated in Canadian Dollars may be BA Rate Loans or Canadian Prime Rate Loans and (iii) only Loans denominated in Dollars may be LIBOR Loans or Base Rate Loans. Each determination of an interest rate by Agent shall be conclusive and binding on each Borrower and the Lenders in the absence of manifest error. All computations of fees and interest calculated by reference to LIBOR payable under this Agreement shall be made on the basis of a 360-day year and actual days elapsed. All computations of interest calculated by reference to the Base Rate, Canadian Prime Rate or the BA Rate shall be made on the basis of a 365/366 day year and actual days elapsed. Interest and fees shall accrue during each period during which interest or such fees are computed from the first day thereof to the last day thereof.

(b) Interest on each Loan shall be paid in arrears on each Interest Payment Date. Interest shall also be paid on the date of any payment or prepayment of Loans in full and on the Revolving Termination Date.

(c) At the election of Agent or the Required Lenders while any Event of Default exists (or automatically as described in Section 1.1(a)(iv), when any Overadvance or Protective Advance exists) and without further notice, motion or application to, hearing before, or order from, any Insolvency Court, the Borrowers shall, subject to the *Interest Act* (Canada) in the case of Loans denominated in Canadian Dollars, pay interest (after as well as before entry of judgment thereon to the extent permitted by law) on the Obligations from and after the date of occurrence of such Event of Default, at a rate per annum which is determined by adding two percent (2.00%) to the Applicable Margin then in effect for such Obligations (plus the LIBOR, Base Rate, BA Rate or Canadian Prime Rate, as the case may be) or, in the case of Obligations not subject to an Applicable Margin, at a rate per annum equal to the rate per annum applicable

to Revolving Loans which are Canadian Prime Rate Loans (including the Applicable Margin with respect thereto) if such Obligations are denominated in Canadian Dollars or if such Obligations are denominated in another currency (including Dollars), at a rate per annum equal to the rate per annum applicable to Base Rate Loans (including the Applicable Margin with respect thereto), in each case, plus two percent (2.00%). All such interest shall be payable on demand of Agent or the Required Lenders.

(d) Anything herein to the contrary notwithstanding, the obligations of the Borrowers hereunder shall be subject to the limitation that payments of interest shall not be required, for any period for which interest is computed hereunder, to the extent (but only to the extent) that contracting for or receiving such payment by the respective Lender would be contrary to the provisions of any law applicable to such Lender limiting the highest rate of interest which may be lawfully contracted for, charged or received by such Lender, and in such event the Borrowers shall pay such Lender interest at the highest rate permitted by applicable law ("Maximum Lawful Rate"); provided, however, that if at any time thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrowers shall, to the extent permitted by applicable law, continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Agent, on behalf of Lenders, is equal to the total interest that would have been received had the interest payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Closing Date as otherwise provided in this Agreement. In determining whether the interest contracted for, charged or received by Agent or any Lender exceeds the Maximum Lawful Rate, such Agent or such Lender may, to the extent permitted by applicable law, (i) characterize any payment that is not principal as an expense, fee or premium rather than interest, (ii) exclude voluntary prepayments and the effect thereof and (iii) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations hereunder.

(e) For purposes of disclosure pursuant to the *Interest Act* (Canada), the annual rates of interest or fees to which the rates of interest or fees provided in this Agreement and the other Loan Documents (and stated herein or therein, as applicable, to be computed on the basis of a 360 day year or any other period of time less than a calendar year) are equivalent are the rates so determined multiplied by the actual number of days in the applicable calendar year and divided by 360 or such other period of time, respectively.

1.4 Loan Accounts.

(a) Agent, on behalf of the Lenders, shall record on its books and records the amount of each Loan made, the interest rate applicable, all payments of principal and interest thereon and the principal balance thereof from time to time outstanding (the "Loan Account"). The Agent shall deliver to the Borrower Representative on a monthly basis a loan statement setting forth such record for the immediately preceding month. Unless the Borrower Representative notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, such record shall, absent manifest error, be conclusive evidence of the amount of the Loans made by the Lenders to the Borrowers and the interest and payments thereon. Any failure to so record or any error in doing so, or any failure to deliver such loan statement shall not, however, limit or

otherwise affect the obligation of the Borrowers hereunder (and under any Note) to pay any amount owing with respect to the Loans or provide the basis for any claim against Agent.

(b) Agent, acting as a non-fiduciary agent of the Borrowers solely for tax purposes and solely with respect to the actions described in this Section 1.4(b), shall establish and maintain at its address referred to in Section 8.2 (or at such other address as Agent may notify the Borrower Representative) (A) a record of ownership (the "Register") in which Agent agrees to register by book entry the interests (including any rights to receive payment hereunder) of Agent, each Lender and each L/C Issuer in the Revolving Loans, Swing Loans, L/C Reimbursement Obligations and Letter of Credit Obligations, each of their obligations under this Agreement to participate in each Loan, Letter of Credit, Letter of Credit Obligations and L/C Reimbursement Obligations, and any assignment of any such interest, obligation or right and (B) accounts in the Register in accordance with its usual practice in which it shall record (1) the names and addresses of the Lenders and the L/C Issuers (and each change thereto pursuant to Sections 8.9 and 8.22), (2) the Revolving Loan Commitments of each Lender, (3) the amount of each Loan and each funding of any participation described in clause (A) above, for LIBOR Loans, the Interest Period applicable thereto and for BA Rate Loans, the BA Period applicable thereto, (4) the amount of any principal or interest due and payable or paid, (5) the amount of the L/C Reimbursement Obligations due and payable or paid in respect of Letters of Credit and (6) any other payment received by Agent from a Borrower and its application to the Obligations.

(c) Notwithstanding anything to the contrary contained in this Agreement, the Loans (including any Notes evidencing such Loans and, in the case of Revolving Loans, the corresponding obligations to participate in Letter of Credit Obligations and Swing Loans) and the L/C Reimbursement Obligations are registered obligations, the right, title and interest of the Lenders and the L/C Issuers and their assignees in and to such Loans or L/C Reimbursement Obligations, as the case may be, shall be transferable only upon notation of such transfer in the Register and no assignment thereof shall be effective until recorded therein. This Section 1.4 and Section 8.9 shall be construed so that the Loans and L/C Reimbursement Obligations are at all times maintained in "registered form" within the meaning of Sections 163(f), 871(h)(2) and 881(c)(2) of the Code.

(d) The Credit Parties, Agent, the Lenders and the L/C Issuers shall treat each Person whose name is recorded in the Register as a Lender or L/C Issuer, as applicable, for all purposes of this Agreement. Information contained in the Register with respect to any Lender or any L/C Issuer shall be available for access by the Borrowers, the Borrower Representative, Agent, such Lender or such L/C Issuer at any reasonable time and from time to time upon reasonable prior notice. No Lender or L/C Issuer shall, in such capacity, have access to or be otherwise permitted to review any information in the Register other than information with respect to such Lender or L/C Issuer unless otherwise agreed by Agent.

1.5 Procedure for Revolving Credit Borrowing.

(a) Each Borrowing of a Revolving Loan shall be made upon the Borrower Representative's irrevocable (subject to Section 9.5 hereof) written notice delivered to Agent in the form of a Notice of Borrowing, which notice must be received by Agent prior to 12:00 p.m. (i) on the requested Borrowing date in the case of each (x) Base Rate Loan equal to or less than

$10,000,000 and (y) Canadian Prime Rate Loan equal to or less than Cdn$10,000,000, (ii) on the date which is one (1) Business Day prior to the requested Borrowing date of each (x) Base Rate Loan in excess of $10,000,000 and (y) Canadian Prime Rate Loan in excess of Cdn$10,000,000 and (iii) on the day which is three (3) Business Days prior to the requested Borrowing date in the case of each LIBOR Loan and each BA Rate Loan. Such Notice of Borrowing shall specify:

(i) the amount of the Borrowing (which shall be in an aggregate minimum principal amount of (x) $100,000 and multiples of $50,000 in excess thereof in the case of Revolving Loans denominated in Dollars and (y) $Cdn100,000 and multiples of Cdn$50,000 in excess thereof in the case of Revolving Loans denominated in Canadian Dollars);

(ii) the requested Borrowing date, which shall be a Business Day;

(iii) whether the Borrowing is to be comprised of Dollar denominated Revolving Loans or Canadian Dollar denominated Revolving Loans;

(iv) whether the Borrowing is to be comprised of (i) LIBOR Loans or Base Rate Loans in the case of Revolving Loans denominated in Dollars or (ii) BA Rate Loans or Canadian Prime Rate Loans in the case of Loans denominated in Canadian Dollars;

(v) if the Borrowing is to be LIBOR Loans, the Interest Period applicable to such Revolving Loans; and

(vi) if the Borrowing is to be BA Rate Loans, the BA Period applicable to such Revolving Loans.

(b) Upon receipt of a Notice of Borrowing, Agent will promptly notify each Revolving Lender of such Notice of Borrowing and of the amount of such Revolving Lender's Revolving Loan Commitment Percentage of the Borrowing.

(c) Unless Agent is otherwise directed in writing by the Borrower Representative, the proceeds of each requested Borrowing after the Closing Date will be made available to the Borrowers by Agent by wire transfer of such amount to the Borrowers pursuant to the wire transfer instructions provided to Agent in writing on the Closing Date.

1.6 Conversion and Continuation Elections.

(a) Borrowers shall have the option to (i) on and following the Closing Date, request that any Revolving Loan be made as a LIBOR Loan, (ii) on and following the Closing Date, convert all or any part of outstanding Loans (other than Swing Loans) denominated in Dollars from Base Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to a Base Rate Loan, subject to Section 9.4 if such conversion is made prior to the expiration of the Interest Period applicable thereto, or (iv) continue all or any portion of any LIBOR Loan upon the expiration of the applicable Interest Period. Any Loan or group of Loans having the same proposed Interest Period to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of $100,000 and integral multiples of $50,000 in excess of such amount.

Any such election must be made by the Borrower Representative by 12:00 p.m. on the third Business Day prior to (1) the date of any proposed Revolving Loan which is to bear interest at LIBOR, (2) the end of each Interest Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrowers wish to convert any Base Rate Loan to a LIBOR Loan for an Interest Period designated by the Borrower Representative in such election. If no election is received with respect to a LIBOR Loan by 12:00 p.m. on the third Business Day prior to the end of the Interest Period with respect thereto, that LIBOR Loan shall be converted to a Base Rate Loan at the end of its Interest Period. Borrower Representative must make such election by notice to Agent in writing, by fax, overnight courier or by Electronic Transmission. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of Conversion/Continuation") in the form of Exhibit 1.6. No Loan shall be made, converted into or continued as a LIBOR Loan, if any Overadvance exists or if an Event of Default has occurred and is continuing and Agent or Required Lenders have determined not to make, convert or continue (as the case may be) any Loan as a LIBOR Loan as a result thereof.

(b) The Borrowers shall have the option to (i) request that any Revolving Loan be made as a BA Rate Loan (subject to the terms and conditions of Section 1.1(a)(i), (ii) convert all or any part of outstanding Loans (other than Swing Loans) denominated in Canadian Dollars from Canadian Prime Rate Loans to BA Rate Loans, (iii) convert any BA Rate Loan to a Canadian Prime Rate Loan, subject to Section 9.4 if such conversion is made prior to the expiration of the BA Period applicable thereto, or (iv) continue all or any portion of any BA Rate Loan upon the expiration of the applicable BA Period. Any Loan or group of Loans having the same proposed BA Period to be made or continued as, or converted into, a BA Rate Loan must be in a minimum amount of Cdn$100,000 and integral multiples of Cdn$50,000. Any such election must be made by Borrower Representative by 12:00 p.m. on the third Business Day prior to (1) the date of any proposed Revolving Loan which is to bear interest at the BA Rate, (2) the end of each BA Period with respect to any BA Rate Loans to be continued as such, or (3) the date on which the Borrowers wish to convert any Canadian Prime Rate Loan to a BA Rate Loan for a BA Period designated by the Borrower Representative in such election. If no election is received with respect to a BA Rate Loan by 12:00 p.m. on the third Business Day prior to the end of the BA Period with respect thereto, that BA Rate Loan shall be converted to a Canadian Prime Rate Loan at the end of its BA Period. Borrower Representative must make such election by notice to Agent in writing by fax, overnight courier or Electronic Transmission. In the case of any conversion or continuation, such election must be made pursuant to a written notice Notice of Conversion/Continuation. No Loan shall be made, converted into or continued as a BA Rate Loan, if any Overadvance exists or if an Event of Default has occurred and is continuing and Agent or Required Lenders have determined not to make, convert or continue (as the case may be) any Loan as a BA Rate Loan as a result thereof.

(c) Upon receipt of a Notice of Conversion/Continuation, Agent will promptly notify each Lender thereof. In addition, Agent will, with reasonable promptness, notify the Borrower Representative and the Lenders of each determination of LIBOR or the BA Rate, as applicable; provided that any failure to do so shall not relieve any Borrower of any liability hereunder or provide the basis for any claim against Agent. All conversions and continuations shall be made pro rata according to the respective outstanding principal amounts of the Loans held by each Lender with respect to which the notice was given.

(d) Notwithstanding any other provision contained in this Agreement, after giving effect to any Borrowing, or to any continuation or conversion of any Loans, there shall not be more than nine (9) different Interest Periods and BA Periods, in the aggregate, in effect.

1.7 Optional Prepayments.

(a) The Borrowers may at any time prepay the Loans in whole or in part in an amount greater than or equal to $100,000 (other than Swing Loans, for which no minimum shall apply and, for greater certainty, there shall be no prepayment of Prior Lender Obligations with the Loans advanced hereunder unless permitted by the applicable Orders or as set forth in Section 4.10), in each instance, without penalty or premium except as provided in Section 9.4; provided that, in the case of prepayment in full of all Loans, the Borrower Representative shall give Agent at least three (3) Business Days prior written notice in the case of LIBOR Loans and BA Rate Loans, and same day notice prior to 12:00 p.m. in the case of Base Rate Loans and Canadian Prime Rate Loans. Any optional partial prepayment of the Loans (to the extent permitted) shall be subject to the terms of Section 1.10(c).

(b) The notice of any prepayment shall not thereafter be revocable by the Borrowers or Borrower Representative and Agent will promptly notify each Lender thereof and of such Lender's Revolving Loan Commitment Percentage of such prepayment. The payment amount specified in such notice shall be due and payable on the date specified therein. Together with each prepayment under this Section 1.7, the Borrowers shall pay any amounts required pursuant to Section 9.4.

(c) The Borrower Representative may, upon written notice to Agent, terminate in whole the Aggregate Revolving Loan Commitments, or from time to time permanently reduce in part the Aggregate Revolving Loan Commitments; provided that (i) each such written notice shall be received by Agent not later than 12:00 p.m. five (5) Business Days prior to the date of termination or reduction, (ii) any such partial reduction shall be in an aggregate amount of $500,000 or any whole multiple of $100,000 in excess thereof, (iii) the Borrowers shall not terminate or reduce the Aggregate Revolving Loan Commitments if, after giving effect thereto and to any concurrent prepayments hereunder, either Excess Availability or Excess Canadian Availability would be less than zero, (iv) in the case of a termination in full of the Aggregate Revolving Loan Commitments, all Revolving Loans and Swing Loans shall be required to be prepaid in full and all outstanding Letter of Credit Obligations shall be required to be cash collateralized in an amount equal to one hundred five percent (105%) of the amount thereof in accordance with Section 6.5, (v) the amount of the Letter of Credit Obligations shall not exceed the L/C Sublimit, (vi) the amount of the Letter of Credit Obligations with respect to Letters of Credit denominated in Dollars shall not exceed the U.S. L/C Sublimit, (vii) the amount of the Letter of Credit Obligations with respect to Letters of Credit denominated in Canadian Dollars shall not exceed the Canadian L/C Sublimit, (viii) the amount of Swing Loans denominated in Dollars shall not exceed the U.S. Swingline Sublimit and (ix) the amount of Swing Loans denominated in Canadian Dollars shall not exceed the Canadian Swingline Sublimit. A permanent reduction of the Revolving Loan Commitment shall require a corresponding pro rata reduction in the Canadian Dollar Revolving Sublimit, L/C Sublimit, U.S. L/C Sublimit, Canadian L/C Sublimit, Swingline Commitment, U.S. Swingline Sublimit and Canadian Swingline Sublimit. The Agent will promptly notify the Lenders of any such notice of

termination or reduction of the Revolving Loan Commitments. Except for the reduction of the Revolving Loan Commitment of any Non-Funding Lender to zero without a corresponding pro-rata reduction in Revolving Loan Commitment of any other Lender, any reduction of the Revolving Loan Commitments shall be applied to the Revolving Loan Commitment of each Revolving Lender according to its Revolving Loan Commitment Percentage. All interest and fees accrued until the effective date of any termination of the Revolving Loan Commitments shall be paid on the effective date of such termination.

1.8 Mandatory Prepayments of Loans.

(a) Revolving Loans.

(i) The Borrowers shall repay to the Lenders in full on the Revolving Termination Date, the aggregate principal amount of the Revolving Loans and Swing Loans then outstanding and shall replace (or backstop on terms satisfactory to Agent) all Letters of Credit or cash collateralize all outstanding Letter of Credit Obligations in an amount equal to one hundred five percent (105%) of the amount thereof in accordance with Section 6.5, and shall repay any unpaid accrued interest and all other amounts owing hereunder.

(ii) (A) If at any time Excess Availability is less than zero, then the Borrowers shall immediately prepay, without notice or demand, the Obligations in an aggregate amount equal to such deficiency and (B) if at any time Excess Canadian Availability is less than zero, then the Borrowers shall prepay the Obligations in an aggregate amount equal to such deficiency within three (3) Business Days following notice thereof by Agent; provided that any Borrowing made after such notice shall, subject to Section 1.10(c), be applied to prepay such deficiency of Excess Canadian Availability before being remitted to the Borrowers (each such prepayment to be applied in accordance with the application of payments specified in clauses first through seventh of Section 1.10(c); provided that if a deficiency still exists following such application of payments, the remaining amount required to eliminate such deficiency shall be applied pursuant to Section 1.10(d)).

(b) Asset Dispositions. Upon receipt by any Credit Party or any Subsidiary of a Credit Party of the Net Proceeds of (i) any Disposition (including, for the avoidance of doubt, pursuant to any Sale Transaction or Permitted Store Closing Sales) or (ii) any Event of Loss, the Borrowers shall immediately deliver, or cause to be delivered, the Net Proceeds of any such Disposition or Event of Loss to Agent for distribution to the Lenders as a prepayment of the Loans, which prepayment shall be applied in accordance with Section 1.10(c) hereof, together with a calculation of the Net Proceeds received by such Borrower and/or such Subsidiary in respect thereof, in form and substance reasonably satisfactory to Agent.

(c) Application of Prepayments. Any prepayments of the Loans pursuant to Section 1.7 and Section 1.8 shall be applied (i) so long as no Event of Default has occurred, pursuant to Section 1.10(c) and (ii) at any time after an Event of Default, in accordance with Section 1.10(d).

(d) No Implied Consent. Provisions contained in this Section 1.8 for the application of proceeds of certain transactions shall not be deemed to constitute consent of the Lenders to transactions that are not otherwise permitted by the terms hereof.

(e) No Prepayments of Prior Lenders Obligations. For greater certainty, there shall be no prepayment of Prior Lender Obligations with the Loans advanced hereunder unless permitted by the applicable Orders or set forth in Section 4.10.

1.9 Fees.

(a) Agent's Fees. The Borrowers shall pay to Agent, for Agent's own account, fees in the amounts and at the times set forth in a letter agreement between the Borrowers and Agent dated as of September [__], 2016 (as amended from time to time, the "Fee Letter").

(b) Unused Commitment Fee. The Borrowers shall pay to Agent, for the ratable benefit of the Revolving Lenders, a fee in Dollars (the "Unused Commitment Fee") in an amount equal to

(i) the Aggregate Revolving Loan Commitment, less

(ii) the sum of (x) the average daily balance of all Revolving Loans outstanding, plus (y) the average daily balance of all Swing Loans outstanding plus (z) the average daily amount of Letter of Credit Obligations, in each case, during the preceding month,

multiplied by three eighths of one percent (0.375%) per annum. Such fee shall be payable (i) on October 1, 2016 in arrears in respect of the period on and following the Closing Date through and including September 30, 2016, and (ii) thereafter, monthly in arrears on the first day of each calendar month. The Unused Commitment Fee provided in this Section 1.9(b) shall accrue at all times from and after mutual execution and delivery of this Agreement.

(c) Letter of Credit Fee. The Borrowers agree to pay to Agent for the ratable benefit of the Revolving Lenders, as compensation to such Lenders for Letter of Credit Obligations incurred hereunder, (i) without duplication of costs and expenses otherwise payable to Agent or Lenders hereunder or fees otherwise paid by the Borrowers, all reasonable costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations, and (ii) for each calendar month during which any Letter of Credit Obligation shall remain outstanding, a fee in Dollars (the "Letter of Credit Fee") in an amount equal to the product of the average daily undrawn face amount during such month of all outstanding Letters of Credit Issued, guaranteed or supported by risk participation agreements multiplied by a per annum rate equal to the Applicable Margin with respect to Letters of Credit; provided, however, at the election of Agent or the Required Lenders while any Event of Default exists (or automatically as described in Section 1.1(a)(iv), when any Overadvance or Protective Advance exists), such rate shall, subject to the *Interest Act* (Canada), be increased by two percent (2.00%) per annum without further notice, motion or application to, hearing before, or order from, any Insolvency Court. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the first day of each calendar month, on the date on which all L/C Reimbursement Obligations have

been discharged and on the Revolving Termination Date. In addition, the Borrowers shall pay to any L/C Issuer, on demand, such reasonable fees, without duplication of fees otherwise payable hereunder (including any fronting fees and other per annum fees calculated on the face amount of any Letter of Credit Issued by each L/C Issuer, which shall be due and payable to Agent for the account of such L/C Issuer quarterly in arrears), charges and expenses of such L/C Issuer in respect of the application for, Issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is Issued; provided that in the case of Letters of Credit Issued by Antares Finance, as L/C Issuer, such fronting fee shall equal 0.125% per annum multiplied by the face amount of each such Letter of Credit.

1.10 Payments by the Borrowers.

(a) Except as otherwise provided in Section 9.1, all payments (including prepayments) to be made by each Credit Party on account of principal, interest, fees and other amounts required hereunder shall be made without set off, recoupment, counterclaim or deduction of any kind, shall, except as otherwise expressly provided herein, be made to Agent (for the ratable account of the Persons entitled thereto) at the address for payment specified on the Agent's signature page hereto (or such other address as Agent may from time to time specify in accordance with Section 8.2), including payments utilizing the ACH system, and shall be made in Dollars (or Canadian Dollars, solely in the case of (x) Loans denominated in Canadian Dollars and (y) payment of L/C Reimbursement Obligations with respect to Letters of Credit denominated in Canadian Dollars in accordance with Section 1.1(c)), and by wire transfer or ACH transfer in immediately available funds (which shall be the exclusive means of payment hereunder), no later than 1:00 p.m. on the date due. Any payment which is received by Agent later than 1:00 p.m. shall be deemed to have been received on the immediately succeeding Business Day and any applicable interest or fee shall continue to accrue. Each Borrower and each other Credit Party hereby irrevocably waives the right to direct the application during the continuance of an Event of Default or during the existence of any Overadvance of any and all payments in respect of any Obligation and any proceeds of Collateral or the OMERS LC. Each Borrower hereby authorizes Agent and each Lender to make a Revolving Loan (which shall be a Canadian Prime Rate Loan (if denominated in Canadian Dollars) or a Base Rate Loan (if denominated in U.S. Dollars) and which may be a Swing Loan) to pay (i) interest, principal (including Swing Loans), Letter of Credit Obligations, agent fees, Unused Commitment Fees and Letter of Credit Fees, in each instance, on the date due, or (ii) after five (5) days prior notice to the Borrower Representative, other fees, costs or expenses payable by a Borrower or any of its Subsidiaries hereunder or under the other Loan Documents.

(b) Subject to the provisions set forth in the definition of "Interest Period" and "BA Period" herein, if any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be.

(c) Subject to clauses (a) and (d) of this Section 1.10, Agent shall apply any and all payments received by Agent in respect of any Obligation or Prior Lender Obligation in the order set forth below:

first, to fund the Existing LC Collateral Account;

second, to permanently reduce the Prior Lender Obligations in accordance with the provisions of the Pre-Petition Credit Agreement, until paid in full;

third, to fund the Pre-Petition Indemnity Account, if applicable;

fourth, to the payment of Protective Advances funded by the Agent and fees, costs, indemnities and expenses, including Attorney Costs of Agent payable or reimbursable by the Credit Parties under this Agreement or any of the other Loan Documents;

fifth, to the payment of all interest and fees on the Obligations then due and payable owed to the Revolving Lenders, Swingline Lender and L/C Issuers;

sixth, to the payment of principal of the Revolving Loans and Swing Loans and the payment of matured L/C Reimbursement Obligations; and

seventh, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category; provided that if amounts are insufficient to satisfy a category, they shall be applied on a pro rata basis among the Obligations in such category, (ii) Agent shall be entitled to require that funds and items be converted into the currency of the Obligations being repaid at the applicable Spot Rate solely to the extent necessary to preserve the order of payments set forth in clause (i) of this paragraph, (iii) subject to clause (i) of this paragraph, amounts paid in Dollars shall be applied first to any Base Rate Loans then outstanding and then to outstanding LIBOR Loans with the shortest Interest Periods remaining and amounts paid in Canadian Dollars shall be applied first to any Canadian Prime Rate Loans then outstanding and then to outstanding BA Rate Loans with the shortest BA Periods remaining and (iv) except as set forth in this Agreement, each of the Lenders or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses fifth and sixth above. In the case of prepayments applied pursuant to the foregoing, the Borrowers shall pay any amounts required pursuant to Section 9.4.

(d) During the continuance of a Default or an Event of Default, Agent may, and shall upon the direction of Required Lenders following an Event of Default, apply any and all payments received by Agent in respect of any Obligation in the order set forth below. Notwithstanding any provision herein to the contrary, all amounts collected by Agent or received by Agent after any or all of the Obligations have been accelerated pursuant to Section 6.2 (so long as such acceleration has not been rescinded), including all proceeds of Collateral and all proceeds received by Agent as a result of the exercise of its remedies under the Loan Documents after the occurrence and during the continuance of an Event of Default shall be applied as follows:

first, to the payment of Overadvances and Protective Advances funded by the Agent and fees, costs, indemnities and expenses, including Attorney Costs of Agent payable or reimbursable by the Credit Parties under this Agreement or any of the other Loan Documents;

second, to fund the Existing LC Collateral Account, if applicable;

third, to permanently reduce the Prior Lender Obligations in accordance with the provisions of the Pre-Petition Credit Agreement, until paid in full, and to fund the Pre-Petition Indemnity Account, if applicable;

fourth, to the payment of costs, indemnities and expenses, including Attorney Costs of Lenders payable or reimbursable by the Credit Parties under this Agreement or any of the other Loan Documents;

fifth, to the payment of all accrued unpaid interest and fees on the Obligations owed to the Revolving Lenders, Swingline Lender and L/C Issuers;

sixth, to the payment of principal of the Obligations (other than Obligations under any Bank Product Agreements), including L/C Reimbursement Obligations then due and payable and cash collateralization of unmatured L/C Reimbursement Obligations to the extent not then due and payable in accordance with Section 6.5;

seventh, to the payment of any Obligations under any Bank Product Agreements with respect to Bank Products of the type described in clause (a) of the definition thereof;

eighth, to the payment of any other amounts owing constituting Obligations;

ninth, to fund the DIP Indemnity Account, if applicable; and

tenth, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category; provided that if amounts are insufficient to satisfy a category, they shall be applied on a pro rata basis among the Obligations in such category, (ii) Agent shall be entitled to require that funds and items be converted into the currency of the Obligations being repaid at the applicable Spot Rate solely to the extent necessary to preserve the order of payments set forth in clause (i) of this paragraph, (iii) subject to clause (i) of this paragraph, amounts paid in Dollars shall be applied first to any Base Rate Loans then outstanding and then to outstanding LIBOR Loans with the shortest Interest Periods remaining and amounts paid in Canadian Dollars shall be applied first to any Canadian Prime Rate Loans then outstanding and then to outstanding BA Rate Loans with the shortest BA Periods remaining and (iv) except as set forth in this Agreement, each of the Lenders or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses fifth and sixth above. In the

case of prepayments applied pursuant to the foregoing, the Borrowers shall pay any amounts required pursuant to Section 9.4.

(e) During the continuance of an Event of Default, Agent may, and shall upon the direction of Required Lenders following an Event of Default, apply any and all proceeds of the OMERS LC received by Agent in the order set forth below. Notwithstanding any provision herein to the contrary, all proceeds of the OMERS LC received by Agent after any or all of the Obligations have been accelerated pursuant to Section 6.2 (so long as such acceleration has not been rescinded), including after the occurrence and during the continuance of an Event of Default shall be applied as follows:

first, to the payment of Overadvances and Protective Advances funded by the Agent and fees, costs, indemnities and expenses, including Attorney Costs of Agent payable or reimbursable by the Credit Parties under this Agreement or any of the other Loan Documents;

second, to fund the Existing LC Collateral Account, if applicable;

third, to permanently reduce the Prior Lender Obligations in accordance with the provisions of the Pre-Petition Credit Agreement, until paid in full;

fourth, to the payment of costs, indemnities and expenses, including Attorney Costs of Lenders payable or reimbursable by the Credit Parties under this Agreement or any of the other Loan Documents;

fifth, to the payment of all accrued unpaid interest and fees on the Obligations owed to the Revolving Lenders, the Swingline Lender and the L/C Issuers;

sixth, to the payment of principal of the Obligations (other than the Obligations under any Bank Product Agreements), including L/C Reimbursement Obligations then due and payable and cash collateralization of unmatured L/C Reimbursement Obligations to the extent not then due and payable in accordance with Section 6.5;

seventh, to the payment of any Obligations under any Bank Product Agreements with respect to Bank Products of the type described in clause (a) of the definition thereof;

eighth, to the payment of any other amounts owing constituting Obligations;

ninth, to fund the Pre-Petition Indemnity Account, if applicable;

tenth, to fund the DIP Indemnity Account, if applicable; and

eleventh, any remainder shall be for the account of and paid to whoever may be lawfully entitled thereto.

In carrying out the foregoing, (i) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category; provided that if amounts are insufficient to satisfy a category, they shall be

applied on a pro rata basis among the Obligations in such category, (ii) Agent shall be entitled to require that funds and items be converted into the currency of the Obligations being repaid at the applicable Spot Rate solely to the extent necessary to preserve the order of payments set forth in clause (i) of this paragraph, (iii) subject to clause (i) of this paragraph, amounts paid in Dollars shall be applied first to any Base Rate Loans then outstanding and then to outstanding LIBOR Loans with the shortest Interest Periods remaining and amounts paid in Canadian Dollars shall be applied first to any Canadian Prime Rate Loans then outstanding and then to outstanding BA Rate Loans with the shortest BA Periods remaining and (iv) except as set forth in this Agreement, each of the Lenders or other Persons entitled to payment shall receive an amount equal to its pro rata share of amounts available to be applied pursuant to clauses fifth and sixth above. In the case of prepayments applied pursuant to the foregoing, the Borrowers shall pay any amounts required pursuant to Section 9.4.

1.11 Payments by the Lenders to Agent; Settlement.

(a) Agent may, on behalf of Lenders, disburse funds to the Borrowers for Loans requested. Each Lender shall reimburse Agent on demand for all funds disbursed on its behalf by Agent, or if Agent so requests, each Lender will remit to Agent its Revolving Loan Commitment Percentage of any Loan before Agent disburses same to the Borrowers. If Agent elects to require that each Lender make funds available to Agent prior to disbursement by Agent to the Borrowers, Agent shall advise each Lender by telephone, Electronic Transmission or fax of the amount of such Lender's Revolving Loan Commitment Percentage of the Loan requested by the Borrower Representative no later than 12:00 p.m. on the scheduled Borrowing date applicable thereto, and each such Lender shall pay Agent such Lender's Revolving Loan Commitment Percentage of such requested Loan, in same day funds, by wire transfer to Agent's account no later than 2:00 p.m. on such scheduled Borrowing date. Nothing in this Section 1.11(a) or elsewhere in this Agreement or the other Loan Documents, including the remaining provisions of this Section 1.11, shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Revolving Loan Commitments hereunder or to prejudice any rights that Agent, Swingline Lender or Borrowers may have against any Lender as a result of any default by such Lender hereunder.

(b) At least once each calendar week or more frequently at Agent's election (each, a "Settlement Date"), Agent shall advise each Lender by telephone, fax or Electronic Transmission of the amount of such Lender's Revolving Loan Commitment Percentage of principal, interest and fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that each Lender has funded all payments required to be made by it and funded all purchases of participations required to be funded by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent shall pay to each Lender such Lender's Revolving Loan Commitment Percentage (except as otherwise provided in Section 1.11(e)) of principal, interest and fees paid by the Borrowers since the previous Settlement Date for the benefit of such Lender on the Loans held by it. Such payments shall be made by wire transfer to such Lender not later than 1:00 p.m. on the next Business Day following each Settlement Date.

(c) Availability of Lender's Revolving Loan Commitment Percentage. Agent may assume that each Lender will make its Revolving Loan Commitment Percentage of each

Loan available to Agent on each Borrowing date. If such Revolving Loan Commitment Percentage is not, in fact, paid to Agent by such Lender when due, Agent will be entitled to recover such amount on demand from such Lender without setoff, counterclaim or deduction of any kind. If any Lender fails to pay the amount of its Revolving Loan Commitment Percentage forthwith upon Agent's demand, Agent shall promptly notify the Borrower Representative and the Borrowers shall immediately repay such amount to Agent. Nothing in this Section 1.11(c) or elsewhere in this Agreement or the other Loan Documents shall be deemed to require Agent to advance funds on behalf of any Lender or to relieve any Lender from its obligation to fulfill its Revolving Loan Commitments hereunder or to prejudice any rights that the Borrowers may have against any Lender as a result of any default by such Lender hereunder. To the extent that Agent advances funds to the Borrowers on behalf of any Lender and is not reimbursed therefor on the same Business Day as such advance is made, Agent shall be entitled to retain for its account all interest accrued on such advance until reimbursed by the applicable Lender.

(d) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from the Borrowers and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without setoff, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement or any other Loan Document must be returned to any Credit Party or paid to any other Person pursuant to any Insolvency Law any order of an Insolvency Court or otherwise, then, notwithstanding any other term or condition of this Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to any Borrower or such other Person, without setoff, counterclaim or deduction of any kind, and Agent will be entitled to set-off against future distributions to such Lender any such amounts (with interest) that are not repaid on demand.

(e) Non-Funding Lenders; Procedures.

(i) Responsibility. The failure of any Non-Funding Lender to make any Revolving Loan, to fund any purchase of any participation to be made or funded by it, or to make any payment required by it under any Loan Document on the date specified therefor shall not relieve any other Lender of its obligations to make such loan, fund the purchase of any such participation, or make any other payment required hereunder on such date, and neither Agent nor, other than as expressly set forth herein, any other Lender shall be responsible for the failure of any Non-Funding Lender to make a loan, fund the purchase of a participation or make any other payment required under any Loan Document.

(ii) Reallocation. If any Revolving Lender is a Non-Funding Lender, all or a portion of such Non-Funding Lender's Letter of Credit Obligations (unless such Lender is the L/C Issuer that Issued such Letter of Credit) and reimbursement obligations with respect to Swing Loans shall, at Agent's election at any time or upon any L/C Issuer's or Swingline Lender's, as applicable, written request delivered to Agent (whether before or after the occurrence of any Default or Event of Default), be reallocated to and assumed by the Revolving Lenders that are not Non-Funding Lenders or Impacted Lenders pro rata in accordance with their Revolving Loan Commitment Percentages of the Aggregate Revolving Loan Commitments (calculated as if the Non-Funding Lender's Revolving Loan Commitment Percentage was reduced to zero and each other Revolving Lender's Revolving Loan Commitment Percentage had been increased proportionately), provided that no Revolving Lender shall be reallocated any such amounts or be required to fund any amounts that would cause the sum of its outstanding Revolving Loans, outstanding Letter of Credit Obligations, amounts of its participations in Swing Loans and its pro rata share of unparticipated amounts in Swing Loans to exceed its Revolving Loan Commitment.

(iii) Voting Rights. Notwithstanding anything set forth herein to the contrary, including Section 8.1, a Non-Funding Lender shall not have any voting, consent or discretionary rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be, or have its Loans and Revolving Loan Commitments, included in the determination of "Required Lenders", "Required Supermajority Lenders" or "Lenders directly affected" pursuant to Section 8.1) for any voting or consent rights under or with respect to any Loan Document, provided that, without the consent of the Non-Funding Lender affected thereby, (A) the Revolving Loan Commitment of a Non-Funding Lender may not be increased, extended or reinstated, (B) the principal of a Non-Funding Lender's Loans may not be reduced or forgiven, and (C) the interest rate applicable to Obligations owing to a Non-Funding Lender may not be reduced. Moreover, for the purposes of determining Required Lenders, Required Lenders and Required Supermajority Lenders, the Loans, Letter of Credit Obligations, and Revolving Loan Commitments held by Non-Funding Lenders shall be excluded from the total Loans and Revolving Loan Commitments outstanding.

(iv) Borrower Payments to a Non-Funding Lender. Agent shall be entitled to hold, in a non-interest bearing account, all portions of any payments received by Agent for the benefit of any Non-Funding Lender pursuant to this Agreement as cash collateral. Agent is hereby authorized to use such cash collateral to pay in full the Aggregate Excess Funding Amount (as defined below) to the appropriate Secured Parties, and then, to hold as cash collateral the amount of such Non-Funding Lender's pro rata share, without giving effect to any reallocation pursuant to Section 1.11(e)(ii), of all Letter of Credit Obligations until the Obligations are paid in full in cash, all Letter of Credit Obligations have been replaced (or backstopped on terms satisfactory to Agent) or cash collateralized and all Revolving Loan Commitments have been terminated. Upon any such unfunded obligations owing by a Non-Funding Lender becoming due and payable, Agent shall be authorized to use such cash collateral to make such payment on behalf of such Non-Funding Lender. With respect to such Non-Funding Lender's failure to fund Revolving Loans or purchase participations in Letters of Credit or Letter of Credit

Obligations, any amounts applied by Agent to satisfy such funding shortfalls shall be deemed to constitute a Revolving Loan or amount of the participation required to be funded and, if necessary to effectuate the foregoing, the other Revolving Lenders shall be deemed to have sold, and such Non-Funding Lender shall be deemed to have purchased, Revolving Loans or Letter of Credit participation interests from the other Revolving Lenders until such time as the aggregate amount of the Revolving Loans and participations in Letters of Credit and Letter of Credit Obligations are held by the Revolving Lenders in accordance with their Revolving Loan Commitment Percentages. Any amounts owing by a Non-Funding Lender to Agent which are not paid when due shall accrue interest at the interest rate applicable during such period to Revolving Loans that are Base Rate Loans. In the event that Agent is holding cash collateral of a Non-Funding Lender that cures pursuant to clause (v) below or ceases to be a Non-Funding Lender pursuant to the definition of Non-Funding Lender, Agent shall return the unused portion of such cash collateral to such Lender. The "Aggregate Excess Funding Amount" of a Non-Funding Lender shall be the aggregate amount of (A) all unpaid obligations owing by such Non-Funding Lender to Agent, L/C Issuers, Swing Line Lender, and other Lenders under the Loan Documents, including such Non-Funding Lender's pro rata share of all Revolving Loans, Letter of Credit Obligations, Swing Line Loans, plus, without duplication, (B) all amounts of such Non-Funding Lender reallocated to other Lenders pursuant to Section 1.11(e)(ii).

(v) Cure. A Lender may cure its status as a Non-Funding Lender under clause (a) of the definition of Non-Funding Lender if such Lender (A) fully pays to Agent, on behalf of the applicable Secured Parties, the Aggregate Excess Funding Amount, plus all interest due thereon and (B) timely funds the next Revolving Loan required to be funded by such Lender or makes the next reimbursement required to be made by such Lender. Any such cure shall not relieve any Lender from liability for breaching its contractual obligations hereunder.

(vi) Fees. A Lender that is a Non-Funding Lender pursuant to clause (a) of the definition of Non-Funding Lender shall not earn and shall not be entitled to receive, and Borrowers shall not be required to pay, such Lender's portion of the Unused Commitment Fee during the time such Lender is a Non-Funding Lender pursuant to clause (a) thereof. In the event that any reallocation of Letter of Credit Obligations occurs pursuant to Section 1.11(e)(ii), during the period of time that such reallocation remains in effect, the Letter of Credit Fee payable with respect to such reallocated portion shall be payable to (A) all Revolving Lenders based on their pro rata share of such reallocation or (B) to the L/C Issuer for any remaining portion not reallocated to any other Revolving Lenders.

(f) Procedures. Agent is hereby authorized by each Credit Party and each other Secured Party to establish commercially reasonable procedures (and to amend such procedures from time to time) to facilitate administration and servicing of the Loans and other matters incidental thereto. Without limiting the generality of the foregoing, Agent is hereby authorized to establish commercially reasonable procedures to make available or deliver, or to accept, notices, documents and similar items on E-Systems.

1.12 Borrower Representative. Each Borrower hereby designates and appoints Golfsmith as its representative and agent on its behalf (the "Borrower Representative") for the purposes of issuing Notices of Borrowings, Notices of Conversion/Continuation, L/C Requests and Swingline Requests, delivering certificates including Borrowing Base Certificates and Compliance Certificates, giving instructions with respect to the disbursement of the proceeds of the Loans, selecting interest rate options, giving and receiving all other notices and consents hereunder or under any of the other Loan Documents and taking all other actions (including in respect of compliance with covenants) on behalf of any Borrower or Borrowers under the Loan Documents. Borrower Representative hereby accepts such appointment. Agent and each Lender may regard any notice or other communication pursuant to any Loan Document from Borrower Representative as a notice or communication from all Borrowers. Each warranty, covenant, agreement and undertaking made on behalf of a Borrower by the Borrower Representative shall be deemed for all purposes to have been made by such Borrower and shall be binding upon and enforceable against such Borrower to the same extent as if the same had been made directly by such Borrower.

1.13 Reserves and Eligibility Criteria. Agent shall have the right upon providing written notice to the Borrower Representative (which may be either prior or concurrent written notice of the imposition thereof) to establish, modify or eliminate Reserves from time to time in its reasonable credit judgment, all without further notice, motion or application to, hearing before, or order from, any Insolvency Court. In addition, Agent reserves the right, at any time and from time to time, to adjust any of the applicable criteria and to establish new criteria with respect to Eligible Credit Card Accounts, Eligible Wholesale Accounts, Eligible Inventory, Eligible Domestic In Transit Inventory, and Eligible Real Estate in its reasonable credit judgment, subject to the approval of Required Supermajority Lenders in the case of adjustments or new criteria which have the effect of making more credit available. The following Reserves imposed by the agent under the Pre-Petition Credit Agreement shall initially be released under this Agreement: (i) the "Accrued Interest Reserve", (ii) the "Landlord Waiver Reserve", (iii) the "Third Party DC Reserve", (iv) the "Vendor Claim Reserve" and (v) the "Potential Claims & Admin Expenses of Vendors Reserve" (collectively, the "Released Insolvency Reserves")[1], which Released Insolvency Reserves equaled $[_____] in the aggregate in the most recent Borrowing Base Certificate delivered under the Pre-Petition Credit Agreement; provided that the release of the Released Insolvency Reserves shall not prejudice Agent's right to establish, modify or eliminate similar Reserves under this Agreement in its reasonable credit judgment based on circumstances, conditions, events or contingencies arising after the Closing Date or that were unknown to the Agent prior to the Closing Date.

1.14 Super Priority Nature of Obligations and Agent's Liens.

(a) Chapter 11 Cases. The priority of Agent's Liens on the Collateral owned by the U.S. Debtors, claims and other interests shall be as set forth in the Interim Order and the Final Order.

[1] Note to Draft – Final list of Released Insolvency Reserves to be confirmed.

(b) CCAA Proceedings. The priority of Agent's Liens and other charges on the Collateral owned by the Canadian Debtors shall be as set forth in the Initial Order or any further order of the Canadian Court, as applicable.

1.15 Payment of Obligations. Upon the maturity (whether by acceleration or otherwise) of any of the Obligations under this Agreement or any of the other Loan Documents, Agent and Lenders shall be entitled to immediate payment of such Obligations without further application to or order of any Insolvency Court.

ARTICLE II. - CONDITIONS PRECEDENT

2.1 Conditions to Effectiveness of Agreement. The obligation of each Lender to make its initial Loans and of each L/C Issuer to Issue, or cause to be Issued, the initial Letters of Credit hereunder is subject to satisfaction of the following conditions:

(a) Loan Documents. The Agent shall have received on or before the Closing Date all of the agreements, documents, instruments and other items set forth on the Closing Checklist attached hereto as Exhibit 2.1[2], together with each of the following, in each case, in form and substance reasonably satisfactory to Agent:

(i) executed counterparts of this Agreement, each Collateral Document, and the Fee Letter, in each case, with originals promptly to follow as reasonably requested by Agent;

(ii) a Note in favor of each Lender who shall have requested a Note; and

(iii) completed requests for information (including lien search results) listing all effective financing statements and other lien filings filed in any jurisdictions requested by the Agent, in each case, that name any Credit Party as debtor, together with copies of such other financing statements;

(b) OMERS LC. The OMERS LC shall be reissued (or amended) in a manner satisfactory to the Agent.

(c) SPV Holdco Guarantee. Agent shall have received a duly executed limited recourse guarantee dated as of the Closing Date by SPV Holdco in favor of Agent, which shall contain subordination provisions, and otherwise be in form and substance and on terms satisfactory to Agent.

(d) Financial Statements; Projections. Agent shall have received the financial statements and reports referred to in Section 4.1(a) and Section 4.1(b) (for each Fiscal Month

[2] Note to Draft – Exhibit 2.1 remains subject to review and update in Agent's sole discretion, including as to all other action that Agent may deem reasonably necessary or desirable in order to perfect the Liens created under the Collateral Documents has been taken in accordance with the terms of the Collateral Documents, including reaffirming such action that may have been taken in connection with the Pre-Petition Credit Agreement.

ending at least 30 days prior to the Closing Date), and such financial statements and reports shall be in form and substance satisfactory to Agent.

(e) Approved Budget. Agent shall have received the initial Approved Budget.

(f) Canadian GC Sale Bid. [The Borrowers shall have accepted a binding bid for the Canadian GC Sale in form and substance and on terms reasonably satisfactory to the Agent.]

(g) Legal Opinions. Agent shall have received legal opinions from Canadian counsel to (i) the Credit Parties addressing corporate authority matters and (ii) SPV Holdco covering such matters as Agent may reasonably request, in each case, in form and substance reasonably satisfactory to Agent.

(h) Secretary's Certificate; Resolutions; Organization Documents. Agent shall have received a reasonably satisfactory certificate executed by a Responsible Officer of each Credit Party (i) certifying and attaching true, correct and complete copies of: (x) the certificate or articles of incorporation, certificate of incorporation or certificate of formation (or equivalent Organization Document) of such Credit Party, certified as of a recent date from the Secretary of State (or applicable Governmental Authority) of the state or foreign jurisdiction in which such Credit Party is incorporated or formed (or, with respect to the Canadian Debtors, certifying no change since the date last delivered to the Prior Agent), (y) the by-laws, limited liability company agreement, partnership agreement (or equivalent Organization Document) of such Credit Party (or, with respect to the Canadian Debtors, certifying no change since the date last delivered to the Prior Agent), and (z) the resolutions or votes of the board of directors, members or managers (or equivalent governing body thereof) of such Credit Party, authorizing such Credit Party's entry into the Loan Documents to which it is a party; and (ii) certifying the incumbency of the Responsible Officers of such Credit Party authorized to act in connection with this Agreement and the other Loan Documents to which such Credit Party is a party and providing a specimen signature of such members of such Responsible Officers of such Credit Party who will be signing Loan Documents on the Closing Date and thereafter.

(i) Good Standing Certificates. Agent shall have received reasonably satisfactory documents and certifications to evidence that each Credit Party executing a Loan Document is validly existing, in good standing and qualified to engage in business (i) in its jurisdiction of incorporation or formation, as applicable and (ii) in each other jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification in such jurisdiction, except, with respect to clause (ii), where the failure to obtain such qualification could not reasonably be expected to result in a Material Adverse Effect.

(j) SPV Holdco Certificate. The Agent shall have received a reasonably satisfactory certificate executed by an officer of SPV Holdco certifying and attaching true, correct and complete copies of resolutions or evidence of other action authorizing the actions of SPV Holdco under this Agreement and any other related documents to the Agent's satisfaction.

(k) Closing Date Officer's Certificate. Agent shall have received a reasonably satisfactory certificate of a Responsible Officer of the Borrower Representative certifying that (i)

the conditions specified in this Section 2.1 and Section 2.2 have been satisfied, including specific certifications as to satisfaction of the conditions in clauses (q), (r), (s) and (t) of this Section 2.1, (ii) since the Petition Date there shall have been no material increase in the liabilities, liquidated or contingent, of the Borrowers and the other Credit Parties taken as a whole, or material decrease in the assets of the Borrowers and the Credit Parties taken as a whole, and (iii) other than those resulting from the commencement of the Insolvency Cases, since the Petition Date there shall have been no adverse change in the ability of the Agent and the Lenders to enforce the Loan Documents and the Obligations of the Borrowers and the other Credit Parties hereunder.

(l) Borrowing Requests. Agent shall have received an L/C Request, Swingline Request and/or Notice of Borrowing in respect of any extensions of credit to be made on the Closing Date.

(m) Borrowing Base Certificate. Agent shall have received a reasonably satisfactory Borrowing Base Certificate dated as of the Closing Date setting forth the Revolving Credit Borrowing Base of each Borrower as of September [10], 2016 after giving pro forma effect to the transactions contemplated hereby.

(n) KYC Diligence. Agent shall have received all documents requested by Agent and Lenders with reasonable prior notice to comply with all applicable law, including applicable "know your customer" and anti-money laundering rules and regulations, the AML Legislation and the U.S. Treasury Department's Office of Foreign Assets Control ("OFAC").

(o) Insurance. Agent shall have received certificates evidencing that all insurance required to be maintained pursuant to the Loan Documents has been obtained and is in full force and effect and naming Agent, on behalf of the Secured Parties, as an additional insured or lender's loss payee, as the case may be, under all insurance policies maintained with respect to the assets and properties of the Credit Parties that constitutes Collateral.

(p) Fees. The Borrowers shall have paid the fees required to be paid on the Closing Date in the respective amounts specified in Section 1.9 (including the fees specified in the Fee Letter), and shall have reimbursed Agent for all reasonable and documented costs and out-of-pocket expenses in connection with this Agreement.

(q) No Material Adverse Effect. Since the Petition Date, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

(r) No Orders or Injunctions. No orders, injunctions or pending litigation exists which could reasonably be expected to have a Material Adverse Effect.

(s) No Default or Event of Default. No Default or Event of Default shall have occurred and be continuing or shall arise hereunder immediately after giving effect to this Agreement and the transactions contemplated hereby.

(t) Representations and Warranties. Each representation and warranty by each Credit Party contained herein and in each other Loan Document is true and correct in all material respects (without duplication of any materiality qualifier contained therein).

(u) Insolvency Matters – Chapter 11 Cases.

(i) Entry of Interim Order. Entry by the Bankruptcy Court of the Interim Order, by no later than three (3) Business Days after the Petition Date, substantially in the form attached hereto as Exhibit 2.1(t) and otherwise in form and substance satisfactory to Agent.

(ii) Cash Management. The Credit Parties shall have established or shall maintain the cash management systems described in Section 4.11 and the U.S. Debtors shall have taken all steps necessary to comply with the Cash Management Order, it being acknowledged by the Agent that the cash management systems as in effect under the Pre-Petition Credit Agreement are acceptable.

(iii) First Day Pleadings. The Agent shall have received drafts of the "first day" pleadings for the Chapter 11 Cases, in each case, in form and substance reasonably satisfactory to the Agent not later than a reasonable time in advance of the Petition Date in order for Agent's counsel to review and analyze the same.

(iv) First Day Orders. All motions, orders (including the "first day" orders) and other documents to be filed with and submitted to the Bankruptcy Court on the Petition Date shall be in form and substance reasonably satisfactory to Agent.

(v) Insolvency Matters – CCAA Proceedings.

(i) Initial Order. The Initial Order shall have been issued and entered in the CCAA Proceedings, by no later than one (1) Business Day after entry of the Interim Order, substantially in the form attached hereto as Exhibit 2.1(u) and otherwise in form and substance satisfactory to Agent.

(ii) Cash Management. The Initial Order shall provide that the Canadian Debtors shall be entitled to continue to utilize the central cash management system currently in place and in accordance with this Agreement and shall provide for customary protections for any present or future bank providing such cash management system.

(iii) Application Materials. The Agent shall have received drafts of the application materials seeking the issuance of the Initial Order in the CCAA Proceedings, in each case, in form and substance reasonably satisfactory to the Agent and a draft of the Monitor's pre-filing report not later than a reasonable time in advance of the Petition Date in order for Agent's counsel to review and analyze the same.

2.2 Conditions to All Borrowings. Except as otherwise expressly provided herein, no Lender or L/C Issuer shall be obligated to fund any Loan or incur any Letter of Credit Obligation after the Closing Date, if, as of the date thereof (or, solely with respect to clause (e)(i) below, any date that is thirty (30) days after the Petition Date):

(a) the Loan or Letter of Credit requested would cause the aggregate outstanding amount of the Loans and/or Letter of Credit Obligations to exceed the amount then

authorized by the applicable Order or any order modifying (without Agent's consent), reversing, staying or vacating such order shall have been entered, or any appeal of such order shall have been timely filed;

(b) any representation or warranty by any Credit Party contained herein or in any other Loan Document is untrue or incorrect in any material respect (without duplication of any materiality qualifier contained therein) as of such date, except to the extent that such representation or warranty expressly relates to an earlier date (in which event such representations and warranties were untrue or incorrect in any material respect as of such earlier date without duplication of any materiality qualifier contained therein), and Agent or Required Lenders have determined not to make such Loan or incur such Letter of Credit Obligation as a result of the fact that such warranty or representation is untrue or incorrect in any material respect without duplication of any materiality qualifier contained therein; provided that for the purposes of this Section 2.2(b), the representations and warranties contained in Section 3.11(a) shall be deemed to refer to the most recent financial statements furnished pursuant to Section 4.1;

(c) any Overadvance exists or any Default or Event of Default has occurred and is continuing or would result after giving effect to any Loan (or the incurrence of any Letter of Credit Obligation), and Agent or Required Lenders shall have determined not to make any Loan or incur any Letter of Credit Obligation as a result of that Default or Event of Default;

(d) after giving effect to any Loan (or the incurrence of any Letter of Credit Obligations), either Excess Availability is less than zero or Excess Canadian Availability is less than zero;

(e) (i) the Final Order shall not have been entered, (ii) the Final Order shall not have been entered following the expiration of the Interim Order, (iii) the Interim Order or the Final Order, as applicable, shall have been vacated, stayed, reversed, modified or amended without Agent's consent or shall otherwise not be in full force and effect, (iv) a motion for reconsideration of the Interim Order or the Final Order, as applicable, has been timely filed or (v) an appeal of the Interim Order or the Final Order, as applicable, has been timely filed and such order in any respect is the subject of a stay pending appeal; or

(f) (i) the Initial Order shall have been vacated, stayed, reversed, modified or amended in a manner that affects the Borrowers' financing arrangements without Agent's consent, (ii) the Initial Order or shall otherwise not be in full force and effect, or (iii) an appeal of the Initial Order has been timely filed and such order in any respect is the subject of a stay pending appeal.

The request by the Borrower Representative and acceptance by Borrowers of the proceeds of any Loan or the incurrence of any Letter of Credit Obligations shall be deemed to constitute, as of the date thereof, (i) a representation and warranty by Borrowers that the conditions in this Section 2.2 have been satisfied and (ii) a reaffirmation by each Credit Party of the granting and continuance of Agent's Liens, on behalf of itself and Secured Parties, pursuant to the Collateral Documents and the applicable Order.

The conditions set forth in this Section 2.2 are for the sole benefit of the Lenders but until the Required Lenders otherwise direct Agent not to permit the making of Loans and the Issuance of Letters of Credit, the Lenders will fund their pro rata share of all Loans and Letter of Credit Obligations and participate in all Swing Loans and Letters of Credit whenever made or Issued, which are requested by the Borrower Representative and which, notwithstanding the failure of any Credit Party to comply with the provisions of this Section 2.2, are agreed to by Agent; provided, however, that the making of any such Loans or the Issuance of any Letters of Credit shall not be deemed a modification or waiver by any Lender of the provisions of this Section 2.2 on any future occasion or a waiver of any rights of the Lenders as a result of any such failure to comply.

ARTICLE III. - REPRESENTATIONS AND WARRANTIES

The Credit Parties, jointly and severally, represent and warrant to Agent and each Lender that the following are, and after giving effect to this Agreement will be, true, correct and complete:

3.1 Corporate Existence and Power. Each Credit Party and each of their respective Subsidiaries:

(a) is a corporation, limited liability company or limited partnership, as applicable, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, as applicable;

(b) has the corporate, limited liability company or limited partnership (as applicable) power and authority necessary to own its assets, and, subject to entry of the Orders, to carry on its business and execute, deliver, and perform its obligations under, the Loan Documents to which it is a party;

(c) subject to specific representations regarding Environmental Laws contained in this Article III, has all governmental licenses, authorizations, Permits, consents and approvals to own its assets, and, subject to entry of the Orders, to carry on its business and execute, deliver, and perform its obligations under, the Loan Documents to which it is a party;

(d) is duly qualified as a foreign corporation, limited liability company or limited partnership, as applicable, and licensed and in good standing, under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification or license; and

(e) subject to specific representations regarding ERISA, Environmental Laws, tax and other laws contained in this Article III, is in compliance with all Requirements of Law, except to the extent any consequences of such violation are subject to the Insolvency Stays;

except, in each case referred to in clauses (b) or (c) (in each case, as to ownership of assets and conduct of business only), (d) or (e), to the extent that the failure to do so would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

3.2 Corporate Authorization; No Contravention.

(a) Upon entry by the Insolvency Courts of the Orders, the execution, delivery and performance by each of the Credit Parties of this Agreement and by each Credit Party and each of their respective Subsidiaries of any other Loan Document to which such Person is party, will have been duly authorized by all necessary action, and do not and will not:

(i) contravene the terms of any of that Person's Organization Documents;

(ii) conflict with or result in any material breach or contravention of any document evidencing any material Contractual Obligation to which such Person is a party;

(iii) violate any Requirement of Law or any order, injunction, writ or decree of any Governmental Authority to which such Person or its Property is subject except where such violation, individually or in the aggregate, could not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect; or

(iv) result in the creation or imposition of any Lien upon any of the property of such Person other than Liens in favor of Agent, on behalf of itself and Lenders, pursuant to the Loan Documents and Permitted Liens;

except, in the case of clauses (ii), (iii) and (iv), to the extent that the failure to do so could not reasonably be expected to result in any liability or loss that is not subject to the Insolvency Stays.

(b) All issued and outstanding Stock and Stock Equivalents of each of the Credit Parties and each of their respective Subsidiaries are duly authorized and validly issued, fully paid, non-assessable, and free and clear of all Liens other than, with respect to the Stock and Stock Equivalents of the Borrowers and Subsidiaries of the Borrowers, those in favor of Agent for the benefit of the Secured Parties and Liens of the types permitted by Sections 5.1(c), 5.1(f), 5.1(i), 5.1(r) and 5.1(s). All such securities were issued in compliance in all material respects with all applicable state and federal laws concerning the issuance of securities. All of the issued and outstanding Stock and Stock Equivalents of (i) GT Canada is owned by GT Canada Holdco and (ii) GT USA and Golfsmith are owned by GT USA Holdco. Schedule 3.2 sets forth the authorized Stock and Stock Equivalents of each of the Credit Parties and each of their respective Subsidiaries and Joint Ventures as of Closing Date (or the most recent date of update pursuant to Section 4.2(k)). As of the Closing Date (or the most recent date of update pursuant to Section 4.2(k)), all of the issued and outstanding Stock and Stock Equivalents of each of the Credit Parties other than the Borrowers is owned by the Persons and in the amounts set forth on Schedule 3.2. Except as set forth on Schedule 3.2, there are no pre-emptive or other outstanding rights, options, warrants, conversion rights or other similar agreements or understandings for the issuance, purchase, acquisition or redemption of any Stock and Stock Equivalents of any Credit Party. As of the Closing Date, set forth on Schedule 3.2 is a true and complete organizational chart of the Credit Parties and their Subsidiaries.

3.3 Governmental Authorization. No approval, consent, exemption, authorization, or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the execution, delivery or performance by, or enforcement against, any Credit

Party or any Subsidiary of any Credit Party of this Agreement, any other Loan Document, except for (a) those obtained or made on or prior to the Closing Date, (b) the entry of, or pursuant to the terms of, the Orders, or (c) recordings, registrations and filings in connection with the Liens granted to Agent under the Collateral Documents.

3.4 Binding Effect. Upon entry by each Insolvency Court of the applicable Order, this Agreement and each other Loan Document to which any Credit Party or any Subsidiary of any Credit Party subject to such applicable Order is a party constitute the legal, valid and binding obligations of each such Person which is a party thereto, enforceable against such Person in accordance with their respective terms, except as enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

3.5 Litigation. Except as specifically disclosed in Schedule 3.5 and the filing of the Insolvency Cases, there are no actions, suits, proceedings, claims or disputes pending, or to the knowledge of any Credit Party, threatened in writing, at law, in equity, in arbitration or before any Governmental Authority, against any Credit Party, any Subsidiary of any Credit Party or any of their respective Properties which are not subject to the Insolvency Stays and which:

(a) challenges in writing any Person's right or power to enter into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder which could reasonably be expected to have a Material Adverse Effect;

(b) would reasonably be expected to result in equitable relief or monetary judgment(s), individually or in the aggregate, in excess of $250,000; or

(c) would reasonably be expected to result in a Material Adverse Effect.

Subject to entry by each Insolvency Court of the applicable Order, no injunction, writ, temporary restraining order or any order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Agreement or any other Loan Document, or directing that the transactions provided for herein or therein not be consummated as herein or therein provided. As of the Closing Date, no Credit Party or any Subsidiary of any Credit Party is the subject of an audit by the IRS or other Governmental Authority or, to any Credit Party's knowledge, any review or investigation by the IRS or other Governmental Authority concerning the material violation or possible material violation of any Requirement of Law. As of the Closing Date, no Credit Party and no Subsidiary of any Credit Party is a party to or is otherwise subject to any agreements or instruments or any charter or other internal restrictions which, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect.

3.6 No Default. No Default or Event of Default exists or would result from the incurring of any Obligations by any Credit Party or the grant or perfection of Agent's Liens on the Collateral. No Credit Party and no Subsidiary of any Credit Party is in default under or with respect to any Contractual Obligation in any respect which, individually or together with all such defaults, would reasonably be expected to have a Material Adverse Effect.

3.7 ERISA Compliance; Pension Plan and Benefit Plan Compliance.

(a) Schedule 3.7 sets forth, as of the Closing Date, a complete and correct list of, and that separately identifies, (a) all Title IV Plans and (b) all Multiemployer Plans (other than any such plans which constitute Title IV Plans or Multiemployer Plans solely by reason of the application of Section 414 of the Code with respect to Persons other than Credit Parties). Except for those that would not, in the aggregate, have a Material Adverse Effect, (x) each Benefit Plan is in compliance with applicable provisions of ERISA, the Code and other Requirements of Law, (y) there are no existing or pending (or to the knowledge of any Credit Party, threatened) claims (other than routine claims for benefits in the normal course), sanctions, actions, lawsuits or other proceedings or investigation involving any Benefit Plan to which any Credit Party incurs or otherwise has or could have an obligation or any Liability and (z) no ERISA Event is reasonably expected to occur. On the Closing Date, no ERISA Event has occurred in connection with which obligations and liabilities (contingent or otherwise) remain outstanding, except as would not result in a Material Adverse Effect. To the knowledge of any Credit Party, no ERISA Affiliate would have any Withdrawal Liability as a result of a complete withdrawal from any Multiemployer Plan on the date this representation is made.

(b) Schedule 3.7 sets forth, as of the Closing Date, all Canadian Benefit Plans contributed to by each Credit Party. Each Credit Party has complied with and performed all of its obligations in all material respects under and in respect of Canadian Benefit Plans under the terms thereof and all applicable laws. All employer and employee payments, contributions or premiums to be remitted, paid to or in respect of each Canadian Benefit Plan have been paid in a timely fashion in accordance with the terms thereof, any funding agreement and all applicable laws. None of the Credit Parties maintains any Canadian Pension Plan.

(c) Except as set forth on Schedule 3.7, there are no outstanding disputes concerning the Canadian Benefit Plans.

3.8 Use of Proceeds; Margin Regulations. The proceeds of the Loans have been used solely for the purposes set forth in and permitted by Section 4.10, and have been used in compliance with Section 5.8. No Credit Party and no Subsidiary of any Credit Party is engaged in the business of purchasing or selling Margin Stock or extending credit for the purpose of purchasing or carrying Margin Stock. Proceeds of the Loans have not and shall not be used for the purpose of purchasing or carrying Margin Stock.

3.9 Ownership of Property; Title to Properties. As of the Closing Date, the Real Estate listed in Schedule 3.9 constitutes all of the Real Estate of each Credit Party and each of their respective Subsidiaries. Subject to Liens expressly permitted by Section 5.1, each of the Credit Parties and each of their respective Subsidiaries has good record and indefeasible or marketable title in fee simple to, or valid leasehold interests in, all Real Estate, and good and valid title to all owned personal property and valid leasehold interests in all leased personal property, in each instance, necessary or used in the ordinary conduct of their respective businesses. The Property of the Credit Parties and its Subsidiaries is subject to no Liens, other than Liens expressly permitted by Section 5.1. As of the Closing Date, Schedule 3.9 describes any purchase options, rights of first refusal or other similar contractual rights created by, through

or under any Credit Party and pertaining thereto with respect to any fee ownership interests of the Credit Parties in Real Estate.

3.10 Taxes. Except as set forth on Schedule 3.10, (i) all federal, state, provincial, territorial and material local and foreign income and franchise and other material tax returns, reports and statements (collectively, the "Tax Returns") required to be filed by any Tax Affiliate have been filed with the appropriate Governmental Authorities in all jurisdictions in which such Tax Returns are required to be filed, all such Tax Returns are correct and complete in all material respects, and all material amounts of Post-Petition taxes, assessments, charges and other impositions reflected therein or otherwise due and payable have been paid prior to the date on which any Liability may be added thereto for non-payment thereof except for those contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves are maintained on the books of the appropriate Tax Affiliate in accordance with GAAP, (ii) no Tax Return is under audit or examination by any Governmental Authority, and no notice of any material audit or examination or assertion of any claim for taxes has been given or made by any Governmental Authority except (x) for those contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves are maintained on the books of the appropriate Tax Affiliate in accordance with GAAP and (y) Taxes comprising interest or penalties on Pre-Petition Taxes, (iii) proper and accurate amounts have been withheld by each Tax Affiliate from their respective employees for all periods in material compliance with the tax, social security and unemployment withholding provisions of applicable Requirements of Law and such withholdings have been timely paid to the respective Governmental Authorities except where any failure to comply has not had, or could not reasonably be expected to have a, Material Adverse Effect and (iv) no Tax Affiliate has participated in a "listed transaction" within the meaning of Treasury Regulation Section 1.6011-4(b). Ad valorem Taxes and charges that were payable and unpaid as of the Petition Date and the jurisdictions to which such ad valorem Taxes and charges are due are set forth on Schedule 3.10.

3.11 Financial Condition and Approved Budget.

(a) Each of the (i) audited consolidated balance sheets of Golfsmith Holdco and its Subsidiaries, dated December 31, 2015, and the related statements of income, shareholders' equity and cash flows for the Fiscal Year then ended, (ii) unaudited consolidated balance sheet of Golfsmith Holdco and its Subsidiaries, dated June 30, 2016, and the related statements of income, shareholders' equity and cash flows for the year to date period then ended, (iii) unaudited unconsolidated balance sheets of each of GT Canada, GT USA and GT Partnership, dated June 30, 2016, and the related statements of income, shareholders' equity and cash flows for the year to date period then ended, and (iv) unaudited consolidated balance sheets of Golfsmith and its Subsidiaries, dated June 30, 2016, and the related statements of income, shareholders' equity and cash flows for the year to date period then ended:[3]

(x) were prepared in accordance with GAAP consistently applied throughout the respective periods covered thereby, except as otherwise expressly noted therein, subject to, in the case of the unaudited interim financial statements, normal year-end adjustments and the lack of footnote disclosures; and

[3] Note to Draft – Company and Antares to confirm financial reporting.

(y) present fairly in all material respects the consolidated financial condition of GT Canada and its Subsidiaries and Golfsmith and its Subsidiaries, respectively, as of the dates thereof and results of operations and cash flows for the periods covered thereby, subject to normal year-end adjustments and the lack of footnote disclosures.

(b) The Credit Parties and their Subsidiaries (i) have no Indebtedness other than Indebtedness permitted pursuant to Section 5.5 and have no Contingent Obligations other than Contingent Obligations permitted pursuant to Section 5.9 and (ii) as of the Closing Date, and except as set forth on Schedule 3.11, have no other contingent liabilities or liabilities for taxes, long-term leases or unusual forward or long-term commitments that are not reflected in the financial statements referred to in Section 3.11(a), the notes thereto or the most recent financial statements delivered by the Borrowers to Agent pursuant to Section 4.1, and which in any such case are material in relation to the business, operations, properties, assets, condition (financial or otherwise) or prospects of the Credit Parties and their respective Subsidiaries.

(c) Since the Petition Date, none of the Holding Companies has engaged in any business activities other than (i) ownership of the Stock and Stock Equivalents of the Designated Borrowers (and any other assets reasonably and customarily incidental to such ownership), (ii) activities incidental to maintenance of its corporate existence, (iii) performance of its obligations under the Loan Documents, (iv) making Investments permitted by Section 5.4(b)(i) and (v) serving as a conduit to hold and distribute cash or property in connection with Restricted Payments permitted by Section 5.11.

(d) Approved Budget. The Borrowers have heretofore furnished to the Agent the Approved Budget, such Approved Budget was prepared in good faith upon assumptions the Borrowers believed to be reasonable assumptions on the date of delivery of the then-applicable Approved Budget. To the knowledge of Borrowers, no facts exist that (individually or in the aggregate) would result in any material change in the Approved Budget. Borrowers shall thereafter deliver to Agent updates to the Approved Budget in accordance with Section 4.18.

3.12 Environmental Matters. (a) The operations of each Credit Party and each Subsidiary of each Credit Party are and have been in compliance with all applicable Environmental Laws, including obtaining, maintaining and complying with all Permits required by any applicable Environmental Law, other than non-compliances that, either individually or in the aggregate, would not have a reasonable likelihood of resulting in Material Environmental Liabilities to any Credit Party or any Subsidiary of any Credit Party, (b) no Credit Party and no Subsidiary of any Credit Party is party to, and no Credit Party and no Subsidiary of any Credit Party and no Real Estate currently (or to the knowledge of any Credit Party, previously) owned, leased, subleased, operated or otherwise occupied by or for any such Person is subject to or the subject of, any Contractual Obligation or any pending (or, to the knowledge of any Credit Party, threatened) order, action, investigation, suit, proceeding, audit, claim, demand, dispute or notice of violation or of potential liability or similar notice arising under any Environmental Law other than those that, either individually or in the aggregate, are not reasonably likely to result in Material Environmental Liabilities to any Credit Party or any Subsidiary of any Credit Party, (c) no Lien in favor of any Governmental Authority securing, in whole or in part, Environmental Liabilities has attached to any Property of any Credit Party or any Subsidiary of any Credit Party and, to the knowledge of any Credit Party, no facts, circumstances or conditions exist that could

reasonably be expected to result in any such Lien attaching to any such Property, (d) no Credit Party and no Subsidiary of any Credit Party has caused or suffered to occur a Release of Hazardous Materials at, to or from any Real Estate of such Person and each such real property is free of contamination by any Hazardous Materials except for such Release or contamination that could not reasonably be expected to result, either individually or in the aggregate, in Material Environmental Liabilities to any Credit Party or any Subsidiary of any Credit Party, (e) no Credit Party and no Subsidiary of any Credit Party (i) is or has been engaged in, or has permitted any current or former tenant to engage in, operations or (ii) knows of any facts, circumstances or conditions, including receipt of any information request or notice of potential responsibility under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. §§ 9601 et seq.) or similar Environmental Laws, that, either individually or in the aggregate, has or would have a reasonable likelihood of resulting in Material Environmental Liabilities to any Credit Party or any Subsidiary of any Credit Party and (f) each Credit Party has made available to Agent copies of all existing material environmental reports, reviews and audits and all documents pertaining to actual or potential Environmental Liabilities, in each case to the extent such reports, reviews, audits and documents are in their possession, custody or control.

3.13 Regulated Entities. None of any Credit Party, any Person controlling any Credit Party, or any Subsidiary of any Credit Party, is (a) an "investment company" within the meaning of the Investment Company Act of 1940 or (b) subject to regulation under the Federal Power Act, the Interstate Commerce Act, any state public utilities code, or any other Federal, state, Canadian federal, provincial, territorial, local or foreign statute, rule or regulation limiting its ability to incur Indebtedness, pledge its assets or perform its Obligations under the Loan Documents.

3.14 Material Adverse Effect. Other than with respect to the Insolvency Cases, since the Petition Date, there has been no event or circumstance, either individually or in the aggregate, that has had or could reasonably be expected to have a Material Adverse Effect.

3.15 Labor Relations. There are no strikes, work stoppages, slowdowns or lockouts existing, pending (or, to the knowledge of any Credit Party, threatened) against or involving any Credit Party except for those that would not, in the aggregate, reasonably be expected to have a Material Adverse Effect. Except as set forth on Schedule 3.15, as of the Closing Date, (a) there is no collective bargaining agreement with any union or labor organization covering any employee of any Credit Party or any Subsidiary of any Credit Party, (b) no petition for certification or election of any such representative is existing or pending with respect to any employee of any Credit Party and (c) no such representative has sought certification or recognition with respect to any employee of any Credit Party.

3.16 Intellectual Property. Each Credit Party and each Subsidiary of each Credit Party owns, or is licensed to use, all Intellectual Property necessary to conduct its business as currently conducted except where the failure to own or license such Intellectual Property would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect. To the knowledge of each Credit Party, (a) the conduct and operations of the businesses of each Credit Party and each Subsidiary of each Credit Party does not infringe, misappropriate, dilute, violate or otherwise impair any Intellectual Property owned by any other Person and (b) no other Person has contested any right, title or interest of any Credit Party or any Subsidiary of

any Credit Party in, or relating to, any Intellectual Property, other than, in each case, as cannot reasonably be expected to affect the Loan Documents and the transactions contemplated therein and would not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

3.17 Subsidiaries. As of the Closing Date, no Credit Party has any Subsidiaries or equity investments in any other corporation or entity other than those specifically disclosed in Schedule 3.2.

3.18 Brokers' Fees; Transaction Fees. Except for fees payable to Agent, the Lead Arranger and Lenders pursuant to the Fee Letter and fees permitted to be paid pursuant to Section 5.7, none of the Credit Parties or any of their respective Subsidiaries has any obligation to any Person in respect of any finder's, broker's or investment banker's fee in connection with the transactions contemplated hereby.

3.19 Insurance. Each of the Credit Parties and each of their respective Subsidiaries and their respective Properties are insured with financially sound and reputable insurance companies which are not Affiliates of the Borrowers, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar businesses and owning similar Properties in localities where such Person operates. Schedule 3.19 sets forth a true and complete listing of such insurance, including issuers, coverage and deductibles.

3.20 Bonding. Except as set forth in Schedule 3.20, as of the Closing Date, no Credit Party is a party to or bound by any surety bond agreement, indemnification agreement therefor or bonding requirement with respect to products or services sold by it.

3.21 Full Disclosure. None of the representations or warranties made by any Credit Party or any of their Subsidiaries in the Loan Documents as of the date such representations and warranties are made or deemed made, and none of the statements contained in each exhibit, report, statement or certificate furnished by or on behalf of any Credit Party or any of their Subsidiaries in connection with the Loan Documents (including the offering and disclosure materials, if any, delivered by or on behalf of any Credit Party to Agent or the Lenders prior to the Closing Date), when taken as a whole, contains any untrue statement of a material fact or omits any material fact known to any Credit Party or any of their Subsidiaries required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they are made, not misleading as of the time when made or delivered, except that any such information consisting of financial projections prepared by the Holding Companies or the Borrowers is only represented herein as being based on good faith estimates and assumptions believed by such Persons to be reasonable at the time made, it being recognized by the Lenders that such projections as to future events are not to be viewed as facts and that actual results during the period or periods covered by any such projections may differ materially from the projected results.

3.22 Foreign Assets Control Regulations and Anti-Money Laundering. Each Credit Party and each Subsidiary of each Credit Party is and will remain in compliance in all material respects with all applicable economic sanctions laws and all applicable anti-money laundering and counter-terrorism financing laws, including all U.S. economic sanctions laws, Executive Orders and implementing regulations as promulgated by OFAC, and all applicable anti-money

laundering and counter-terrorism financing provisions of the Bank Secrecy Act and all regulations issued pursuant to it, the provisions of the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the *Criminal Code* (Canada), the *United Nations Act* (Canada), the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B Chapter V, as amended) and any other enabling legislation or executive order relating thereto, the Patriot Act, and other federal, provincial, territorial, local or foreign laws relating to "know your customer" and anti-money laundering rules and regulations. No Credit Party and no Subsidiary or Affiliate of a Credit Party (i) is a Person designated by the U.S. government on the list of the Specially Designated Nationals and Blocked Persons (the "SDN List") with which a U.S. Person cannot deal with or otherwise engage in business transactions, (ii) is a Person who is otherwise the target of U.S. economic sanctions laws such that a U.S. Person cannot deal or otherwise engage in business transactions with such Person, (iii) is a Person designated by the Canadian government on any list set out in the United Nations Al-Qaida and Taliban Regulations, the Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism or the Criminal Code (collectively, the "Terrorist Lists") with which a Canadian Person cannot deal with or otherwise engage in business transactions, (iv) is a Person who is otherwise the target of Canadian economic sanctions laws such that a Canadian Person cannot deal or otherwise engage in business transactions with such Person, or (v) is controlled by (including by virtue of such person being a director or owning voting shares or interests), or acts, directly or indirectly, for or on behalf of, any person or entity on the SDN List, any Terrorist List or a foreign government that is the target of U.S. or Canadian economic sanctions prohibitions such that the entry into, or performance under, this Agreement or any other Loan Document would be prohibited under any applicable law.

3.23 Patriot Act. The Credit Parties and each of their Subsidiaries are in compliance, in all material respects, with (a) the Trading with the Enemy Act, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B Chapter V, as amended) and any other enabling legislation or executive order relating thereto, (b) the Patriot Act and (c) other federal or state laws relating to "know your customer" and anti-money laundering rules and regulations. No part of the proceeds of any Loan will be used directly or indirectly for any payments to any government official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977 or any other applicable laws.

3.24 EEA Financial Institutions. No Credit Party is an EEA Financial Institution.

3.25 Reorganization Matters.

(a) Chapter 11 Cases.

(i) The Chapter 11 Cases were commenced on the Petition Date in accordance with applicable law and proper notice thereof was given for (i) the motion seeking approval of the Loan Documents and the Interim Order and Final Order, (ii) the hearing for the entry of the Interim Order, and (iii) the hearing for the entry of the Final Order. Credit Parties shall give, on a timely basis as specified in the Interim Order or the

Final Order, as applicable, all notices required to be given to all parties specified in the Interim Order or Final Order, as applicable.

(ii) After the entry of the Interim Order, and pursuant to and to the extent permitted in the Interim Order and the Final Order, the Obligations will constitute allowed administrative expense claims in the Chapter 11 Cases having priority over all administrative expense claims and unsecured claims against the Credit Parties now existing or hereafter arising, of any kind whatsoever, including all administrative expense claims of the kind specified in Sections 105, 326, 330, 331, 503(b), 506(c), 507(a), 507(b), 546(c), 726, 1114 or any other provision of the Bankruptcy Code or otherwise, as provided under Section 364(c)(l) of the Bankruptcy Code, subject to the priorities set forth in the Interim Order or Final Order, as applicable.

(iii) After the entry of the Interim Order and pursuant to and to the extent provided in the Interim Order and the Final Order, the Obligations will be secured by a valid and perfected first priority Lien on all of the Collateral subject, as to priority, only to the U.S. Carve-Out.

(iv) The Interim Order (with respect to the period on and after entry of the Interim Order and prior to entry of the Final Order) or the Final Order (with respect to the period on and after entry of the Final Order), as the case may be, is in full force and effect and has not been reversed, stayed (whether by statutory stay or otherwise), modified or amended without Agent's consent.

(v) Notwithstanding the provisions of Section 362 of the Bankruptcy Code, and subject to the applicable provisions of the Interim Order or the Final Order, as the case may be, upon the maturity (whether by acceleration or otherwise) of any of the Obligations, Agent and Lenders shall be entitled to immediate payment of such Obligations and to enforce the remedies provided for hereunder or under applicable law, without further notice, motion or application to, hearing before, or order from, the Bankruptcy Court.

(b) CCAA Proceedings.

(i) The CCAA Proceedings were commenced on the Petition Date in accordance with applicable Canadian law. The Canadian Debtors shall give, on a timely basis as specified in the Initial Order, all notices required to be given to all parties specified in the Initial Order.

(ii) After the issuance and entry of the Initial Order, and pursuant to and to the extent permitted in the Initial Order, the Obligations will constitute secured claims having priority over all unsecured claims against the Credit Parties now existing or hereafter arising, of any kind whatsoever, and will be subject, as to priority only, to certain priority charges permitted in the Initial Order.

(iii) After the issuance and entry of the Initial Order and pursuant to and to the extent provided in the Initial Order, the Obligations will be secured by a valid

and perfected first priority Lien on all of the Collateral, except for certain priority charges permitted in the Initial Order.

(iv) The Initial Order is in full force and effect and has not been reversed or stayed, or modified, supplemented or amended in a manner that affects the Borrowers' financing arrangements without Agent's consent, in each case, except to the extent agreed in writing by Agent.

(v) Subject to the applicable provisions of the Initial Order, upon the maturity (whether by acceleration or otherwise) of any of the Obligations, Agent and Lenders shall be treated as unaffected by and in any plan or arrangement or compromise filed by the Canadian Debtors under the CCAA or any proposal filed by the Canadian Debtors under the BIA.

ARTICLE IV. - AFFIRMATIVE COVENANTS

Each Credit Party covenants and agrees that, so long as any Lender shall have any Revolving Loan Commitment hereunder, or any Loan or other Obligation (other than contingent indemnification Obligations to the extent no claim giving rise thereto has been asserted) shall remain unpaid or unsatisfied:

4.1 Financial Statements. Each Credit Party shall maintain, and shall cause each of its Subsidiaries to maintain, a system of accounting established and administered in accordance with sound business practices to permit the preparation of financial statements in conformity with GAAP (provided that monthly financial statements shall not be required to have footnote disclosures and are subject to normal year-end adjustments). The Borrowers shall deliver to Agent, for itself and the benefit of each Lender, by Electronic Transmission and in detail reasonably satisfactory to Agent:

(a) as soon as available, but not later than one hundred twenty (120) days after the end of each Fiscal Year, (i) a copy of the audited consolidated balance sheet of Golfsmith Holdco and its Subsidiaries as at the end of such Fiscal Year, together with the related statements of income or operations, shareholders' equity and cash flows for such Fiscal Year, and accompanied by the unqualified opinion of any "Big Four" or other nationally recognized independent public accounting firm reasonably acceptable to Agent, stating that such consolidated financial statements present fairly in all material respects the financial position for the periods indicated in conformity with GAAP, (ii) a copy of (A) the unaudited unconsolidated balance sheet of each of GT Canada, GT USA and GT Partnership and (B) the unaudited consolidated balance sheet of Golfsmith and its Subsidiaries, in each case, as at the end of such Fiscal Year and, in each case, together with the related statements of income or operations, shareholders' equity and cash flows for such Fiscal Year, (iii) an unaudited copy of the financial statements referred to in clauses (i) and (ii) above setting forth in comparative form the figures for the previous Fiscal Year, and in each case, discussing the reasons for any significant variations, and in the case of clauses (ii) and (iii) above, all certified on behalf of the Borrowers by an appropriate Responsible Officer of the Borrower Representative as fairly presenting, in all material respects, in accordance with GAAP, the financial position and the results of operations of (x) each of GT Canada, GT USA and GT Partnership on an unconsolidated basis and (y)

Golfsmith and its Subsidiaries on a consolidated basis, as applicable, (iv) a statement setting forth the percentage change in Store sales of (A) "Golf Town" concept Stores and "Golfsmith" concept Stores, in each case, for such Fiscal Year compared to the corresponding information for the previous Fiscal Year with an explanation of any significant variations and (v) a report setting forth the number of Stores operated by the Borrowers as "Golf Town" concept Stores and as "Golfsmith" concept Stores, in each case, together with a summary of new Stores opened during such Fiscal Year and the number of Stores closed during such Fiscal Year;

(b) as soon as available, but not later than thirty (30) days after the end of each Fiscal Month (or, (x) in the case of a Fiscal Month that is also the end of a Fiscal Quarter, forty-five (45) days and (y) in the case of a Fiscal Month that is also the end of a Fiscal Year, sixty (60) days), (i) a copy of the unaudited (A) consolidated balance sheet of Golfsmith Holdco and its Subsidiaries, (B) unconsolidated balance sheet of each of GT Canada, GT USA and GT Partnership and (C) consolidated balance sheet of Golfsmith and its Subsidiaries, in each case, as at the end of such Fiscal Month and, in each case, together with the related statements of income or operations, shareholders' equity and cash flows for such Fiscal Month, in each case, setting forth in comparative form the figures for the corresponding periods of the previous Fiscal Year and, in each case, discussing the reasons for any significant variations, all certified on behalf of the Borrowers by an appropriate Responsible Officer of the Borrower Representative as fairly presenting, in all material respects, in accordance with GAAP, the financial position and the results of operations of Golfsmith Holdco and its Subsidiaries on a consolidated basis, Golfsmith and its Subsidiaries on a consolidated basis and each of GT Canada, GT USA and GT Partnership, on an unconsolidated basis, as applicable, subject to normal year-end adjustments and absence of footnote disclosures, (ii) a statement setting forth the percentage change in store sales of "Golf Town" concept Stores and "Golfsmith" concept Stores, in each case, for such Fiscal Month and for the portion of the Fiscal Year then ended compared to the corresponding information for the corresponding Fiscal Month of the previous Fiscal Year and for the corresponding portion of the previous Fiscal Year with an explanation of any significant variations and (iii) a report setting forth the number of Stores operated by the Borrowers as "Golf Town" concept Stores and "Golfsmith" concept Stores, in each case, together with a summary of new Stores opened during such Fiscal Month and for the portion of the Fiscal Year then ended and the number of Stores closed during such Fiscal Month and for the portion of the Fiscal Year then ended by each such Person.

4.2 Certificates; Other Information. The Borrowers shall furnish in electronic form, to Agent, for itself and the benefit of each Lender:

(a) upon the request of Agent, and in any event no more frequently than once per each Fiscal Month of the Borrowers, a management discussion and analysis report, in a form and substance satisfactory to Agent prior to the date hereof, in reasonable detail, signed by the chief financial officer of the Borrower Representative, describing the operations and financial condition of the Credit Parties and their Subsidiaries for the Fiscal Quarter and the portion of the Fiscal Year then ended (or for the Fiscal Year then ended in the case of annual financial statements), as well as for the corresponding periods of the previous Fiscal Year;

(b) concurrently with the delivery of the financial statements referred to in Sections 4.1(a) and 4.1(b) above, a fully and properly completed "Compliance Certificate" in the

form of Exhibit 4.2(b), certified on behalf of the Borrowers by a Responsible Officer of the Borrower Representative;

(c) promptly after the same are sent, copies of all financial statements which any Credit Party sends to its equity holders, generally, and promptly after the same are filed, copies of all financial statements and regular, periodic or special reports which such Person may make to, or file with, the Securities and Exchange Commission or any successor or similar Governmental Authority;

(d) as soon as available and in any event by no later than 11:00 a.m. on Tuesday of each week, a Borrowing Base Certificate, certified on behalf of the Borrowers by a Responsible Officer of the Borrower Representative, setting forth the Revolving Credit Borrowing Base, determined as of the close of business on the previous Saturday, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion, including (i) calculations of Inventory itemizing separately, in-transit Inventory, Inventory located at Stores to be closed pursuant to Permitted Store Closing Sales and Inventory located at non-closing Stores, together with back-up information for in-transit Inventory categories and (ii) an Inventory and Accounts roll forward, in each case, in form and substance reasonably satisfactory to Agent;

(e) as soon as available and in any event by no later than 5:00 p.m. on Thursday of each week, (i) an accounts receivable aging (including a summary of both Pre-Petition and Post-Petition accounts receivable) showing (A) wholesale accounts receivable, outstanding aged from invoice date as follows: 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more and (B) credit card receivables accompanied by a statement showing credit card receivables aged from 1 to 5 days and 5 days or more, (ii) an accounts payable aging (including a summary of both Pre-Petition and Post-Petition accounts payable) and (iii) an accounts payable and accrual report, in each case, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(f) as soon as available and in any event by no later than 5:00 p.m. on Thursday of each week, a summary of Inventory by location and type (including SKU-level detail), accompanied by such supporting documentation (including a supporting perpetual Inventory report) as shall be requested by Agent in its reasonable discretion and with detail sufficient to permit the preparation of an updated inventory appraisal;

(g) to Agent, at the time of delivery of each of the monthly financial statements delivered pursuant to Sections 4.1(b), a reconciliation of the most recent Borrowing Base Certificate, Inventory report, wholesale accounts receivable aging and accounts payable aging of each of GT Canada, GT USA, GT Partnership and Golfsmith and its Subsidiaries to such Borrower's general ledger and monthly financial statements delivered pursuant to Section 4.1(b), accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(h) at the time of delivery of each of the annual financial statements delivered pursuant to Section 4.1(a), (i) a listing of government contracts of each Credit Party subject to the Federal Assignment of Claims Act of 1940, the *Financial Administration Act* (Canada) or

any similar Requirement of Law; and (ii) a list of any applications for the registration of any Patent, Trademark or Copyright filed by any Credit Party with the United States Patent and Trademark Office, the United States Copyright Office, the Canadian Intellectual Property Office or any similar office or agency in the prior Fiscal Year, together with a short-form intellectual property security agreement in the form attached as Annex 3 to the applicable Guaranty and Security Agreement with respect to any registered Copyrights, Trademarks or Patents obtained after the Closing Date for which a short-form intellectual property security agreement has not previously been delivered;

(i) promptly upon receipt thereof, copies of any final reports submitted by the certified public accountants in connection with each annual, interim or special audit or review of any type of the financial statements or internal control systems of any Credit Party made by such accountants, including any final comment letters submitted by such accountants to management of any Credit Party in connection with their services;

(j) with reasonable promptness, such additional business, financial, corporate affairs, and other information as Agent may from time to time reasonably request; and

(k) as soon as practicable after each Fiscal Quarter, but in any event no later than forty-five (45) days following the end of each Fiscal Quarter (or more frequently at the election of the Credit Parties), updated Schedules 3.2, 3.5, 3.9, and 3.19, in substantially the same form as the most recent schedule of the same delivered to Agent's reasonable satisfaction and it being understood that only those updated Schedules which are in form and substance reasonably satisfactory to Agent shall replace any such prior schedule for the purposes of this Agreement.

4.3 Notices. The Borrowers shall notify promptly Agent, for itself and the benefit of each Lender, of each of the following (and in no event later than five (5) Business Days after a Responsible Officer becoming aware thereof):

(a) the occurrence or existence of any Default or Event of Default;

(b) except as is permitted pursuant to Section 4.20 or otherwise approved by the applicable Insolvency Court, any breach or non-performance of, or any default under, any Contractual Obligation of any Credit Party or any Subsidiary of any Credit Party, or any violation of, or non-compliance with, any Requirement of Law, which would reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect, including a description of such breach, non-performance, default, violation or non-compliance and the steps, if any, such Person has taken, is taking or proposes to take in respect thereof;

(c) any dispute, litigation, investigation, proceeding or suspension which may exist at any time between any Credit Party or any Subsidiary of any Credit Party and any Governmental Authority which would reasonably be expected to result, either individually or in the aggregate, a Material Adverse Effect;

(d) after the Petition Date, the commencement of, or any material development in, any litigation or proceeding against any Credit Party or any Subsidiary of any Credit Party (i) in which the amount of damages claimed is $250,000 or more, (ii) in which

injunctive or similar relief is sought and which, if adversely determined, would reasonably be expected to have a Material Adverse Effect, or (iii) in which the relief sought is an injunction or other stay of the performance of this Agreement or any other Loan Document;

(e) (i) the receipt by any Credit Party of any notice of violation of or potential liability or similar written notice under Environmental Law that could reasonably be expected to result in Environmental Liabilities in excess of $325,000, (ii)(A) unpermitted Releases, (B) the existence of any condition that could reasonably be expected to result in material violations of or liabilities under, any Environmental Law or (C) the commencement of, or any material change to, any action, investigation, suit, proceeding, audit, claim, demand, dispute alleging a violation of or liability under any Environmental Law, that, for each of clauses (A), (B) and (C) above, in the aggregate for each such clause, could reasonably be expected to, either individually or in the aggregate, result in outstanding Environmental Liabilities in excess of $325,000, (iii) the receipt by any Credit Party of notification that any Property of any Credit Party is subject to any Lien in favor of any Governmental Authority securing, in whole or in part, Environmental Liabilities and (iv) any proposed acquisition or lease of Real Estate, if such acquisition or lease would have a reasonable likelihood of resulting in aggregate Environmental Liabilities in excess of $325,000;

(f) (i) on or prior to any filing by any ERISA Affiliate of any notice of intent to terminate any Title IV Plan, which could reasonably be expected to result in a Credit Party incurring material liability, a copy of such notice, (ii) promptly, and in any event within ten (10) days, after any Responsible Officer is aware or has reason to know that a request for a minimum funding waiver under Section 412 of the Code has been filed with respect to any Title IV Plan or Multiemployer Plan, a notice (which may be made by telephone if promptly confirmed in writing) describing such waiver request and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notice filed with the PBGC or the IRS pertaining thereto and (iii) promptly, and in any event within ten (10) days after any officer of any ERISA Affiliate knows or has reason to know that an ERISA Event will or has occurred which could reasonably be expected to result in liabilities in excess of $250,000, a notice describing such ERISA Event, and any action that any ERISA Affiliate proposes to take with respect thereto, together with a copy of any notices received from or filed with the PBGC, IRS, Multiemployer Plan or other Benefit Plan pertaining thereto;

(g) the occurrence of any Material Adverse Effect subsequent to the Petition Date;

(h) any material change in accounting policies or financial reporting practices by any Credit Party or any Subsidiary of any Credit Party;

(i) any labor controversy resulting in or threatening to result in any strike, work stoppage, boycott, shutdown or other labor disruption against or involving any Credit Party or any Subsidiary of any Credit Party if the same would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect;

(j) the creation, establishment or acquisition of any Subsidiary or the issuance by or to any Credit Party of any Stock or Stock Equivalent;

(k) (i) the creation, or filing with the IRS, the CRA or any other Governmental Authority, of any Contractual Obligation or other document extending, or having the effect of extending, the period for assessment or collection of any taxes with respect to any Tax Affiliate and (ii) the creation of any Contractual Obligation of any Tax Affiliate, or the receipt of any request directed to any Tax Affiliate, to make any adjustment under Section 481(a) of the Code, by reason of a change in accounting method or otherwise which, in either case, would have a Material Adverse Effect;

(l) receipt of any notice or communication from the IRS or any other Governmental Authority stating any such Person's proposal or intent to file a lien against such Credit Party or such Subsidiary or any such Person's intent to levy or seize any property of such Credit Party or such Subsidiary, in each case, on account of tax liabilities with an aggregate amount in excess of $250,000, together with copies of any document related to such notice;

Each notice pursuant to this Section 4.3 shall be in electronic form accompanied by a statement by a Responsible Officer of the Borrower Representative, on behalf of the Borrowers, setting forth details of the occurrence referred to therein reasonably acceptable to Agent along with any supporting documentation or information reasonably requested by Agent, and stating what action the Borrowers or other Person proposes to take with respect thereto and at what time. Each notice under Section 4.3(a) shall describe with particularity any and all clauses or provisions of this Agreement or other Loan Document that have been breached or violated to the extent such breach or violation constitutes a Default or Event of Default.

4.4 Preservation of Corporate Existence, Etc. Except as occasioned by the Insolvency Cases, each Credit Party shall, and shall cause each of its Subsidiaries to:

(a) preserve and maintain in full force and effect its organizational existence and good standing under the laws of its jurisdiction of incorporation, organization or formation, as applicable, except in connection with transactions permitted by Section 5.3;

(b) preserve and maintain in full force and effect all rights, privileges, qualifications, permits, licenses and franchises necessary in the normal conduct of its business except in connection with transactions permitted by Section 5.3 and sales of assets permitted by Section 5.2 and except as would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect;

(c) together with the other Credit Parties and the other Subsidiaries, taken as a whole, continue to engage primarily in the sale, at retail and at wholesale, of golfing merchandise and related merchandise;

(d) preserve or renew all of its registered trademarks, trade names and service marks, the non preservation of which would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect; and

(e) conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any respect and shall comply in all respects with the terms of its IP Licenses except, in each case, as would not be expected to have, either individually or in the aggregate, a Material Adverse Effect.

4.5 Maintenance of Property. Each Credit Party shall maintain, and shall cause each of its Subsidiaries to maintain, and preserve all its Property which is used or useful in its business in working order and condition, ordinary wear and tear excepted, and except with respect to worn-out, permanently retired or other assets no longer used or useful in the business to the extent not included in the calculation of the Revolving Credit Borrowing Base, and shall make all necessary repairs thereto consistent with industry practice and renewals and replacements thereof, except in each case where the failure to do so would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

4.6 Insurance.

(a) Each Credit Party shall, and shall cause each of its Subsidiaries to, (i) maintain or cause to be maintained in full force and effect all policies of insurance of any kind with respect to the Property and businesses of the Credit Parties and such Subsidiaries (including policies of fire, theft, product liability, public liability, Flood Insurance, property damage, other casualty, employee fidelity, workers' compensation, business interruption and employee health and welfare insurance) with financially sound and reputable insurance companies or associations (in each case that are not Affiliates of Borrowers) of a nature and providing such coverage as is sufficient and as is customarily carried by businesses of the size and character of the business of the Credit Parties and (ii) cause all such insurance relating to any Property or business of any Credit Party to name Agent as additional insured or lenders loss payee, as appropriate. All policies of insurance on real and personal Property of the Credit Parties will contain an endorsement, in form and substance acceptable to Agent, showing Agent as a lenders loss payee (Form CP 1218 or equivalent) and extra expense and business interruption endorsements. Such endorsement, or an independent instrument furnished to Agent, will provide that the insurance companies will give Agent at least thirty (30) days' prior written notice before any such policy or policies of insurance shall be altered or canceled and that no act or default of any Credit Party, any Subsidiary of any Credit Party or any other Person shall affect the right of Agent to recover under such policy or policies of insurance in case of loss or damage. Each Credit Party shall direct all present and future insurers under its "All Risk" policies of property insurance to pay all proceeds payable thereunder directly to Agent. If any insurance proceeds are paid by check, draft or other instrument payable to any Credit Party and Agent jointly, Agent may endorse such Credit Party's name thereon and do such other things as Agent may deem advisable to reduce the same to cash. Notwithstanding the requirement in clause (i) above, Federal Flood Insurance shall not be required (x) for any improvements on any owned Real Estate not located in a Special Flood Hazard Area, or (y) to the extent that any improvements on any owned Real Estate is located in a Special Flood Hazard Area in a community that does not participate in the National Flood Insurance Program.

(b) Unless the Borrowers provide Agent with evidence of the insurance coverage required by this Agreement when reasonably requested by Agent (including Flood Insurance subject to the limitations in clause (a) above), Agent may purchase insurance (including Flood Insurance subject to the limitations in clause (a) above) at the Credit Parties' expense; provided that Agent shall only purchase insurance coverage to the extent of the deficiency, as determined in its reasonable judgment, as compared to the insurance coverage required by this Agreement. If Agent purchases insurance in accordance with the terms of this Agreement, the Credit Parties will be responsible for the reasonable costs of such insurance until

the effective date of the cancellation or expiration thereof. The costs of the insurance shall be added to the Obligations.

4.7 Canadian Plans. Each Credit Party shall, and shall cause each of its Subsidiaries to, make all payments to the extent necessary to avoid the imposition of a Lien with respect to, or the involuntary termination of any underfunded Benefit Plan or Canadian Benefit Plan.

4.8 Compliance with Laws; Pension Plans and Benefit Plans.

(a) Each Credit Party shall, and shall cause each of its Subsidiaries to, comply with all Requirements of Law of any Governmental Authority having jurisdiction over it or its business, except where the failure to comply would not reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect.

(b) Without limiting the generality of the foregoing, each Credit Party shall, and shall cause each of its Subsidiaries to, comply with, and maintain its Real Estate, whether owned, leased, subleased or otherwise operated or occupied, in compliance with, all applicable Environmental Laws (including by implementing any Remedial Action necessary to achieve such compliance or that is required by orders and directives of any Governmental Authority) except for failures to comply that would not, either individually or in the aggregate, have a Material Adverse Effect. Without limiting the foregoing, if an Event of Default is continuing or if Agent at any time has a reasonable basis to believe that there exist violations of Environmental Laws by any Credit Party or any Subsidiary of any Credit Party or that there exist any Environmental Liabilities, in each case, that would have, either individually or in the aggregate, a Material Adverse Effect, then each Credit Party shall, promptly upon receipt of request from Agent and subject to any applicable lease restrictions, cause the performance of, and allow Agent and its Related Persons access to such Real Estate for the purpose of conducting, such environmental audits and assessments, including subsurface sampling of soil and groundwater, and cause the preparation of such reports, in each case as Agent may from time to time reasonably request, subject to any limitations set forth in any lease that is in existence on the Closing Date and as in effect on the Closing Date and so long as such Credit Party has taken commercially reasonable efforts to obtain a waiver from the lessor under any such lease of any provision that prevents compliance by the applicable Credit Party with the requirements of this Section 4.8(b). Such audits, assessments and reports, to the extent not conducted by Agent or any of its Related Persons, shall be conducted and prepared by reputable environmental consulting firms reasonably acceptable to Agent and shall be in form and substance reasonably acceptable to Agent.

(c) For each hereafter adopted, Canadian Pension Plan and each existing or hereafter adopted Canadian Benefit Plan, each Credit Party shall in a timely fashion comply with and perform in all material respects all of its obligations under and in respect of such Canadian Pension Plan or Canadian Benefit Plan, including under any funding agreements and all applicable laws (including any fiduciary, funding, investment and administration obligations).

(d) All employer or employee payments, contributions or premiums required to be remitted, paid to or in respect of each Canadian Pension Plan or Canadian Benefit Plan

shall be paid or remitted by each Credit Party in a timely fashion in accordance with the terms thereof, any funding agreements and all applicable laws.

(e) Borrowers shall deliver to Agent (i) copies of each annual and other material return, report or valuation with respect to each Canadian Pension Plan as filed with any applicable Governmental Authority; (ii) promptly after receipt thereof, a copy of any material direction, order, notice, ruling or opinion that any Credit Party may receive from any applicable Governmental Authority with respect to any Canadian Pension Plan; and (iii) notification within thirty (30) days of any increases having a cost to one or more of the Credit Parties in excess of $100,000 per annum in the aggregate, in the benefits of any existing Canadian Benefit Plan, or the establishment of any new Canadian Pension Plan or Canadian Benefit Plan, or the commencement of contributions to any such plan to which any Credit Party was not previously contributing.

4.9 Inspection of Property and Books and Records.

(a) Each Credit Party shall maintain and shall cause each of its Subsidiaries to maintain proper books of record and account, in which full, true and correct entries in all material respects and in the form necessary for the preparation of financial statements in conformity with GAAP consistently applied shall be made of all financial transactions and matters involving the assets and business of such Person.

(b) Each Credit Party shall, and shall cause each of its Subsidiaries to, with respect to each owned, leased, or controlled property, during normal business hours and upon reasonable advance notice (unless an Event of Default shall have occurred and be continuing, in which event no notice shall be required and Agent shall have access at any and all times during the continuance thereof): (a) provide access to such property to Agent and any of its Related Persons, as frequently as Agent reasonably determines to be appropriate; (b) permit Agent (and any of its Related Persons including collateral auditors chosen by and satisfactory to Agent) to conduct field examinations of, audit, inspect and review the Credit Parties' Collateral and make extracts and copies (or take originals if reasonably necessary) from all of such Credit Party's books and records; (c) permit Agent (and any of its Related Persons, including appraisers chosen by and satisfactory to Agent) to inspect, review, evaluate and make physical verifications and appraisals of all or any portion of Collateral in any manner and through any medium that Agent considers advisable, in each instance, at the Credit Parties' expense, and (d) permit Agent and any of its Related Persons to discuss with its officers, senior management, independent accountants, financial advisors, restructuring advisors, sales consultants, investment bankers and other consultants such Credit Party's business, financial condition, assets (including Inventory and Credit Card Receivables), prospects and results of operations. The Credit Parties shall be obligated to reimburse Agent for the expenses of field examinations, audits, appraisals, desktop appraisals, and inspections as requested by Agent in its reasonable discretion, but not more frequently than (i) once per Fiscal Quarter with respect to collateral audits or field examinations, (ii) once per Fiscal Quarter with respect to appraisals, with interim desktop appraisals to be performed upon Agent's request from time to time in Agent's reasonable credit judgment.

4.10 Use of Proceeds. The Borrowers shall use the proceeds of the Loans and Letters of Credit and any Cash Collateral solely as follows: (a) on the Closing Date, to pay costs and

expenses associated with the closing of the transactions under this Agreement, including those required to be paid pursuant to Section 2.1 and (b) on or after the Closing Date, to fund the Insolvency Cases in accordance with the Approved Budget and for the financing of Borrowers' ordinary working capital, letters of credit and other general corporate needs including certain fees and expenses of professionals retained by the Credit Parties, subject to the U.S. Carve-Out, the Canadian Carve-Out and the D&O Charge, and for certain other Pre-Petition and pre-filing expenses that are approved by the applicable Insolvency Court and permitted by the Approved Budget. Credit Parties shall not be permitted to use the proceeds of the Loans, Letters of Credit or any Cash Collateral in contravention of the provisions of the applicable Order of the applicable Insolvency Laws, including any restrictions or limitations on the use of proceeds contained therein. For greater certainty, the Borrowers shall not use the Loans advanced hereunder to repay the Prior Lender Obligations; provided, however, that nothing in this Agreement, including this Section 4.10, shall prohibit the Post-Petition payment of Prior Lender Obligations, including principal, interest, fees, penalties or recoverable costs, due and payable in connection with the Pre-Petition Credit Agreement with the proceeds of Collateral (as defined herein) or Collateral (as defined in the Pre-Petition Credit Agreement).

4.11 Cash Management Systems.

(a) The Interim Order (or the Final Order, when applicable) and the Initial Order shall grant Agent, on behalf of Secured Parties, a validly perfected first priority Lien on each Control Account. Each Credit Party shall establish and maintain cash management arrangements and procedures, including with respect to its Control Accounts, reasonably satisfactory to Agent. To the extent not otherwise addressed in the applicable Order or the Cash Management Order, each Credit Party shall enter into, and cause each depository, securities intermediary or commodities intermediary to enter into, Control Agreements with respect to each Control Account (other than any Excluded Account) maintained by such Credit Party (other than as may be agreed to by Agent in writing). Upon entry of the Cash Management Order and the applicable Orders, each Credit Party shall (a) cause all payments (including all cash, checks, drafts or other similar payment items) received by such Credit Party each day to be deposited into a Control Account subject to a Control Agreement or to the Concentration Account within one (1) Business Day following receipt, or (b) cause all funds in local store Control Accounts not subject to a Control Agreement ("Local Control Accounts") to be transferred on a daily basis to the Concentration Account and (c) cause all funds in the Control Accounts (other than the Concentration Account) to be transferred on a daily basis to the Concentration Account.

(b) Funds in each such account containing Canadian Dollar deposits and items in lockboxes denominated in Canadian Dollars shall be deposited into a collection account chosen by Agent capable of accepting Canadian Dollars. Funds in each such account containing Dollar deposits and items in lockboxes denominated in Dollars shall be deposited into a collection account chosen by Agent capable of accepting Dollars. Funds in each such account containing deposits and items, in each case, denominated in a currency other than Dollars or Canadian Dollars shall be deposited into a collection account chosen by Agent capable of accepting deposits and items in such currency and, in each case, each such depository, securities intermediary or commodities intermediary shall honor all such instructions from Agent. With respect to each of the foregoing, prior to the transfer of any funds or items into any account of Agent, Agent shall be entitled to require that funds and items be converted (at the applicable

Spot Rate) into the currency of the Obligations being repaid to the extent necessary to preserve the order of payments set forth in Section 1.10(c) or 1.10(d), as applicable.

4.12 Landlord Agreements. As reasonably requested by Agent and to the extent not otherwise addressed to Agent's reasonable satisfaction in the applicable Order, if any Credit Party enters into a lease following the Closing Date, in each case, to the extent any such location contains assets included in the calculation of the Revolving Credit Borrowing Base at such time, such Credit Party shall (except as otherwise agreed by Agent), simultaneously with the entry into such lease, obtain a Lien Waiver from each lessor with respect thereto. Nothing contained in the foregoing shall limit Agent's ability to establish or modify Reserves or standards of eligibility in accordance with this Agreement (including as such may relate to Store locations).

4.13 Further Assurances.

(a) Each Credit Party shall ensure that all written information, exhibits and reports furnished to Agent or the Lenders do not and will not contain any untrue statement of a material fact and do not and will not omit to state any material fact or any fact necessary to make the statements contained therein not misleading in light of the circumstances in which made, and will promptly disclose to Agent and the Lenders and correct any defect or error that may be discovered therein or in any Loan Document or in the execution, acknowledgement or recordation thereof.

(b) Promptly upon the reasonable request by Agent, the Credit Parties shall (and shall cause each of their Subsidiaries to) take such additional actions as Agent may reasonably require from time to time in order to (i) carry out more effectively the purposes of this Agreement or any other Loan Document, (ii) subject to the Liens created by any of the Collateral Documents or the Orders any of the Properties, rights or interests covered by any of the Collateral Documents or the Orders, (iii) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and the Orders and the Liens intended to be created thereby, and (iv) better assure, convey, grant, assign, transfer, preserve, protect and confirm to the Secured Parties the rights granted or now or hereafter intended to be granted to the Secured Parties under any Loan Document or under any other document executed in connection therewith.

(c) Without limiting the generality of Section 4.13(b) and except to the extent a security interest is perfected (and in Agent's reasonable judgment is expected to remain perfected) in accordance with the applicable Orders, the Credit Parties shall cause each of their Subsidiaries (other than Excluded Subsidiaries and Joint Ventures to the extent prohibited by the Organization Documents applicable thereto) to guaranty the Obligations and to cause each such Subsidiary to grant to Agent, for the benefit of the Secured Parties, a security interest in, subject to the limitations hereinafter set forth, all of such Subsidiary's Property to secure such guaranty.

(d) Furthermore and except to the extent a security interest is perfected (and in Agent's reasonable judgment is expected to remain perfected) in accordance with the applicable Orders and except in the case of any Joint Venture whose Organization Documents prohibit such actions, each Credit Party shall, and shall cause (x) each of its Subsidiaries (other than Excluded Subsidiaries) to pledge (1) all of the Stock and Stock Equivalents of each of its Subsidiaries

(other than Excluded Subsidiaries) and (2), in the case of Domestic Subsidiaries (other than Excluded Subsidiaries) referred to in clause (a) of the definition thereof, sixty-five percent (65%) of each of its Excluded Subsidiary's outstanding voting Stock and Stock Equivalents and one hundred percent (100%) of such Excluded Subsidiary's outstanding non-voting Stock and Stock Equivalents, in each case, owned by such Credit Party or such Subsidiary that is not an Excluded Subsidiary to Agent, for the benefit of the Secured Parties, to secure the Obligations. In connection with each pledge of Stock and Stock Equivalents, the Credit Parties shall deliver, or cause to be delivered, to Agent, irrevocable proxies and stock powers and/or assignments, as applicable, duly executed in blank.

(e) Except to the extent a security interest in such Collateral is perfected (and in Agent's reasonable judgment is expected to remain perfected) in accordance with the applicable Orders, each Credit Party agrees that, should it obtain an ownership or other interest in any intellectual property after the Closing Date, such Credit Party shall, upon request of Agent, provide Agent a short-form intellectual property security agreement in the form attached as Annex 3 to the applicable Guaranty and Security Agreement with respect to any registered Copyrights, Trademarks or Patents obtained after the Closing Date, all in accordance with Section 5.6(e) of the applicable Guaranty and Security Agreement along with any other documents that the Agent reasonably requests with respect thereto.

(f) Except to the extent a security interest in such Collateral is perfected (and in Agent's reasonable judgment is expected to remain perfected) in accordance with the applicable Orders, in the event any Credit Party or any Subsidiary (other than Excluded Subsidiaries) of any Credit Party acquires any owned real Property, promptly upon such acquisition, such Person shall, upon request of Agent, execute and deliver, or cause to be executed and delivered, to Agent for the benefit of the Secured Parties, a fully executed Mortgage, together with a title policy and such other customary real estate documentation as may be reasonably requested by Agent.

Notwithstanding the foregoing, in no event shall any Property of any Credit Party acquired outside the Ordinary Course of Business be deemed eligible for inclusion in the Revolving Credit Borrowing Base, unless and until (and in addition to all other requirements specified in this Agreement), Agent has completed (at the expense of Borrowers) collateral audits and appraisals of such Property so acquired or to be acquired, which audits and appraisals shall be conducted in a manner that is consistent with the audits and appraisals conducted pursuant to Section 4.9(b) and any such audit and appraisal shall not be subject to (and shall not be included in) the limitations set forth in Section 4.9(b) on the number of audits and appraisals for which Agent is entitled to be reimbursed.

4.14 Physical Inventories. Upon Agent's request, the Credit Parties, at their own expense, shall cause to be conducted (a) one (1) physical inventory for each distribution center, warehouse, shipping center, plant, factory or other similar location of the Credit Parties whether in the United States or Canada (which for the avoidance of doubt excludes Stores), in each case, to the extent any such location contains assets included in the calculation of the Revolving Credit Borrowing Base at such time, and (b) one (1) physical inventory for each Store location, in each case, conducted by the Credit Parties and following such methodology as is consistent with the methodology used in the immediately preceding inventory or as otherwise may be reasonably

satisfactory to Agent. Agent and the Lenders and/or their agents or representatives, at the expense of the Credit Parties, may participate in and/or observe each scheduled physical count of Inventory which is undertaken on behalf of any Credit Party. The Credit Parties, within ten (10) Business Days following the completion of such inventory, shall provide Agent with a reconciliation of the results of such inventory (as well as of any other physical inventory undertaken by a Credit Party) and shall post such results to the Credit Parties' stock ledgers and general ledgers, as applicable.

4.15 Activities of Golfsmith Holdco. If at any time Golfsmith Holdco shall engage in any business activities other than (a) ownership of the Stock and Stock Equivalents of the Holding Companies (and any other assets incidental to such ownership), (b) issuing Stock and Stock Equivalents and receiving capital contributions, (c) activities incidental to maintenance of its corporate existence, (d) Investments in the Credit Parties consisting of Sponsor Subordinated Debt, (e) incurring Indebtedness permitted to be incurred by the Holding Companies hereunder; provided that all proceeds of such Indebtedness are immediately contributed to a Holding Company, (f) purchasing or redeeming any Indebtedness of Golfsmith Holdco permitted by clause (e) above or other Indebtedness existing on the Closing Date, or Stock and Stock Equivalents issued by Golfsmith Holdco and (g) serving as a conduit to hold and distribute cash or property in connection with (i) capital contributions to, or the purchase of Stock and Stock Equivalents of, any Holding Company, (ii) the payment of fees permitted by Section 5.7 and (iii) Restricted Payments permitted by Section 5.11, then, unless consented to by Agent in writing, the Credit Parties shall deliver supplemental financial information in a form acceptable to Agent with the consolidated financial statements of Golfsmith Holdco required to be delivered pursuant to Section 4.1(a)(i).

4.16 Credit Parties' Advisors. The Credit Parties shall continue to retain the Restructuring Advisor and the Investment Banker, and shall retain such additional advisors as may be reasonably requested by Agent and on terms and conditions satisfactory to Agent; provided that the Credit Parties shall be permitted to modify the Approved Budget to reflect the fees and expenses of any such additional advisors. The Credit Parties and their representatives will fully cooperate with any such advisors and consultants and grant them full and complete access to the books and records of the Credit Parties.

4.17 Agent's Advisors. The Agent, on behalf of itself and the Lenders, shall be entitled to retain or to continue to retain (either directly or through counsel) any financial advisor, auditor or any other consultant the Agent may deem reasonably necessary (collectively, the "Agent's Advisors") to provide advice, analysis and reporting for the benefit of the Agent and the Lenders. The Credit Parties shall pay all reasonable and documented fees and expenses of each Agent's Advisor and all such fees and expenses shall constitute Obligations and be secured by the Collateral. The Credit Parties and their advisors shall grant access to, and cooperate in all respects with, the Agent, the Lenders, the Agent's Advisors and any other representatives of the foregoing and provide all information that such parties may request in a timely manner.

4.18 Approved Budget.

(a) The use of Loans and other extensions of credit by the Credit Parties under this Agreement and the other Loan Documents shall be limited in accordance with the Approved Budget (subject to permitted variances). The initial Approved Budget shall depict, on a weekly basis, cash revenues, receipts, expenses and disbursements and other information for the [first 13 week period][4] from the Closing Date and such initial Approved Budget shall be approved by, and in form and substance satisfactory to Agent in its discretion. The Approved Budget shall be updated, modified or supplemented (with the written consent and/or at the request of Agent) from time to time, but in any event not less than on a monthly basis (with the delivery to Agent on or before 5:00 p.m. on the first Thursday of each calendar month), and each such updated, modified or supplemented budget shall be approved in writing by, and shall be in form and substance reasonably satisfactory to, Agent in its discretion and no such updated, modified or supplemented budget shall be effective until so approved and once so approved shall be deemed an Approved Budget; provided, however, that in the event Agent, on the one hand, and the Credit Parties, on the other hand, cannot agree as to an updated, modified or supplemented budget, such disagreement shall give rise to an Event of Default once the period covered by the prior Approved Budget has terminated. The Approved Budget shall be updated, modified or supplemented at the request of Agent prior to the effectiveness of any Sale Transactions or any other transaction consented to by Agent under this Agreement and each such updated, modified or supplemented budget shall be approved in writing by, and shall be in form and substance reasonably satisfactory to, Agent in its discretion and no such updated, modified or supplemented budget shall be effective until approved by Agent, and once so approved shall be deemed an Approved Budget; provided, however, that in the event Agent, on the one hand, and the Credit Parties, on the other hand, cannot agree as to an updated, modified or supplemented budget, such disagreement shall give rise to an Event of Default. Each Approved Budget delivered to Agent shall be accompanied by such supporting documentation as reasonably requested by Agent. Each Approved Budget shall be prepared in good faith based upon assumptions which the Credit Parties believe to be reasonable.

(b) Commencing with the third full calendar week following the Petition Date and for each calendar week thereafter, the Borrowers shall not permit (i) Actual Net Cash Flow for any Cumulative Four Week Period to be less than 90% of Budgeted Net Cash Flow for any such Cumulative Four Week Period, or (ii) the Actual Disbursement Amount for any Cumulative Four Week Period to exceed 110% of the Budgeted Disbursement Amount for any such Cumulative Four Week Period.

(c) The Borrower Representative shall deliver to Agent on or before 12:00 p.m. on Thursday of each week a Compliance Certificate, in the form attached hereto as Exhibit 4.2(b), and such Compliance Certificate shall include such detail as is reasonably satisfactory to Agent, signed by a Responsible Officer of the Borrower Representative certifying that (i) the Credit Parties are in compliance with the covenants contained in Section 4.18 and (ii) no Default or Event of Default has occurred or, if such a Default or Event of Default has occurred, specifying the nature and extent thereof and any corrective action taken or proposed to be taken with respect thereto, together with (A) comparison for the Prior Week of the Actual Cash Receipts, the Actual Disbursement Amount and the Actual Net Cash Flow for such Prior Week to the Budgeted Cash Receipts, the Budgeted Disbursement Amount and the Budgeted Net Cash

[4] Note to Draft – Confirm length of initial Approved Budget.

Flow for such Prior Week, (B) a cumulative comparison for the Cumulative Four Week Period of the Actual Cash Receipts, the Actual Disbursement Amount and the Actual Net Cash Flow for such Cumulative Four Week Period to the Budgeted Cash Receipts, the Budgeted Disbursement Amount and the Budgeted Net Cash Flow for such Cumulative Four Week Period, (C) a cumulative comparison for the Cumulative Period of the Actual Cash Receipts, the Actual Disbursement Amount and the Actual Net Cash Flow for such Cumulative Period to the Budgeted Cash Receipts, the Budgeted Disbursement Amount and the Budgeted Net Cash Flow for such Cumulative Period, and (D) an Approved Budget Variance Report, each of which shall be prepared by the Borrower Representative as of the last day of the Prior Week, the Cumulative Four Week Period or the Cumulative Period, as applicable, and shall be in form and substance reasonably satisfactory to Agent.

(d) Agent and Lenders (i) may assume that the Credit Parties will comply with the Approved Budget, (ii) shall have no duty to monitor such compliance and (iii) shall not be obligated to pay (directly or indirectly from the Collateral) any unpaid expenses incurred or authorized to be incurred pursuant to any Approved Budget. The line items in the Approved Budget for payment of interest, expenses and other amounts to Agent and the Lenders are estimates only, and the Credit Parties remain obligated to pay any and all Obligations in accordance with the terms of the Loan Documents and the applicable Order regardless of whether such amounts exceed such estimates. Nothing in any Approved Budget (including any estimates of a loan balance in excess of borrowing base restrictions) shall constitute an amendment or other modification of any Loan Document or any of the borrowing base restrictions or other lending limits set forth therein.

4.19 Status of Permitted Store Closing Sales; Sale Transaction. Promptly upon Agent's request, each Credit Party shall provide Agent with copies of any informational packages provided to potential bidders, draft agency agreements, purchase agreement, status reports and updated information relating to the Permitted Store Closing Sales or any Sale Transaction and copies of any such bids and any updates, modifications or supplements to such information and materials.

4.20 Leases.

(a) The Credit Parties shall pay all Post-Petition obligations under all Store Leases as required by the Insolvency Courts, except to the extent (i)(A) the Credit Parties are contesting any such obligations in good faith by appropriate proceedings, (B) the Credit Parties have established proper reserves as required under GAAP, and (C) the nonpayment of which does not result in the imposition of a Lien (other than a Permitted Lien) or (ii)(A) such obligations relate to a Store location subject to the Permitted Store Closing Sales and (B) arise after the effectiveness of the rejection for the applicable Store Lease.

(b) On or before the thirty (30) days following the Petition Date, the Credit Parties shall have used their reasonable best efforts to receive approval of the Bankruptcy Court to extend the general time period to accept/reject Store Leases from the permitted 120-day time period to not less than 210 days.

(c) Other than with respect to Store Leases relating to any Permitted Store Closing Sale, the Credit Parties may assume or reject any of their Store Leases only after consultation with Agent and in a manner consistent with a maximization of the value of the assets of the Credit Parties.

4.21 Sale Transaction and Permitted Store Closing Sales. The Credit Parties shall comply with each of the covenants contained on Schedule 4.21 upon the terms and at the times provided for therein.[5]

4.22 Post-Closing Obligations. The Borrowers hereby covenant and agree to deliver or otherwise satisfy each of the requirements set forth below, in each case, in form and substance reasonably satisfactory to Agent and within the applicable time periods, as such time periods may be extended by Agent in its sole discretion:

(a) On or before September [__], 2016,[6] additional insured and lender's loss payable endorsements, naming Agent, on behalf of the Secured Parties, as an additional insured or lender's loss payee, as the case may be, under all insurance policies maintained with respect to the assets and properties of the Credit Parties that constitutes Collateral.

(b) On or before September [__], 2016,[7] a ratification of the existing Mortgage for the Real Estate of Golfsmith International L.P. located at 11000 North IH 35, Austin, Texas 78753-3195.

ARTICLE V. - NEGATIVE COVENANTS

Each Credit Party covenants and agrees that, so long as any Lender shall have any Revolving Loan Commitment hereunder, or any Loan or other Obligation (other than contingent indemnification Obligations to the extent no claim giving rise thereto has been asserted) shall remain unpaid or unsatisfied:

5.1 Limitation on Liens. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, directly or indirectly, make, create, incur, assume or suffer to exist any Lien upon or with respect to any part of its Property, whether now owned or hereafter acquired, other than the following ("Permitted Liens"):

(a) any Lien existing on the Property of a Credit Party or a Subsidiary of a Credit Party on the Closing Date and set forth in Schedule 5.1;

(b) any Lien securing the Obligations granted by the Orders or created under any Loan Document;

(c) Liens for taxes, fees, assessments or other governmental charges arising Post-Petition which are not delinquent or remain payable without penalty;

[5] Note to Draft – Schedule to set forth agreed Milestones.
[6] Note to Draft – To be 14 days after the Closing Date, and if such date is not a Business Day, the immediately succeeding Business Day.
[7] Note to Draft – To be 14 days after the Closing Date, and if such date is not a Business Day, the immediately succeeding Business Day.

(d) without limiting Agent's ability to impose Reserves in accordance with Section 1.13, carriers', warehousemen's, mechanics', landlords', materialmen's, repairmen's or other similar Liens arising in the Ordinary Course of Business by operation of Law (i) in respect of obligations which are not delinquent for more than forty-five (45) days or remain payable without penalty or (ii) which are being contested in good faith and by appropriate proceedings diligently prosecuted, which proceedings have the effect of preventing the forfeiture or sale of the Property subject thereto and for which adequate reserves in accordance with GAAP are being maintained;

(e) subject to the applicable Order, Liens (other than any Lien imposed by ERISA or otherwise in respect of a Benefit Plan) incurred or pledges or deposits made in the Ordinary Course of Business in connection with workers' compensation, unemployment insurance, employment insurance and other social security legislation or to secure the performance of tenders, statutory obligations, surety, stay, customs and appeals bonds, bids, leases, governmental contract, trade contracts, performance and return of money bonds and other similar obligations (exclusive of obligations for the payment of borrowed money) or to secure liability to insurance carriers;

(f) Judgment and attachment Liens not giving rise to an Event of Default; provided that any appropriate legal proceedings which may have been duly initiated for the review of such judgment shall not have been finally terminated or the period within which such proceeding may be initiated shall not have expired and no action to enforce such Lien has been commenced;

(g) without limiting Agent's ability to impose Reserves in accordance with Section 1.13, (i) with respect to any Real Estate, easements rights of way, covenants, zoning and other restrictions, encroachments or other survey defects, defects or other irregularities in title and other similar encumbrances and (ii) solely with respect to Real Estate not included in the calculation of the Revolving Credit Borrowing Base, prior rights of other Persons which, in the case of clauses (i) and (ii), either individually or in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the Real Estate subject thereto or interfere in any material respect with the ordinary conduct of the businesses of any Credit Party or any Subsidiary of any Credit Party;

(h) Liens granted Pre-Petition (including any such Liens perfected Post-Petition pursuant to Sections 362(b)(3), 546(b)(1) and 547(e)(2)(a) of the Bankruptcy Code) on any capital assets acquired or held by any Credit Party or any Subsidiary of any Credit Party securing Indebtedness incurred or assumed Pre-Petition for the purpose of financing all or any part of the cost of acquiring such capital assets and permitted under Sections 5.5(d); provided that (A) any such Lien attached to such capital assets concurrently with or within sixty (60) days after the acquisition thereof, (B) such Lien attached solely to the capital assets so acquired in such transaction and any accession thereto and proceeds thereof, and (C) the principal amount of the debt secured thereby does not exceed 100% of the cost of such capital assets;

(i) Liens in favor of the High Yield Trustee and the High Yield Purchasers to secure the High Yield Debt permitted under Section 5.5(k); provided such Liens are subject to the High Yield Intercreditor Agreement;

(j) Liens arising from precautionary uniform commercial code financing statements filed under any lease not in violation of this Agreement or any other Loan Document;

(k) IP Licenses, licenses, sublicenses, leases or subleases granted to third parties in the Ordinary Course of Business prior to the Petition Date which do not (i) secure any Indebtedness or (ii) interfere in any material respect with the ordinary conduct of the business of the Credit Parties or any of their Subsidiaries;

(l) Liens in favor of collecting banks arising under Section 4-210 of the UCC;

(m) Liens (including the right of set-off) in favor of a bank or other depository institution arising as a matter of law encumbering deposits;

(n) Liens in favor of customs and revenue authorities arising as a matter of law which secure payment of customs duties in connection with the importation of goods; and

(o) Liens arising out of consignment or similar arrangements for the sale of goods entered into by a Borrower or any Subsidiary, in each case, as consignee thereof, in the Ordinary Course of Business;

(p) Liens securing Indebtedness permitted by Section 5.5(h) to the extent such Liens encumber only the unearned portion of the insurance premiums financed thereby;

(q) Liens in favor of the Approved Liquidator pursuant to the Approved Liquidation Agreement;

(r) Liens securing the Prior Lender Obligations;

(s) the Adequate Protection Liens and Adequate Protection Superpriority Claims; and

(t) additional Liens covering property of the Credit Parties or their Subsidiaries, securing Pre-Petition Indebtedness in an aggregate principal amount not exceeding, at any time, $250,000 in the aggregate as to all such Indebtedness.

Notwithstanding the foregoing, Permitted Liens under this Section 5.1 shall at all times be junior and subordinate to the Liens under the Loan Documents and the applicable Order securing the Obligations. The prohibition provided for in this Section 5.1 specifically includes any effort by any Credit Party, any official committee in any Chapter 11 Case or any other party in interest in the Chapter 11 Cases or similar status in the CCAA Proceedings, as applicable, to prime or create *pari passu* to any claims, Liens or interests of (i) the Agent and the Lenders or (ii) for so long as the Prior Lender Obligations have not been indefeasibly paid in full in cash, the Prior Agent and the Prior Lenders, any Lien, in each case, other than as set forth in the applicable Orders and irrespective of whether such claims, Liens or interests may be "adequately protected."

5.2 Disposition of Assets. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, directly or indirectly, sell, assign, lease, convey, transfer or

otherwise dispose of (whether in one or a series of transactions) any Property (including the Stock or Stock Equivalent of any Subsidiary accounts and notes receivable, with or without recourse), except:

(a) dispositions of inventory, or used, damaged, worn out or surplus equipment, all in the Ordinary Course of Business;

(b) the Sale Transaction;

(c) the Permitted Store Closing Sales;

(d) dispositions of past due Accounts by the Credit Parties or any of their Subsidiaries in connection with compromise or collections in the Ordinary Course of Business;

(e) to the extent they constitute dispositions, Restricted Payments permitted by Section 5.11, Liens permitted by Section 5.1, transactions contemplated by Section 5.3 and Investments permitted by Section 5.4;

(f) dispositions among Credit Parties (other than the Holding Companies) of Inventory in the Ordinary Course of Business; and

(g) eminent domain condemnations under applicable law as long as the proceeds thereof are prepaid in accordance with Section 1.8.

5.3 Consolidations, Mergers and Amalgamations. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, and no Credit Party shall agree to do any of the following: to merge, amalgamate, consolidate with or into, or convey, transfer, lease or otherwise dispose of (whether in one transaction or in a series of transactions) all or substantially all of its assets (whether now owned or hereafter acquired) to or in favor of any Person.

5.4 Loans and Investments. No Credit Party shall and no Credit Party shall suffer or permit any of its Subsidiaries to (i) purchase or acquire any Stock or Stock Equivalents, or any obligations or other securities of, or any interest in, any Person, including the establishment or creation of a Subsidiary, or (ii) make any Acquisitions, or any other acquisition of all or substantially all of the assets of another Person, or of any business or division of any Person, including by way of merger, amalgamation, consolidation or other combination or (iii) make or purchase or commit to make or purchase any advance, loan, extension of credit or capital contribution to or any other investment in, any Person including any Affiliate of a Borrower or any Subsidiary of a Borrower but excluding any trade payables owed to a Credit Party or any of its Subsidiaries arising in the Ordinary Course of Business (the items described in clauses (i), (ii) and (iii) are referred to as "Investments"), except for, to the extent a Change of Control would not result therefrom:

(a) Investments in cash and Cash Equivalents in compliance with Section 4.11; provided that any Holding Company's Investment in cash or Cash Equivalents shall only be permitted under this Section 5.4(a) to the extent permitted by Section 5.12;

(b) (i) Investments (A) by any Credit Party (other than a Holding Company) in any other Credit Party (other than a Holding Company) and (B) by any Holding Company in any Designated Borrower, in each case in the Ordinary Course of Business; provided that, in the case of each of clauses (A) and (B), if any such Investments are extensions of credit evidenced by notes, such notes, along with transfer powers executed in blank, shall be pledged to Agent, for the benefit of the Secured Parties, and have such subordination terms as Agent may reasonably require (it being understood that the subordination terms set forth in the Guaranty and Security Agreement are satisfactory), and (ii) Investments by any Subsidiary of a Credit Party in any Credit Party (other than a Holding Company) in the Ordinary Course of Business and on terms and conditions (including subordination terms) satisfactory to Agent;

(c) Investments acquired in connection with the settlement of delinquent Accounts in the Ordinary Course of Business or in connection with the bankruptcy or reorganization of suppliers or customers;

(d) any endorsement of a check, negotiable instrument or other medium of payment for deposit or collections or any similar transaction, each in the Ordinary Course of Business;

(e) Investments acquired by the Credit Parties or any of their Subsidiaries in a Person that is not an Affiliate (i) in exchange for any other Investment held by such Credit Party or any such Subsidiary in connection with or as a result of a bankruptcy, workout, reorganization or recapitalization of the issuer of such other Investment, or (ii) as a result of a foreclosure by a Credit Party or any of its Subsidiaries with respect to any secured Investment or other transfer of title with respect to any secured Investment in default;

(f) to the extent constituting Investments, deposits otherwise permitted by Section 5.1(e);

(g) Investments consisting of accounts or notes receivable evidencing an account, deposits made in connection with the purchase price of goods or services, endorsements of negotiable instruments and deposits for leases, utility and similar payments and contracts, in each case, in the Ordinary Course of Business;

(h) to the extent they constitute Investments, Contingent Obligations otherwise permitted by Section 5.9; and

(i) Investments existing on the Closing Date and set forth on Schedule 5.4 (and any modifications thereof consented to by Agent in its sole discretion).

5.5 Limitation on Indebtedness. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, create, incur, assume, permit to exist, or otherwise become or remain directly or indirectly liable with respect to, any Indebtedness, except:

(a) Indebtedness constituting Loans or any other Obligations;

(b) Indebtedness consisting of Contingent Obligations permitted pursuant to Section 5.9;

(c) Indebtedness existing on the Closing Date and set forth in Schedule 5.5;

(d) Indebtedness not to exceed $500,000 in the aggregate at any time outstanding, consisting of Capital Lease Obligations or in respect of purchase money obligations so long as any Liens securing such Indebtedness are permitted by Section 5.1(h);

(e) unsecured intercompany Indebtedness permitted pursuant to Section 5.4(b) and approved by the applicable Insolvency Court;

(f) to the extent constituting Indebtedness, judgments entered against any Credit Party or any Subsidiary to the extent not otherwise constituting an Event of Default;

(g) to the extent constituting Indebtedness, trade payables and similar unsecured current liabilities incurred in the Ordinary Course of Business;

(h) to the extent constituting Indebtedness, liabilities incurred in connection with financing of insurance premiums in the Ordinary Course of Business;

(i) subject to Section 4.11, Indebtedness incurred in the Ordinary Course of Business in connection with cash pooling, netting and cash management arrangements consisting of overdrafts or similar arrangements; provided that any such Indebtedness does not consist of Indebtedness for borrowed money and is owed to the financial institutions providing such arrangements;

(j) Indebtedness to the Prior Lenders and the Prior Agent arising under the Pre-Petition Credit Agreement and any other Pre-Petition Loan Documents;

(k) the High Yield Debt in an aggregate principal amount not to exceed Cdn$165,000,000; provided that the High Yield Debt is subject to the terms of the High Yield Intercreditor Agreement;

(l) unsecured Holdco Debt not to exceed an aggregate principal amount equal to Cdn$99,000,000; provided that the Holdco Debt is subject to the Holdco Subordination Agreement;

(m) other unsecured Indebtedness not exceeding in the aggregate at any time outstanding $250,000 and approved by the applicable Insolvency Court; and

(n) all premiums (if any), interest (excluding capitalized interest), fees, expenses, charges and additional or contingent interest on obligations described in Sections 5.5(a) through (m) which is not otherwise prohibited by the terms of the Loan Documents (including any subordination agreement or intercreditor agreement required hereunder).

Notwithstanding the foregoing, and except for the U.S. Carve-Out, the Canadian Carve-Out and the D&O Charge, no Indebtedness (including any Contingent Obligations) permitted under Sections 5.5(a) through (n) shall be permitted to have an administrative expense claim status under the Bankruptcy Code or similar status under the CCAA, as applicable, senior to or

pari passu with the superpriority administrative expense claims of (i) the Agent and the Lenders and (ii) the Prior Agent and the Prior Lenders, in each case, as set forth herein and in the applicable Order.

5.6 Transactions with Affiliates; Provision of Certain Services. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, enter into any transaction with any Affiliate of a Borrower or of any such Subsidiary, except:

(a) any transaction set forth on Schedule 5.6 hereto or otherwise expressly permitted by the other terms of this Agreement;

(b) transactions between or among Credit Parties not otherwise prohibited hereunder; or

(c) pursuant to the reasonable requirements of the business of such Credit Party or such Subsidiary; provided that such transaction is (x) upon fair and reasonable terms no less favorable to such Credit Party, such Subsidiary or such Affiliate (other than, in the case of such Affiliate, with Agent's prior written consent) than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of a Borrower or such Subsidiary and (y) is in accordance with the Approved Budget;

provided that in no event shall the chief executive officer, chief financial officer or chief operating officer (or an individual with an equivalent position) of any Credit Party provide management services to, or on behalf of, a portfolio company of OMERS Private Equity Inc. other than the Holding Companies and their Subsidiaries, it being agreed and acknowledged that such individuals may serve on the boards of directors or similar governing bodies of portfolio companies of OMERS Private Equity Inc. without violation of this proviso.

5.7 Management Fees and Compensation. No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to, pay any management, advisory, consulting, arrangement or similar fees to any Affiliate of any Credit Party or to any officer, director or employee of any Credit Party or any Affiliate of any Credit Party except for any payments set forth in the Approved Budget.

5.8 Use of Proceeds. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, use any portion of the Loan proceeds, directly or indirectly, to purchase or carry Margin Stock or repay or otherwise refinance Indebtedness of any Credit Party or others that was incurred to purchase or carry Margin Stock, or otherwise in any manner which is in contravention of any Requirement of Law or in violation of this Agreement.

5.9 Contingent Obligations. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, create, incur, assume or suffer to exist any Contingent Obligations except in respect of the Obligations and except:

(a) endorsements for collection, deposit or negotiation and warranties of products and services in the Ordinary Course of Business;

(b) Contingent Obligations of the Credit Parties and their Subsidiaries existing as of the Closing Date and listed in Schedule 5.9, including extensions and renewals thereof which do not increase the amount of such Contingent Obligations as of the date of such extension or renewal;

(c) Contingent Obligations incurred in the Ordinary Course of Business with respect to surety and appeal bonds, letters of credit, bank guarantees, performance bonds, statutory bonds, insurance bonds and other similar obligations;

(d) Contingent Obligations arising under indemnity agreements to title insurers to cause such title insurers to issue to Agent title insurance policies;

(e) Contingent Obligations arising with respect to customary indemnification obligations in favor of purchasers in connection with dispositions permitted under Section 5.2;

(f) Contingent Obligations arising under Letters of Credit;

(g) Contingent Obligations (i) arising under guarantees of Indebtedness of Credit Parties (other than a Holding Company), to the extent such Indebtedness itself is permitted under Section 5.5 or (ii) made in the Ordinary Course of Business in respect of obligations of any Credit Party (other than a Holding Company), which obligations are otherwise permitted hereunder; provided that if such obligation under either clause (i) or (ii) above is subordinated to the Obligations, such guarantee shall be subordinated to the same extent;

(h) Contingent Obligations under agreements (not involving Indebtedness) entered into or in connection with the acquisition or provision of services or supplies in the Ordinary Course of Business; and

(i) other Contingent Obligations not exceeding $500,000 in the aggregate at any time outstanding.

Notwithstanding the foregoing, and except for the U.S. Carve-Out, the Canadian Carve-Out and the D&O Charge, no Contingent Obligations under Section 5.9 shall be permitted to have an administrative expense claim status under the Bankruptcy Code or similar status under the CCAA, as applicable, senior to or *pari passu* with the superpriority administrative expense claims of (i) the Agent and the Lenders and (ii) the Prior Agent and the Prior Lenders, in each case, as set forth herein and in the applicable Order.

5.10 Compliance with ERISA, Pension Plans and Benefit Plans.

(a) No ERISA Affiliate shall cause or suffer to exist (i) any event that could result in the imposition of a Lien on any asset of a Credit Party or a Subsidiary of a Credit Party with respect to any Title IV Plan or Multiemployer Plan or (ii) any other ERISA Event, that would, in the aggregate, a Material Adverse Effect. No Credit Party shall cause or suffer to exist any event that would reasonably be expected to result in the imposition of a Lien with respect to any Benefit Plan.

(b) Without the prior written consent of Agent, no Credit Party shall establish any defined benefit Canadian Pension Plan. Without the prior written consent of Agent, no Credit Party shall terminate or wind-up any defined benefit Canadian Pension Plan.

5.11 Restricted Payments. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, (i) declare or make any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any Stock or Stock Equivalent, (ii) purchase, redeem or otherwise acquire for value any Stock or Stock Equivalent now or hereafter outstanding or (iii) make any payment or prepayment of principal of, premium, if any, interest, fees, redemption, exchange, purchase, retirement, defeasance, sinking fund or similar payment with respect to, Subordinated Indebtedness, Sponsor Subordinated Debt or the High Yield Debt, or (iv) make any payment on account of an earnout obligation, purchase price adjustment, deferred payment obligation, deferred purchase price obligation or other similar obligation on account of any Acquisition or on account of any acquisition of any Stock or Stock Equivalents (the items described in clauses (i), (ii), (iii) and (iv) above are referred to as "Restricted Payments"); except that:

(a) any Credit Party or any Subsidiary may make Restricted Payments to any Credit Party other than a Holding Company; and

(b) each Borrower may pay dividends or distributions to, or make loans or other advances (any such payment, loan, advance, purchase, redemption, defeasance or other acquisition or retirement, a "Tax Payment") to, its Holding Company and each Holding Company may make Tax Payments to Golfsmith Holdco, in each case, in the event any Borrower or any Holding Company files a consolidated, combined or unitary income tax return with any Tax Affiliate, to permit such Tax Affiliate to pay federal, state and local income taxes assessed or arising Post-Petition and that are due and owing, provided that the amount of each such Tax Payment shall not exceed an amount equal to such Borrower's or Holding Company's tax liability had such Borrower or such Holding Company, as the case may be, filed a tax return on a stand-alone basis for itself and its respective Subsidiaries included in such consolidated, combined or unitary return as if such Borrower or such Holding Company were the parent of such consolidated, combined or unitary group; provided further that such Tax Payment is used within fifteen (15) days of receipt to pay federal, state or local income taxes assessed or arising Post-Petition and that are due and owing by such Tax Affiliate with respect to such consolidated, combined or unitary income tax return with such Tax Affiliate.

5.12 Change in Business; Holding Company Covenant. No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to, engage in any material line of business that is not related, similar or complementary to, or supportive of the lines of business or distribution channels in which the Credit Parties and their Subsidiaries, considered as an entirety, are engaged on the Closing Date. Following the Petition Date, no Holding Company shall engage in any business activities other than (a) ownership of the Stock and Stock Equivalents of the Designated Borrowers (and any other assets incidental to such ownership), (b) activities incidental to maintenance of its corporate existence, (c) performance of any guarantees in respect of any obligations of the Borrowers under leases for Real Estate, equipment or other fixed assets not prohibited by this Agreement, (d) performance of its obligations under the Loan Documents;

(e) making Investments permitted by Section 5.4(b)(i)(B) and (f) serving as a conduit to hold and distribute cash or property in connection with Restricted Payments permitted by Section 5.11.

5.13 Change in Structure. Except as expressly permitted under Section 5.3, no Credit Party shall, and no Credit Party shall permit any of its Subsidiaries the Stock of which is pledged to Agent (or required to be pledged to Agent pursuant to Section 4.13 or the Collateral Documents) to, make any changes in its equity capital structure (including in the terms of its outstanding Stock or Stock Equivalents), other than (i) changes that are not adverse to Agent or any of the Lenders and (ii) changes to the equity capital of the Holding Companies as long as such changes do not result in an Event of Default, or amend any of its Organization Documents in any manner that is adverse to Agent or any of the Lenders (it being understood that, so long as all additional Stock and Stock Equivalents of such Credit Party is contemporaneously pledged to Agent in accordance with the Collateral Documents, any amendment to authorize, or increase the authorized units or shares of any class of common stock of such Credit Parties would not be prohibited). No Credit Party shall amend its Organization Documents to add provisions which require only director consent (and not shareholder consent) to the transfer of such Credit Party's Stock.

5.14 Changes in Accounting, Name or Jurisdiction of Organization. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, (i) make any significant change in accounting treatment or reporting practices, except as required or, upon not less than thirty (30) days prior written notice to Agent, permitted by GAAP (provided, accounting treatments or reporting practices which are so changed as permitted, but not required, by GAAP shall thereafter be maintained without further changes thereto), (ii) change the Fiscal Year or method for determining Fiscal Quarters of any Credit Party or of any consolidated Subsidiary of any Credit Party, (iii) change its name as it appears in official filings in its jurisdiction of organization, (iv) change its type of organization, (v) change its organizational identification number or taxpayer identification number, (vi) change its jurisdiction of organization, or (vii) change its chief place of business or chief executive office or domicile (within the meaning of the Civil Code of Quebec) or warehouses or locations at which Collateral is held or stored or the location of its records concerning the Collateral, in the case of clauses (iii) through (vii), without at least twenty (20) days' prior written notice to Agent and the acknowledgement of Agent that all actions required by Agent, including those to continue the perfection of its Liens, have been completed.

5.15 Amendments to Subordinated Indebtedness.

(a) No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to directly or indirectly, amend, supplement, waive or otherwise modify the terms of any (i) Holdco Debt Document, (ii) any other Sponsor Subordinated Debt, (iii) any Subordinated Indebtedness (other than Sponsor Subordinated Debt), or (iv) High Yield Debt Document.

5.16 No Negative Pledges.

(a) No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to, directly or indirectly, (i) create or otherwise cause or suffer to exist or become effective any consensual restriction or encumbrance of any kind on the ability of any such

Subsidiary to pay dividends or make any other distribution on any of such Subsidiary's Stock or Stock Equivalents or to pay fees, including management fees, or make other payments and distributions to any Credit Party or any of its Subsidiaries or to (ii) enter into, assume or become subject to any Contractual Obligation prohibiting or otherwise restricting the existence of any Lien upon any of its assets in favor of Agent, whether now owned or hereafter acquired, in each case, except in connection with (A) any document or instrument governing Liens permitted pursuant to Section 5.1(h) provided that any such restriction contained therein relates only to the asset or assets subject to such permitted Liens, (B) this Agreement and the other Loan Documents, (C) the High Yield Debt Documents, (D) customary restrictions under agreements entered into in the Ordinary Course of Business relating to sales of assets otherwise permitted hereunder solely with respect to the assets subject thereto to the extent such restrictions are not deemed inapplicable under Requirements of Law, (E) customary restrictions under leases, subleases, licenses or sublicenses entered into in the Ordinary Course restricting subletting, assignment or other transfer of any lease governing a leasehold interest or of a license, as applicable, otherwise permitted hereunder solely with respect to the leasehold interest or license, as applicable, subject thereto to the extent such restrictions are not deemed inapplicable under Requirements of Law, (F) any operating lease or Capital Lease otherwise permitted hereunder, insofar as the provisions thereof limit grants of a security interest in, or other assignments of, the related leasehold interest to any other Person and (G) customary provisions restricting creation of Liens or other pledge, assignment or other transfer contained in any joint venture agreement otherwise permitted hereunder, so long as any such prohibition or restriction contained therein relates only to the equity interests in the joint venture to which such agreement relates.

(b) Without limiting any requirements set forth in any Collateral Document, no Designated Borrower shall issue any Stock or Stock Equivalents (i) if such issuance would result in a Change in Control and (ii) unless such Stock and Stock Equivalents are pledged to Agent, for the benefit of the Secured Parties as security for the Obligations, on the same terms and conditions as the Stock and Stock Equivalents pledged to Agent on the Closing Date pursuant to the Collateral Documents.

5.17 OFAC; Patriot Act; Counter-Terrorism Regulations Anti-Money Laundering. No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to fail to comply with the laws, regulations and executive orders referred to in Section 3.24 and Section 3.25.

5.18 Sale-Leasebacks. No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to, engage in a sale leaseback, synthetic lease or similar transaction involving any of its assets.

5.19 Hazardous Materials. No Credit Party shall, and no Credit Party shall permit any of its Subsidiaries to, cause or suffer to exist any Release of any Hazardous Material at, to or from any Real Estate owned, leased, subleased or otherwise operated or occupied by any Credit Party or any Subsidiary of any Credit Party that would violate any Environmental Law, form the basis for any Environmental Liabilities or otherwise adversely affect the value or marketability of any Real Estate (whether or not owned by any Credit Party or any Subsidiary of any Credit Party), other than such violations, Environmental Liabilities and effects that would not, in the aggregate, have a Material Adverse Effect.

5.20 Capital Expenditures. No Credit Party shall, and no Credit Party shall suffer or permit any of its Subsidiaries to, make or commit to make, any Capital Expenditures in any Period in an amount in excess of the amount set forth in the Approved Budget for Capital Expenditures for such Period (subject to permitted variances).

5.21 Prepayments of Other Indebtedness. Other than pursuant to an order of any Insolvency Court and in accordance with the Approved Budget, no Credit Party shall, directly or indirectly, voluntarily purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity, other than the Obligations and the Prior Lender Obligations.

5.22 Repayment of Indebtedness. Without limiting any other provision hereof, except pursuant to the Approved Budget, Borrowers shall not, without the express prior written consent of Agent and pursuant to an order of the applicable Insolvency Court after notice and hearing, make any payment or transfer with respect to any Lien or Indebtedness incurred or arising prior to the Petition Date that is subject to the automatic stay provisions of the Bankruptcy Code or the Stay of Proceedings whether by way of "adequate protection" under the Bankruptcy Code or otherwise.

5.23 Reclamation Claims. No Credit Party shall enter into any agreement to return any of its Inventory to any of its creditors for application against any Pre-Petition Indebtedness, Pre-Petition trade payables or other Pre-Petition claims under Section 546(g) of the Bankruptcy Code or allow any creditor to take any setoff or recoupment against any of its Pre-Petition Indebtedness, Pre-Petition trade payables or other Pre-Petition claims based upon any such return pursuant to Section 553(b)(l) of the Bankruptcy Code or otherwise if, after giving effect to any such agreement, setoff or recoupment, the aggregate amount applied to Pre-Petition Indebtedness, Pre-Petition trade payables and other Pre-Petition claims subject to all such agreements, setoffs and recoupments since the Petition Date would exceed $250,000.

5.24 Insolvency Proceeding Claims. No Credit Party shall incur, create, assume, suffer to exist or permit any other superpriority administrative claim which is pari passu with or senior to the claims of Agent and Lenders against the Credit Parties, except as set forth in the applicable Order.

5.25 Bankruptcy Actions. The Borrowers will not seek, consent to, or permit to exist, without the prior written consent of Agent, any order granting authority to take any action that is prohibited by the terms of this Agreement or the other Loan Documents or refrain from taking any action that is required to be taken by the terms of this Agreement or any of the other Loan Documents.

ARTICLE VI. - EVENTS OF DEFAULT

6.1 Event of Default. Notwithstanding the provisions of Section 362 of the Bankruptcy Code with respect to the U.S. Debtors or the Stay of Proceedings with respect to the Canadian Debtors and without notice, application or motion to, hearing before, or order of any Insolvency Court or any notice to any Credit Party any of the following shall constitute an "Event of Default":

(a) Non-Payment. Any Credit Party fails (i) to pay when and as required to be paid herein, any amount of principal of any Loan, including after maturity of the Loans or as required by Section 1.8, or to pay any L/C Reimbursement Obligation or (ii) to pay within three (3) Business Days after the same shall become due, interest on any Loan, any fee or any other amount payable hereunder or pursuant to any other Loan Document;

(b) Representation or Warranty.

(i) Any representation, warranty or certification by or on behalf of any Credit Party or any of its Subsidiaries made or deemed made herein, in any other Loan Document, or which is contained in any certificate, document or financial or other statement by any such Person, or their respective Responsible Officers, furnished at any time under this Agreement, or in or under any other Loan Document, shall prove to have been incorrect in any material respect (without duplication of other materiality qualifiers contained therein) on or as of the date made or deemed made;

(ii) any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect (other than (A) inadvertent, immaterial errors not exceeding $500,000 (or such higher amount with Agent's written consent) in the aggregate in any Borrowing Base Certificate and (B) errors understating the Revolving Credit Borrowing Base);

(c) Specific Defaults. Any Credit Party fails to perform or observe any term, covenant or agreement contained in (x) Sections 4.1, 4.2(a) through 4.2(c), or 4.3(b) through 4.3(l) and any such default shall continue unremedied for five (5) Business Days, (y) Sections 4.2(e) or 4.2(g) and such default shall continue unremedied for two (2) Business Days or (z) any of Sections 4.2(d), 4.2(f), 4.3(a), 4.4(a), 4.4(b), 4.4(c), 4.6, 4.9, 4.10, 4.11, 4.14, 4.15, 4.16, 4.17, 4.18, 4.19, 4.20, 4.21, 4.22 or Article V hereof or the Fee Letter;

(d) Other Defaults. Any Credit Party or Subsidiary of any Credit Party fails to perform or observe any other term, covenant or agreement contained in this Agreement or any other Loan Document, and such default shall continue unremedied for a period of twenty (20) days after the earlier to occur of (i) the date upon which a Responsible Officer of any Credit Party becomes aware of such default and (ii) the date upon which written notice thereof is given to the Borrower Representative by Agent or Required Lenders;

(e) Cross Default. Except for defaults occasioned by the filing of the Insolvency Cases and defaults resulting from obligations with respect to which the Bankruptcy Code or the CCAA, as applicable, prohibits any Credit Party from complying or permits any Credit Party not to comply, any Credit Party or any Subsidiary of any Credit Party (A) fails to make any payment in respect of any Indebtedness (other than the Obligations) incurred Post-Petition having an aggregate principal amount (including undrawn committed or available amounts and including amounts owing to all creditors under any combined or syndicated credit arrangement) of more than $500,000 when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise) and such failure continues after the applicable grace or notice period, if any, specified in the document relating thereto on the date of such failure; or (B) fails to perform or observe any other condition or covenant, or any other event

shall occur or condition exist, under any agreement or instrument relating to any such Indebtedness incurred Post-Petition, if the effect of such failure, event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause such Indebtedness to be declared to be due and payable prior to its stated maturity (without regard to any subordination terms with respect thereto), or such Contingent Obligation to become payable or cash collateral in respect thereof to be demanded;

(f) Monetary Judgments. Other than proofs of claim filed in connection with the Insolvency Cases, and orders pertaining thereto, one or more judgments, non-interlocutory orders, decrees or arbitration awards shall be entered against any one or more of the Credit Parties or any of their respective Subsidiaries involving in the aggregate a liability (to the extent not covered by independent third-party insurance) as to any single or related series of transactions, incidents or conditions, of $500,000 or more, or which would operate to divest any one or more of the Credit Parties of any assets or property with a market or book value of $500,000 or more, and the same shall remain unsatisfied, unvacated and unstayed pending appeal for a period of thirty (30) days after the entry thereof and shall not otherwise be subject to the Insolvency Stays;

(g) Non-Monetary Judgments. One or more non-monetary judgments, orders or decrees shall be rendered against any one or more of the Credit Parties or any of their respective Subsidiaries which has or would reasonably be expected to have, either individually or in the aggregate, a Material Adverse Effect, and such judgment or order shall not be subject to the Insolvency Stays or there shall be any period of ten (10) consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(h) Collateral; Invalidity of Loan Documents; Etc. Any material provision of any Loan Document shall for any reason cease to be valid and binding on or enforceable against any Credit Party or any Subsidiary of any Credit Party party thereto or any Credit Party or any Subsidiary of any Credit Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any Collateral Document shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in any Collateral, in each case, purported to be covered thereby or such security interest shall for any reason cease to be a perfected Lien with the status and priority provided in the Orders and otherwise subject to Permitted Liens;

(i) Collateral; Invalidity of Pre-Petition Loan Documents; Etc. Any material provision of any Pre-Petition Loan Document shall for any reason cease to be valid and binding on or enforceable against any Credit Party or any Subsidiary of any Credit Party party thereto or any Credit Party or any Subsidiary of any Credit Party shall so state in writing or bring an action to limit its obligations or liabilities thereunder; or any Collateral Document (as defined in the Pre-Petition Credit Agreement) shall for any reason (other than pursuant to the terms thereof) cease to create a valid security interest in any Collateral (as defined in the Pre-Petition Credit Agreement), in each case, purported to be covered thereby or such security interest shall for any reason cease to be a perfected Lien with the status and priority provided in the Orders;

(j) Ownership. A Change of Control shall have occurred;

(k) Invalidity of Subordination Provisions. The provisions of the High Yield Intercreditor Agreement, the Holdco Subordination Agreement or any subordination agreement governing any Subordinated Indebtedness shall for any reason be revoked or invalidated in any material respect, or otherwise cease to be in full force and effect, or any Credit Party, any Affiliate of a Credit Party, the High Yield Trustee, any High Yield Purchaser, any Holdco Lender, any other holder of Subordinated Indebtedness or SPV Holdco shall have commenced a suit or an action, including any motion or adversary proceeding in an Insolvency Case, contesting in any manner the validity or enforceability thereof or deny that it has any further liability or obligation thereunder, or the Obligations, for any reason shall not have the priority contemplated by this Agreement or such subordination provisions;

(l) Conduct of Business.

(i) Any Credit Party shall be enjoined, restrained or in any way prevented by the order of any Governmental Authority from conducting any part of their business unless such order would not enjoin the operation of more than five (5) Stores;

(ii) Except pursuant to a Sale Transaction or the Permitted Store Closing Sales, there shall otherwise be a voluntary suspension of the conduct of business, closure of, disposition of, or a liquidation of any of the Stores;

(iii) Unless consented to by the Agent, a retention of an agent or other third party to conduct any such store closings, store liquidations or "Going-Out-Of Business" sales described in clause (l)(ii) above (or any Credit Party shall take action in furtherance of the foregoing by vote of its board of directors (or equivalent governing body));

(m) OMERS LC. An LC Draw Event shall have occurred;

(n) Permitted Stores Closing Sales. The Credit Parties shall fail to comply with the terms of any Approved Liquidation Agreement for the Permitted Store Closing Sales or any Approved Liquidation Agreement for the Permitted Store Closing Sales shall be amended or modified in any respect without Agent's consent;

(o) Sale Transaction.

(i) The Credit Parties shall (A) fail to comply with the terms of any bid for a Sale Transaction or any of the documents or agreements executed in connection therewith, including any Approved Liquidation Agreement or Approved Purchase Agreement, in any manner which would reasonably be expected to result in a decrease in proceeds from such Sale Transaction of more than $1,000,000, (B) fail to consummate a Sale Transaction strictly in accordance with the terms of the applicable Approved Liquidation Agreement or Approved Purchase Agreement (in each case of clauses (A) and (B), without any waiver or amendment to the applicable Approved Liquidation Agreement or Approved Purchase Agreement unless consented to by Agent) or (C) take any action (or an event has occurred) which would reasonably be expected to result in a

decrease in proceeds from a Sale Transaction of more than $1,000,000 or to adversely affect any Credit Party's ability to comply with the terms of any Approved Liquidation Agreement or Approved Purchase Agreement;

(ii) Any bid for a Sale Transaction shall cease to be in full force and effect or shall be withdrawn or terminated;

(p) Chapter 11 Cases. The occurrence of any of the following in the Chapter 11 Cases:

(i) the bringing of a motion, taking of any action or the filing of any plan of reorganization or disclosure statement attendant thereto by any of the Credit Parties in the Chapter 11 Cases: (A) to obtain additional financing under Section 364(c) or Section 364(d) of the Bankruptcy Code not otherwise permitted pursuant to this Agreement; (B) to grant any Lien other than Permitted Liens upon or affecting any Collateral; (C) except as provided in the Interim Order or Final Order, as the case may be, to use cash collateral of Agent and the other Secured Parties or Prior Agent and Prior Lenders under Section 363(c) of the Bankruptcy Code without the prior written consent of Agent; or (D) any other action or actions adverse to (x) Agent and Lenders or Prior Agent and Prior Lenders or their rights and remedies hereunder or their interest in the Collateral or (y) Prior Agent and Prior Lenders or their rights under the Pre-Petition Credit Agreement or the other Pre-Petition Loan Documents or their interest in the Collateral (as defined in the Pre-Petition Credit Agreement);

(ii) (A) the filing of any plan of reorganization or disclosure statement attendant thereto, or any direct or indirect amendment to such plan or disclosure statement, by a Credit Party that does not propose to indefeasibly repay in full in cash the Obligations under this Agreement and the Prior Lender Obligations or by any other Person to which Agent does not consent, (B) the entry of any order terminating any Credit Party's exclusive right to file a plan of reorganization, or (C) the expiration of any Credit Party's exclusive right to file a plan of reorganization;

(iii) the entry of an order in any of the Chapter 11 Cases confirming a plan of reorganization that (A) is not acceptable to Agent in its sole discretion or (B) does not contain a provision for termination of the Revolving Loan Commitments and indefeasible repayment in full in cash of all of the Obligations under this Agreement and the Prior Lender Obligations on or before the effective date of such plan or plans;

(iv) the entry of an order amending, supplementing, staying, vacating or otherwise modifying the Loan Documents or the Interim Order, the Final Order or the Cash Management Order without the written consent of Agent or the filing of a motion for reconsideration with respect to the Interim Order or the Final Order or the Interim Order, the Final Order or the Cash Management Order shall otherwise not be in full force and effect;

(v) the Final Order is not entered immediately following the expiration of the Interim Order, and in any event within thirty (30) days of the Petition Date;

(vi) the payment of, or application for authority to pay, any Pre-Petition claim without Agent's prior written consent unless in accordance with the Approved Budget;

(vii) the allowance of any claim or claims under Section 506(c) of the Bankruptcy Code or otherwise against Agent, any Lender or any of the Collateral or against the Prior Agent, any Prior Lender or any Collateral (as defined in the Pre-Petition Credit Agreement);

(viii) (A) the appointment of an interim or permanent trustee in the Chapter 11 Cases or the appointment of a receiver or an examiner in the Chapter 11 Cases with expanded powers to operate or manage the financial affairs, the business, or reorganization of the Credit Parties; or (B) the sale without Agent's and Required Lenders' consent of all or substantially all of the U.S. Debtors' assets either through a sale under Section 363 of the Bankruptcy Code, through a confirmed plan of reorganization in the Chapter 11 Cases or otherwise that does not result in payment in full in cash of all of the Obligations under this Agreement and all Prior Lender Obligations at the closing of such sale or initial payment of the purchase price or effectiveness of such plan, as applicable;

(ix) the dismissal of the Chapter 11 Cases, or the conversion of the Chapter 11 Cases from one under Chapter 11 to one under Chapter 7 of the Bankruptcy Code or any Credit Party shall file a motion or other pleading seeking the dismissal of the Chapter 11 Cases under Section 1112 of the Bankruptcy Code or otherwise or the conversion of the Chapter 11 Cases to Chapter 7 of the Bankruptcy Code;

(x) any Credit Party shall file a motion seeking, or the Bankruptcy Court shall enter an order granting, relief from or modifying the automatic stay of Section 362 of the Bankruptcy Code (A) to allow any creditor (other than Agent) to execute upon or enforce a Lien on any Collateral, (B) approving any settlement or other stipulation not approved by Agent with any secured creditor of any Credit Party providing for payments as adequate protection or otherwise to such secured creditor, or (C) with respect to any Lien of or the granting of any Lien on any Collateral to any federal, state or local environmental or regulatory agency or authority, which in either case involves a claim of $250,000 or more;

(xi) the commencement of a suit or an action (but not including a motion for standing to commence a suit or an action) against either Agent or any Lender or Prior Agent or any Prior Lender and, as to any suit or action brought by any Person other than a Credit Party or a Subsidiary for a Credit Party, officer or employee of a Credit Party, the continuation thereof without dismissal for thirty (30) days after service thereof on either Agent or such Lender or Prior Agent or any Prior Lender, that asserts or seeks by or on behalf of a Credit Party, any state of federal environmental protection or health and safety agency, any official committee in any Chapter 11 Case or any other party in interest in any of the Chapter 11 Cases, a claim or any legal or equitable remedy that would (x) have the effect of subordinating any or all of the Obligations or Liens of the Agent or any Lender under the Loan Documents or the Prior Lender Obligations or

Liens of the Prior Agent or Prior Lenders under the Pre-Petition Loan Documents to any other claim, or (y) have a material adverse effect on the rights and remedies of Agent or any Lender or Prior Agent or any Prior Lender under any Loan Document or the Prior Agent or Prior Lenders under the Pre-Petition Loan Documents or the collectability of all or any portion of the Obligations or the Prior Lender Obligations;

(xii) the entry of an order in the Chapter 11 Cases avoiding or permitting recovery of any portion of the payments made on account of the Obligations owing under this Agreement or the other Loan Documents or the Prior Lender Obligations owing under the Pre-Petition Loan Documents;

(xiii) the failure of any Credit Party to perform any of its obligations under the Interim Order, the Final Order, the Cash Management Order, or any order of the Bankruptcy Court approving any Sale Transaction or the Permitted Store Closing Sales or to perform in any material respect its obligations under any order of the Bankruptcy Court approving bidding procedures; or

(xiv) the entry of an order in the Chapter 11 Cases granting any other super priority administrative claim or Lien equal or superior to that granted to Agent, on behalf of itself and the Secured Parties or Prior Agent or Prior Lenders, other than as expressly set forth in the Interim Order (or the Final Order, when applicable).

(q) The occurrence of any of the following in the CCAA Proceedings:

(i) the bringing of a motion, or the execution of a written agreement, or the filing of any plan of compromise or arrangement or the issuance of any information circular or other comparable document with respect thereto by any Credit Party in the CCAA Proceedings: (A) to obtain additional "debtor-in-possession" financing not otherwise permitted pursuant to this Agreement; (B) to grant or approve any Lien other than Permitted Liens upon or affecting any Collateral; (C) any other action or actions adverse to (x) Agent and Lenders or Prior Agent and Prior Lenders or their rights and remedies hereunder or their interest in the Collateral or (y) Prior Agent and Prior Lenders or their rights under the Pre-Petition Credit Agreement or the other Pre-Petition Loan Documents or their interest in the Collateral (as defined in the Pre-Petition Credit Agreement);

(ii) the filing of any plan of compromise or arrangement or the issuance of any information circular or other comparable document with respect thereto, or any direct or indirect amendment to such plan or information circular or other comparable document, by a Credit Party that does not propose to indefeasibly repay in full in cash the Obligations under this Agreement and the Prior Lender Obligations or by any other Person to which Agent does not consent;

(iii) the entry of an order in the CCAA Proceedings sanctioning a plan or plans of compromise or arrangement that (A) is not acceptable to Agent in its sole discretion or (B) does not contain a provision for termination of the Revolving Loan Commitments and indefeasible repayment in full in cash of all of the Obligations under

this Agreement and the Prior Lender Obligations on or before the effective date of such plan or plans;

(iv) the entry of an order amending, supplementing, staying, vacating or otherwise modifying the Loan Documents or the CCAA Orders without the written consent of Agent or the filing of a motion for reconsideration with respect to the CCAA Orders;

(v) the payment of, or application for authority to pay, any pre-filing claim without Agent's and Required Lenders' prior written consent unless otherwise in accordance with the Approved Budget;

(vi) (A) the appointment of a trustee in bankruptcy or an interim receiver, receiver or receiver-manager of the Canadian Debtors; or (B) the sale without Agent's and Required Lenders' consent of all or substantially all of the Canadian Debtors' assets either through a sale pursuant to a plan of compromise or arrangement in the CCAA Proceedings or otherwise that does not result in payment in full in cash of all of the Obligations under this Agreement and all Prior Lender Obligations the closing of such sale or initial payment of the purchase price or effectiveness of such plan, as applicable;

(vii) the expiry or termination of the Stay of Proceedings;

(viii) any Credit Party shall file a motion (without Agent's consent) seeking, or the Canadian Court shall enter an order granting, relief from or modifying the Stay of Proceedings (A) to allow any creditor (other than Agent) to execute upon or enforce a Lien on any Collateral, (B) approving any settlement or other stipulation not approved by Agent with any secured creditor of any Credit Party providing for payments to such secured creditor, or (C) with respect to any Lien of or the granting of any Lien on any Collateral to any federal or provincial environmental or regulatory agency or authority, which in either case involves a claim of $250,000 or more;

(ix) the commencement of a suit or action against Agent or any Lender and or Prior Agent or any Prior Lender, as to any suit or action brought by any Person other than a Credit Party or a Subsidiary of a Credit Party, officer or employee of a Credit Party, the continuation thereof without dismissal for thirty (30) days after service thereof on Agent or such Lender, that asserts or seeks by or on behalf of a Credit Party, any environmental protection or health and safety agency, or any other party in interest in the CCAA Proceedings, a claim or any legal or equitable remedy that would (a) have the effect of subordinating any or all of the Obligations or Liens of the Agent or any Lender under the Loan Documents or the Prior Lender Obligations or Liens of the Prior Agent or Prior Lenders under the Pre-Petition Loan Documents to any other claim, or (b) have a material adverse effect on the rights and remedies of Agent or any Lender or Prior Agent or any Prior Lender under any Loan Document or the Prior Agent or Prior Lenders under the Pre-Petition Loan Documents or the collectability of all or any portion of the Obligations or Prior Lender Obligations;

(x) the entry of an order in the CCAA Proceedings avoiding or requiring repayment of any portion of the payments made on account of the Obligations owing under this Agreement or the other Loan Documents or the Prior Lender Obligations owing under the Pre-Petition Loan Documents;

(xi) the failure of any Credit Party to perform any of its obligations under the Initial Order in a manner that affects the Borrowers' financing arrangements without Agent's consent, any order in the CCAA Proceedings approving any Sale Transaction consented to by the Agent or any order in the CCAA Proceedings consented to by the Agent setting out the procedures for any Sale Transaction or the Permitted Store Closing Sales; and

(xii) except as set forth in the CCAA Orders and consented to by Agent, the entry of an order in the CCAA Proceedings granting any other super priority claim or Lien equal or superior to that granted to Agent, on behalf of itself and the Secured Parties.

6.2 Remedies. Subject to the applicable Orders, upon the occurrence and during the continuance of any Event of Default, notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from any Insolvency Court, Agent may, and shall at the request of the Required Lenders:

(a) declare all or any portion of the Revolving Loan Commitment of each Lender to make Loans or of the L/C Issuer to Issue Letters of Credit to be suspended or terminated, whereupon such Revolving Loan Commitments shall forthwith be suspended or terminated;

(b) declare all or any portion of the unpaid principal amount of all outstanding Loans, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder or under any other Loan Document to be immediately due and payable; without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived by each Credit Party;

(c) terminate, reduce or restrict any right or ability of the Borrowers to use any Cash Collateral (other than as expressly set forth in the applicable Order, during the Remedies Notice Period); and/or

(d) subject to the Remedies Notice Period and in the case of the Canadian Debtors to the provisions of the Initial Order, direct any or all of the Credit Parties to sell or otherwise dispose of any or all of the Collateral on terms and conditions acceptable to Agent and Lenders pursuant to Section 363, Section 365 and other applicable provisions of the Bankruptcy Code or Section 36 of the CCAA and other applicable provisions of the CCAA, as applicable (and, without limiting the foregoing, direct any Credit Party to assume and assign any lease or executory contract included in the Collateral to Agent's designees in accordance with and subject to Section 365 of the Bankruptcy Code or Section 11.3 of the CCAA, as applicable); and/or

(e) subject to the Remedies Notice Period and in the case of the Canadian Debtors the provisions of the Initial Order, exercise on behalf of itself and the Lenders all rights

and remedies available to it and the Lenders under this Agreement, the other Loan Documents or applicable law.

6.3 Lift of Stay; Stay of Proceedings. Pursuant to the applicable Order, the automatic stay of Section 362 of the Bankruptcy Code and the Stay of Proceedings shall be modified and vacated to permit Agent and Lenders to exercise all rights and remedies under this Agreement, the other Loan Documents or applicable law, without further notice, motion or application to, hearing before, or order from, any Insolvency Court, except in the case of the Canadian Debtors as provided for in the Initial Order.

6.4 Rights Not Exclusive. The rights provided for in this Agreement and the other Loan Documents are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law or in equity, or under any other instrument, document or agreement now existing or hereafter arising.

6.5 Cash Collateral for Letters of Credit. If an Event of Default has occurred and is continuing or this Agreement (or the Revolving Loan Commitments) shall be terminated for any reason or if otherwise required by the terms hereof, then, notwithstanding the provisions of Section 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from either Insolvency Court, Agent may, and upon request of Required Lenders, shall, demand (which demand shall be deemed to have been delivered automatically upon any acceleration of the Loans and other obligations hereunder pursuant to Section 6.2 hereof), and the Borrowers shall thereupon deliver to Agent, to be held for the benefit of the L/C Issuer, Agent and the Lenders entitled thereto, an amount of cash equal to 105% of the amount of Letter of Credit Obligations as additional collateral security for the Obligations, which cash collateral shall not be subject to the U.S. Carve-Out, the Canadian Carve-Out and the D&O Charge. The Agent may at any time apply any or all of such cash and cash collateral to the payment of any or all of the Credit Parties' Obligations. Pending such application, Agent may (but shall not be obligated to) invest the same in an non-interest bearing account in Agent's name, for the benefit of the L/C Issuer, Agent and the Lenders entitled thereto, under which deposits are available for immediate withdrawal, at such bank or financial institution as the L/C Issuer and Agent may, in their discretion, select. The remaining balance of the cash collateral will be returned to the Borrowers when all Letters of Credit have been terminated or discharged, all Revolving Loan Commitments have been terminated and all Obligations have been indefeasibly paid in full in cash.

6.6 Borrower's Assistance, Intellectual Property Access. Upon the occurrence and the continuance of an Event of Default and the exercise by Agent or Lenders of their rights and remedies under this Agreement and the other Loan Documents, Borrowers shall assist Agent and Lenders in effecting a sale or other disposition of the Collateral upon such terms as are reasonably acceptable to Agent and shall assist Agent in obtaining, and shall provide Agent with, access and the rights to use, at no cost or expense, the Intellectual Property of the Credit Parties and all real property owned or leased by the Credit Parties to the extent necessary, appropriate or reasonably requested in order to sell, lease or otherwise dispose of any of the Collateral.

ARTICLE VII. - THE AGENT

7.1 Appointment and Duties.

(a) Appointment of Agent. Each Lender and each L/C Issuer hereby appoints Antares (together with any successor Agent pursuant to Section 7.9) as Agent hereunder and authorizes Agent to (i) execute and deliver the Loan Documents and accept delivery thereof on its behalf from any Credit Party, (ii) take such action on its behalf and to exercise all rights, powers and remedies and perform the duties as are expressly delegated to Agent under such Loan Documents and (iii) exercise such powers as are reasonably incidental thereto. Without limiting the generality of the foregoing, each Lender hereby authorizes Agent to consent, on behalf of each Lender, to the Interim Order, the Initial Order and the Final Order, each to be negotiated between the Credit Parties, Agent, and the statutory committees appointed pursuant to Section 327 and 1103 of the Bankruptcy Code.

(b) Duties as Collateral and Disbursing Agent. Without limiting the generality of clause (a) above, Agent shall have the sole and exclusive right and authority (to the exclusion of the Lenders and L/C Issuers), and is hereby authorized, to (i) act as the disbursing and collecting agent for the Lenders and the L/C Issuers with respect to all payments and collections arising in connection with the Loan Documents (including in any proceeding in the Insolvency Cases or any other bankruptcy, insolvency or similar proceeding), and each Person making any payment in connection with any Loan Document to any Secured Party is hereby authorized to make such payment to Agent, (ii) file and prove claims and file other documents necessary or desirable to allow the claims of the Secured Parties with respect to any Obligation in any proceeding in the Insolvency Cases or any other bankruptcy, insolvency or similar proceeding (but not to vote, consent or otherwise act on behalf of such Person), (iii) act as collateral agent for each Secured Party for purposes of the perfection of all Liens created by such agreements and all other purposes stated therein, (iv) manage, supervise and otherwise deal with the Collateral and the OMERS LC, (v) take such other action as is necessary or desirable to maintain the perfection and priority of the Liens created or purported to be created by the Loan Documents, (vi) except as may be otherwise specified in any Loan Document, exercise all remedies given to Agent and the other Secured Parties with respect to the Credit Parties, their respective Subsidiaries, the Collateral and/or the OMERS LC, whether under the Loan Documents, applicable Requirements of Law or otherwise and (vii) execute any amendment, consent or waiver under the Loan Documents on behalf of any Lender that has consented in writing to such amendment, consent or waiver; provided, however, that Agent hereby appoints, authorizes and directs each Lender and L/C Issuer to act as collateral sub-agent for Agent, the Lenders and the L/C Issuers for purposes of the perfection of all Liens with respect to the Collateral, including any deposit account maintained by a Credit Party with, and cash and Cash Equivalents held by, such Lender or L/C Issuer, and may further authorize and direct the Lenders and the L/C Issuers to take further actions as collateral sub-agents for purposes of enforcing such Liens or otherwise to transfer the Collateral subject thereto to Agent, and each Lender and L/C Issuer hereby agrees to take such further actions to the extent, and only to the extent, so authorized and directed.

(c) Limited Duties. Under the Loan Documents, Agent (i) is acting solely on behalf of the Secured Parties (except to the limited extent provided in Section 1.4(b) with respect to the Register), with duties that are entirely administrative in nature, notwithstanding the use of the defined term "Agent," the terms "agent," "Agent" and "collateral agent" and similar terms in

any Loan Document to refer to Agent, which terms are used for title purposes only, (ii) is not assuming any obligation under any Loan Document other than as expressly set forth therein or any role as agent, fiduciary or trustee of or for any Lender, L/C Issuer or any other Person and (iii) shall have no implied functions, responsibilities, duties, obligations or other liabilities under any Loan Document, and each Secured Party, by accepting the benefits of the Loan Documents hereby waives and agrees not to assert any claim against Agent based on the roles, duties and legal relationships expressly disclaimed in clauses (i) through (iii) above.

(d) Notwithstanding the provisions of Section 7.1(a) and 7.1(b), Section 8.1 or any other provision of any Loan Document:

(i) Each Antares Lender shall be responsible for all of the following on its own behalf: (A) execution and delivery of the Loan Documents, on its own behalf, and acceptance of delivery thereof on its own behalf from any Credit Party, and (B) approval, execution and delivery, on its own behalf, of any amendment, consent or waiver under any of the foregoing Loan Documents or other agreements related thereto;

(ii) Agent shall have no authority to do any of the foregoing on behalf of any Antares Lender; and

(iii) without limitation of the foregoing, if any Antares Lender consents to any matter requiring execution and delivery by or on behalf of the Required Lenders (as may be specified in Sections 8.1(a), 8.1(b) or 8.1(c), or any other provision of the Agreement or of any other Loan Document), such Antares Lender shall execute and deliver, on its own behalf, such documents or instruments as may be necessary in connection with such matter (and (with respect to Antares Lenders only), Agent shall have no authority to sign, execute or deliver any such document or instrument on behalf of any Antares Lender). If any Antares Lender has not consented to any such matter, but other Lenders constituting Require Lenders have done so, the provisions of this Section 7.1(d)(iii) do not require a separate signature from such Antares Lender.

(e) Quebec Collateral.

(i) For greater certainty, and without limiting the powers of the Agent or any other Person acting as mandatary (agent) of the Agent, each of the Secured Parties hereby irrevocably constitutes the Agent as the hypothecary representative within the meaning of Article 2692 of the *Civil Code of Québec* in order to hold hypothecs and security granted by any Credit Party on property pursuant to the laws of the Province of Québec in order to secure the Obligations. The execution by the Agent, acting as hypothecary representative prior to the Agreement of any deeds of hypothec or other security documents is hereby ratified and confirmed.

(ii) The constitution of the Agent as hypothecary representative with respect to any deeds of hypothec or other security documents in favour of the Agent for the benefit of the Secured Parties shall be deemed to have been ratified and confirmed by each Person accepting an assignment of, a participation in or an arrangement in respect of, all or any portion of any Secured Parties' rights and obligations under the Agreement

by the execution of an assignment, including an Assignment or other agreement pursuant to which it becomes such assignee or participant, and by each successor Agent by the execution of an Assignment or other agreement, or by the compliance with other formalities, as the case may be, pursuant to which it becomes a successor Agent under this Agreement.

(iii) The Agent acting as hypothecary representative shall have the same rights, powers, immunities, indemnities and exclusions from liability as are prescribed in favor of Agent in the Agreement, which shall apply mutatis mutandis to the Agent acting as hypothecary representative.

7.2 Binding Effect. Each Secured Party, by accepting the benefits of the Loan Documents, agrees that (i) any action taken by Agent or the Required Lenders (or, if expressly required hereby, a greater proportion of the Lenders) in accordance with the provisions of the Loan Documents, (ii) any action taken by Agent in reliance upon the instructions of Required Lenders (or, where so required, such greater proportion) and (iii) the exercise by Agent or the Required Lenders (or, where so required, such greater proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of the Secured Parties.

7.3 Use of Discretion.

(a) Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby or by the other Loan Documents that Agent is required to exercise as directed in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be expressly provided for herein or in the other Loan Documents); provided that Agent shall not be required to take any action that, in its opinion or the opinion of its counsel, may expose Agent to liability or that is contrary to any Loan Document or applicable Requirement of Law; and

(b) Agent shall not, except as expressly set forth herein and in the other Loan Documents, have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Credit Party or its Affiliates that is communicated to or obtained by Agent or any of its Affiliates in any capacity.

(c) Notwithstanding anything to the contrary contained herein or in any other Loan Document, the authority to enforce rights and remedies hereunder and under the other Loan Documents against the Credit Parties or any of them shall be vested exclusively in, and all actions and proceedings at law in connection with such enforcement shall be instituted and maintained exclusively by, Agent in accordance with the Loan Documents for the benefit of all the Secured Parties and the L/C Issuer; provided that the foregoing shall not prohibit (i) Agent from exercising on its own behalf the rights and remedies that inure to its benefit (solely in its capacity as Agent) hereunder and under the other Loan Documents, (ii) each of the L/C Issuer and the Swingline Lender from exercising the rights and remedies that inure to its benefit (solely in its capacity as L/C Issuer or Swingline Lender, as the case may be) hereunder and under the other Loan Documents, (iii) any Lender from exercising setoff rights in accordance with Section 8.11 or (iv) any Lender from filing proofs of claim or appearing and filing pleadings on its own

behalf during the pendency of a proceeding relative to any Credit Party under any bankruptcy or other debtor relief law; and provided further that if at any time there is no Person acting as Agent hereunder and under the other Loan Documents, then (A) the Required Lenders shall have the rights otherwise ascribed to Agent pursuant to Section 6.2 and (B) in addition to the matters set forth in clauses (ii), (iii) and (iv) of the preceding proviso and subject to Section 8.11, any Lender may, with the consent of the Required Lenders, enforce any rights and remedies available to it and as authorized by the Required Lenders.

7.4 Delegation of Rights and Duties. The Agent may, upon any term or condition it specifies, delegate or exercise any of its rights, powers and remedies under, and delegate or perform any of its duties or any other action with respect to, any Loan Document by or through any trustee, co-agent, employee, attorney-in-fact and any other Person (including any Secured Party). Any such Person shall benefit from this Article VII to the extent provided by Agent.

7.5 Reliance and Liability.

(a) The Agent may, without incurring any liability hereunder, (i) treat the payee of any Note as its holder until such Note has been assigned in accordance with Section 8.9, (ii) rely on the Register to the extent set forth in Section 1.4, (iii) consult with any of its Related Persons and, whether or not selected by it, any other advisors, accountants and other experts (including advisors to, and accountants and experts engaged by, any Credit Party) and (iv) rely and act upon any document and information (including those transmitted by Electronic Transmission) and any telephone message or conversation, in each case believed by it to be genuine and transmitted, signed or otherwise authenticated by the appropriate parties.

(b) None of Agent and its Related Persons shall be liable for any action taken or omitted to be taken by any of them under or in connection with any Loan Document, and each Secured Party, each Holding Company, each Borrower and each other Credit Party hereby waive and shall not assert (and each of the Holding Companies and the Borrowers shall cause each other Credit Party to waive and agree not to assert) any right, claim or cause of action based thereon, except to the extent of liabilities resulting primarily from the gross negligence or willful misconduct of Agent or, as the case may be, such Related Person (each as determined in a final, non-appealable judgment by a court of competent jurisdiction) in connection with the duties expressly set forth herein. Without limiting the foregoing, Agent:

(i) shall not be responsible or otherwise incur liability for any action or omission taken in reliance upon the instructions of the Required Lenders or for the actions or omissions of any of its Related Persons selected with reasonable care (other than employees, officers and directors of Agent, when acting on behalf of Agent);

(ii) shall not be responsible to any Lender, L/C Issuer or other Person for the due execution, legality, validity, enforceability, effectiveness, genuineness, sufficiency or value of, or the attachment, perfection or priority of any Lien created or purported to be created under or in connection with, any Loan Document;

(iii) makes no warranty or representation, and shall not be responsible, to any Lender, L/C Issuer or other Person for any statement, document, information,

representation or warranty made or furnished by or on behalf of any Credit Party or any Related Person of any Credit Party in connection with any Loan Document or any transaction contemplated therein or any other document or information with respect to any Credit Party, whether or not transmitted or (except for documents expressly required under any Loan Document to be transmitted to the Lenders) omitted to be transmitted by Agent, including as to completeness, accuracy, scope or adequacy thereof, or for the scope, nature or results of any due diligence performed by Agent in connection with the Loan Documents; and

(iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any provision of any Loan Document, whether any condition set forth in any Loan Document is satisfied or waived, as to the financial condition of any Credit Party or as to the existence or continuation or possible occurrence or continuation of any Default or Event of Default and shall not be deemed to have notice or knowledge of such occurrence or continuation unless it has received a notice from the Borrower Representative, any Lender or L/C Issuer describing such Default or Event of Default clearly labeled "notice of default" (in which case Agent shall promptly give notice of such receipt to all Lenders);

and, for each of the items set forth in clauses (i) through (iv) above, each Lender, L/C Issuer, each Holding Company and each Borrower hereby waives and agrees not to assert (and each Holding Company and each Borrower shall cause each other Credit Party to waive and agree not to assert) any right, claim or cause of action it might have against Agent based thereon.

(c) Each Lender and L/C Issuer (i) acknowledges that it has performed and will continue to perform its own diligence and has made and will continue to make its own independent investigation of the operations, financial conditions and affairs of the Credit Parties and (ii) agrees that is shall not rely on any audit or other report provided by Agent or its Related Persons (an "Agent Report"). Each Lender and L/C Issuer further acknowledges that any Agent Report (i) is provided to the Lenders and L/C Issuers solely as a courtesy, without consideration, and based upon the understanding that such Lender or L/C Issuer will not rely on such Agent Report, (ii) was prepared by Agent or its Related Persons based upon information provided by the Credit Parties solely for Agent's own internal use, (iii) may not be complete and may not reflect all information and findings obtained by Agent or its Related Persons regarding the operations and condition of the Credit Parties. Neither Agent nor any of its Related Persons makes any representations or warranties of any kind with respect to (i) any existing or proposed financing, (ii) the accuracy or completeness of the information contained in any Agent Report or in any related documentation, (iii) the scope or adequacy of Agent's and its Related Persons' due diligence, or the presence or absence of any errors or omissions contained in any Agent Report or in any related documentation, and (iv) any work performed by Agent or Agent's Related Persons in connection with or using any Agent Report or any related documentation.

(d) Neither Agent nor any of its Related Persons shall have any duties or obligations in connection with or as a result of any Lender or L/C Issuer receiving a copy of any Agent Report. Without limiting the generality of the forgoing, neither Agent nor any of its Related Persons shall have any responsibility for the accuracy or completeness of any Agent Report, or the appropriateness of any Agent Report for any Lender's or L/C Issuer's purposes,

and shall have no duty or responsibility to correct or update any Agent Report or disclose to any Lender or L/C Issuer any other information not embodied in any Agent Report, including any supplemental information obtained after the date of any Agent Report. Each Lender and L/C Issuer releases, and agrees that it will not assert, any claim against Agent or its Related Persons that in any way relates to any Agent Report or arises out of any Lender or L/C Issuer having access to any Agent Report or any discussion of its contents, and agrees to indemnify and hold harmless Agent and its Related Persons from all claims, liabilities and expenses relating to a breach by any Lender or L/C Issuer arising out of such Lender's or L/C Issuer's access to any Agent Report or any discussion of its contents.

7.6 Agent Individually. The Agent and its Affiliates may make loans and other extensions of credit to, acquire Stock and Stock Equivalents of, engage in any kind of business with, any Credit Party or Affiliate thereof as though it were not acting as Agent and may receive separate fees and other payments therefor. To the extent Agent or any of its Affiliates makes any Loan or otherwise becomes a Lender hereunder, it shall have and may exercise the same rights and powers hereunder and shall be subject to the same obligations and liabilities as any other Lender and the terms "Lender," "Revolving Lender", "Required Lenders", "Required Supermajority Lenders" and any similar terms shall, except where otherwise expressly provided in any Loan Document, include Agent or such Affiliate, as the case may be, in its individual capacity as Lender, Revolving Lender or as one of the Required Lenders or Required Supermajority Lenders, respectively.

7.7 Lender Credit Decision.

(a) Each Lender and each L/C Issuer acknowledges that it shall, independently and without reliance upon Agent, any Lender or L/C Issuer or any of their Related Persons or upon any document (including any offering and disclosure materials in connection with the syndication of the Loans) solely or in part because such document was transmitted by Agent or any of its Related Persons, conduct its own independent investigation of the financial condition and affairs of each Credit Party and make and continue to make its own credit decisions in connection with entering into, and taking or not taking any action under, any Loan Document or with respect to any transaction contemplated in any Loan Document, in each case based on such documents and information as it shall deem appropriate. Except for documents expressly required by any Loan Document to be transmitted by Agent to the Lenders or L/C Issuers, Agent shall not have any duty or responsibility to provide any Lender or L/C Issuer with any credit or other information concerning the business, prospects, operations, property, financial and other condition or creditworthiness of any Credit Party or any Affiliate of any Credit Party that may come in to the possession of Agent or any of its Related Persons.

(b) If any Lender or L/C Issuer has elected to abstain from receiving MNPI concerning the Credit Parties or their Affiliates, such Lender or L/C Issuer acknowledges that, notwithstanding such election, Agent and/or the Credit Parties will, from time to time, make available syndicate-information (which may contain MNPI) as required by the terms of, or in the course of administering the Loans to the credit contact(s) identified for receipt of such information on the Lender's administrative questionnaire who are able to receive and use all syndicate-level information (which may contain MNPI) in accordance with such Lender's compliance policies and contractual obligations and applicable law, including federal and state

securities laws; provided, that if such contact is not so identified in such questionnaire, the relevant Lender or L/C Issuer hereby agrees to promptly (and in any event within one (1) Business Day) provide such a contact to Agent and the Credit Parties upon request therefor by Agent or the Credit Parties. Notwithstanding such Lender's or L/C Issuer's election to abstain from receiving MNPI, such Lender or L/C Issuer acknowledges that if such Lender or L/C Issuer chooses to communicate with Agent, it assumes the risk of receiving MNPI concerning the Credit Parties or their Affiliates.

7.8 Expenses; Indemnities.

(a) Each Lender agrees to reimburse Agent and each of its Related Persons (to the extent not reimbursed by any Credit Party) promptly upon demand, severally and ratably, for any costs and expenses (including fees, charges and disbursements of financial, legal and other advisors and Other Taxes paid in the name of, or on behalf of, any Credit Party) that may be incurred by Agent or any of its Related Persons in connection with the preparation, syndication, execution, delivery, administration, modification, consent, waiver or enforcement of, or the taking of any other action (whether through negotiations, through any work-out, bankruptcy, restructuring or other legal or other proceeding (including preparation for and/or response to any subpoena or request for document production relating thereto) or otherwise) in respect of, or legal advice with respect to its rights or responsibilities under, any Loan Document.

(b) Each Lender further agrees to indemnify Agent and each of its Related Persons (to the extent not reimbursed by any Credit Party), severally and ratably, from and against Liabilities (including taxes, interests and penalties imposed for not properly withholding or backup withholding on payments made to on or for the account of any Lender) that may be imposed on, incurred by or asserted against Agent or any of its Related Persons in any matter relating to or arising out of, in connection with or as a result of any Loan Document or any other act, event or transaction related, contemplated in or attendant to any such document, or, in each case, any action taken or omitted to be taken by Agent or any of its Related Persons under or with respect to any of the foregoing; provided, however, that no Lender shall be liable to Agent or any of its Related Persons to the extent such liability has resulted primarily from the gross negligence or willful misconduct of Agent or, as the case may be, such Related Person, as determined by a court of competent jurisdiction in a final non-appealable judgment or order.

(c) To the extent required by any applicable law, Agent may withhold from any payment to any Lender under a Loan Document an amount equal to any applicable withholding tax. If the Internal Revenue Service, the CRA or any other Governmental Authority asserts a claim that Agent did not properly withhold tax from amounts paid to or for the account of any Lender (because the appropriate certification form was not delivered, was not properly executed, or fails to establish an exemption from, or reduction of, withholding tax with respect to a particular type of payment, or because such Lender failed to notify Agent or any other Person of a change in circumstances which rendered the exemption from, or reduction of, withholding tax ineffective, or for any other reason), or Agent reasonably determines that it was required to withhold taxes from a prior payment but failed to do so, such Lender shall promptly indemnify Agent fully for all amounts paid, directly or indirectly, by Agent as tax or otherwise, including penalties and interest, and together with all expenses incurred by Agent, including legal expenses, allocated internal costs and out-of-pocket expenses. Agent may offset against any

payment to any Lender under a Loan Document, any applicable withholding tax that was required to be withheld from any prior payment to such Lender but which was not so withheld, as well as any other amounts for which Agent is entitled to indemnification from such Lender under this Section 7.8(c).

7.9 Resignation of Agent or L/C Issuer.

(a) The Agent may resign at any time by delivering notice of such resignation to the Lenders and the Borrower Representative, effective on the date set forth in such notice or, if no such date is set forth therein, on the date such notice is delivered. If Agent delivers any such notice, the Required Lenders shall have the right to appoint a successor Agent; provided that the failure of the Required Lenders to appoint a successor Agent shall not nullify, delay or otherwise affect in any way the effectiveness of the retiring Agent's notice of resignation. Each appointment under this clause (a) shall be subject to the prior consent of the Borrowers, which may not be unreasonably withheld but shall not be required during the continuance of an Event of Default.

(b) Effective immediately upon its resignation, (i) the retiring Agent shall be discharged from its duties and obligations under the Loan Documents, (ii) the Lenders shall assume and perform all of the duties of Agent until a successor Agent shall have accepted a valid appointment hereunder, (iii) the retiring Agent and its Related Persons shall no longer have the benefit of any provision of any Loan Document other than with respect to any actions taken or omitted to be taken while such retiring Agent was, or because such Agent had been, validly acting as Agent under the Loan Documents and (iv) subject to its rights under Section 7.3, the retiring Agent shall take such action as may be reasonably necessary to assign to the successor Agent its rights as Agent under the Loan Documents. Effective immediately upon its acceptance of a valid appointment as Agent, a successor Agent shall succeed to, and become vested with, all the rights, powers, privileges and duties of the retiring Agent under the Loan Documents.

(c) Any L/C Issuer may resign at any time by delivering notice of such resignation to Agent, effective on the date set forth in such notice or, if no such date is set forth therein, on the date such notice is delivered. Upon such resignation, the L/C Issuer shall remain an L/C Issuer and shall retain its rights and obligations in its capacity as such (other than any obligation to Issue Letters of Credit but including the right to receive fees or to have Lenders participate in any L/C Reimbursement Obligation thereof) with respect to Letters of Credit issued by such L/C Issuer prior to the date of such resignation and shall otherwise be discharged from all other duties and obligations under the Loan Documents.

7.10 Release of Collateral or Guarantors. Each Lender and L/C Issuer hereby consents to the release and hereby directs Agent to release (or, in the case of clause (b)(ii) below, release or subordinate) the following:

(a) any Subsidiary of a Borrower from its guaranty of any Obligation under the Loan Documents if all of the Stock and Stock Equivalents of such Subsidiary owned by any Credit Party are sold or transferred in a transaction permitted under the Loan Documents (including pursuant to a waiver or consent given in accordance with Section 8.1), to the extent

that, after giving effect to such transaction, such Subsidiary would not be required to guaranty any Obligations pursuant to Section 4.13; and

(b) any Lien held by Agent for the benefit of the Secured Parties against (i) any Collateral that is sold, transferred, conveyed or otherwise disposed of by a Credit Party in a transaction permitted by the Loan Documents (including pursuant to a waiver or consent given in accordance with Section 8.1), other than sales, transfers, conveyances or other dispositions to other Credit Parties, to the extent all Liens required to be granted in such Collateral pursuant to Section 4.13 after giving effect to such transaction have been granted, (ii) any property subject to a Lien permitted hereunder in reliance upon Section 5.1(h) and (iii) all of the Collateral and all Credit Parties, upon (A) termination of the Revolving Loan Commitments, (B) payment and satisfaction in full of all Loans, all L/C Reimbursement Obligations and all other Obligations under the Loan Documents and all Obligations arising under Secured Bank Product Agreements that Agent has theretofore been notified in writing by the holder of such Obligation are then due and payable (it being understood that such notice shall not be required if the holder thereof is Antares Finance or any of its Affiliates), (C) payment and satisfaction in full of all Prior Lender Obligations, (D) deposit of cash collateral with respect to all contingent Obligations (or, in the case of any Letter of Credit Obligation, receipt by Agent of a back-up letter of credit) in amounts and on terms and conditions and with parties reasonably satisfactory to Agent and each Indemnitee that is, or may be, owed such Obligations and (E) to the extent requested by Agent, receipt by Agent and the Secured Parties of liability releases from the Credit Parties each in form and substance reasonably acceptable to Agent.

(c) SPV Holdco from its guarantee of any Obligation under the Loan Documents upon the exhaustion of the OMERS LC due to a draw or draws on the OMERS LC following an LC Draw Event.

Each Lender and L/C Issuer hereby directs Agent, and Agent hereby agrees, upon receipt of reasonable advance notice from the Borrower Representative, to execute and deliver or file such documents and to perform other actions reasonably necessary to release the guaranties and Liens when and as directed in this Section 7.10.

7.11 Additional Secured Parties. The benefit of the provisions of the Loan Documents directly relating to the Collateral or the OMERS LC, or any Lien granted thereunder shall extend to and be available to any Secured Party that is not a Lender or L/C Issuer party hereto as long as, by accepting such benefits, such Secured Party agrees, as among Agent and all other Secured Parties, that such Secured Party is bound by (and, if requested by Agent, shall confirm such agreement in a writing in form and substance acceptable to Agent) this Article VII, Section 8.3, Section 8.9, Section 8.10, Section 8.11, Section 8.17, Section 8.24 and Section 9.1 and the decisions and actions of Agent and the Required Lenders (or, where expressly required by the terms of this Agreement, a greater proportion of the Lenders or other parties hereto as required herein) to the same extent a Lender is bound; provided, however, that, notwithstanding the foregoing, (a) such Secured Party shall be bound by Section 7.8 only to the extent of Liabilities, costs and expenses with respect to or otherwise relating to the Collateral or the OMERS LC, held for the benefit of such Secured Party, in which case the obligations of such Secured Party thereunder shall not be limited by any concept of pro rata share or similar concept, (b) each of Agent, the Lenders and the L/C Issuers party hereto shall be entitled to act at its sole discretion,

without regard to the interest of such Secured Party, regardless of whether any Obligation to such Secured Party thereafter remains outstanding, is deprived of the benefit of the Collateral or the OMERS LC, becomes unsecured or is otherwise affected or put in jeopardy thereby, and without any duty or liability to such Secured Party or any such Obligation and (c) except as otherwise set forth herein, such Secured Party shall not have any right to be notified of, consent to, direct, require or be heard with respect to, any action taken or omitted in respect of the Collateral or the OMERS LC, or under any Loan Document.

7.12 Titles. Notwithstanding any provision to the contrary contained elsewhere in this Agreement or in any other Loan Document, no Syndication Agent, Documentation Agent, Bookrunner or Lead Arranger shall have any duties or responsibilities, nor shall any Syndication Agent, Documentation Agent, Bookrunner or Lead Arranger have or be deemed to have any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against any Syndication Agent, Documentation Agent, Bookrunner or Lead Arranger.

ARTICLE VIII. - MISCELLANEOUS

8.1 Amendments and Waivers.

(a) No amendment, modification or waiver of any provision of this Agreement or any other Loan Document (other than the Fee Letter which may be amended, modified or waived in accordance with its terms), and no consent with respect to any departure by any Credit Party therefrom, shall be effective unless the same shall be in writing and signed by the Required Lenders (or by Agent with the consent of the Required Lenders), the Borrowers and acknowledged by Agent, and then such waiver shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that no such waiver, amendment, or consent shall, unless in writing and signed by all the Lenders directly affected thereby (or by Agent with the consent of all the Lenders directly affected thereby), in addition to the Required Lenders (or by Agent with the consent of the Required Lenders), the Borrowers and acknowledged by Agent, do any of the following:

(i) increase or extend the Revolving Loan Commitment of any Lender (or reinstate any Revolving Loan Commitment terminated pursuant to Section 6.2(a));

(ii) postpone or delay any date fixed for, or waive, any scheduled installment of principal or any payment of interest, fees or other amounts due to the Lenders (or any of them) or L/C Issuer hereunder or under any other Loan Document (other than prepayments pursuant to Sections 1.8(c) and (d));

(iii) reduce the principal of, or the rate of interest specified herein or the amount of interest payable in cash specified herein on any Loan, or of any fees or other amounts payable hereunder or under any other Loan Document, including L/C Reimbursement Obligations;

(iv) amend or modify Sections 1.10(c) or (d) or Section 8.11(b);

(v) except as provided by Sections 8.1, change the percentage of the Revolving Loan Commitments or of the aggregate unpaid principal amount of the Loans, in each case, which shall be required for the Lenders or any of them to take any action hereunder;

(vi) amend this Section 8.1 or the definition of Required Supermajority Lenders or Required Lenders or any provision providing for consent or other action by all Lenders; or

(vii) discharge any Credit Party from its respective payment Obligations under the Loan Documents, subordinate or release all or substantially all of the Collateral, or subordinate the Obligations hereunder to any other Indebtedness, in each case, except in connection with a Sale Transaction or Permitted Store Closing Sales or as otherwise may be provided in this Agreement or the other Loan Documents;

it being agreed that all Lenders shall be deemed to be directly affected by an amendment or waiver of the type described in the preceding clauses (iv) through (vii).

(b) No amendment, waiver or consent shall, unless in writing and signed by Agent, the Swingline Lender or the L/C Issuer, as the case may be, in addition to the Required Lenders or all Lenders directly affected thereby, as the case may be (or by Agent with the consent of the Required Lenders or all the Lenders directly affected thereby, as the case may be), affect the rights or duties of Agent, the Swingline Lender or the L/C Issuer, as applicable, under this Agreement or any other Loan Document. No amendment, modification or waiver of this Agreement or any Loan Document altering the ratable treatment of Obligations arising under Secured Bank Product Agreements or Secured Bank Product Provider becoming unsecured (other than releases of Liens permitted in accordance with the terms hereof), in each case in a manner adverse to any Secured Bank Product Provider, shall be effective without the written consent of such Secured Bank Product Provider or, in the case of a Secured Bank Product Agreement provided or arranged by Antares Finance or an Affiliate of Antares Finance.

(c) No amendment or waiver shall, unless signed by the Required Supermajority Lenders (or by Agent with the consent of Required Supermajority Lenders) in addition to the Required Lenders (or by Agent with the consent of the Required Lenders): amend or modify the definitions of Eligible Credit Card Accounts, Eligible Wholesale Accounts, Eligible Inventory, Eligible Domestic In Transit Inventory, Revolving Credit Borrowing Base or Availability Block or increase the advance rates in the definition of Revolving Credit Borrowing Base, in a manner which would make more credit available to the Borrowers (it being understood and agreed that the foregoing shall not limit, restrict or impair the rights of Agent under Section 1.13 including with respect to the elimination of Reserves).

(d) Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting, elective or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be, or have its Loans and Revolving Loan Commitments, included in the determination of "Required Lenders", "Required Supermajority Lenders", or "Lenders directly affected" pursuant to this Section 8.1) for any voting or consent rights under or with respect to any Loan Document, except that a Non-Funding

Lender shall be treated as an "affected Lender" for purposes of Section 8.1(a)(i) and 8.1(a)(iii) solely with respect to a change in such Non-Funding Lender's Revolving Loan Commitments, a reduction of the principal amount owed to such Non-Funding Lender or, unless such Non-Funding Lender is treated the same as the other Lenders holding Loans of the same type, a reduction in the interest rates applicable to the Loans held by such Non-Funding Lender. Moreover, for the purposes of determining Required Lenders, Required Lenders and Required Supermajority Lenders, the Loans and Revolving Loan Commitments held by Non-Funding Lenders shall be excluded from the total Loans and Revolving Loan Commitments outstanding.

(e) Notwithstanding anything to the contrary contained in this Section 8.1, Agent may amend Schedule 1.1(a) and Schedule 1.1(b) to reflect assignments entered in pursuant to Section 8.9.

8.2 Notices.

(a) Addresses. All notices, demands, requests, directions and other communications required or expressly authorized to be made by this Agreement shall, whether or not specified to be in writing but unless otherwise expressly specified to be given by any other means, be given in writing and (i) addressed to:

(A) If to any Credit Party, to:

c/o Golfsmith International Holdings, Inc.
11000 North IH 35
Austin, Texas 78753-3195
Attention: [_____]
E-Mail:
Facsimile:[8]

with a copy to:

Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153-0119
Attention: Michael F. Walsh
E-Mail: Michael.Walsh@weil.com
Facsimile: 212.310.8007

with a copy to:

Goodmans LLP
Bay Adelaide Centre
333 Bay Street, Suite 3400
Toronto, Ontario M5H2S7
Attention: Robert J. Chadwick and Melaney Wagner

[8] Note to Draft – Company/Weil to provide.

E-Mail: R.Chadwick@goodmans.ca and M.Wagner@goodmans.ca
Facsimile: 416.979.1234

(B) If to Agent or the Swingline Lender:

Antares Capital LP
11175 Cicero Drive, Suite 625
Alpharetta, Georgia 30022
Attention: Jonathan Balch
E-Mail: Jonathan.Balch@antares.com
Facsimile: 678.624.7903

with a copy to:

Morgan, Lewis & Bockius LLP
One Federal Street
Boston, Massachusetts 02110
Attention: Sandra J. Vrejan
E-Mail: Sandra.Vrejan@morganlewis.com
Facsimile: 617.341.7701

(ii) posted to SyndTrak® (to the extent such system is available and set up by or at the direction of Agent prior to posting) in an appropriate location by uploading such notice, demand, request, direction or other communication to www.syndtrak.com, faxing it to SyndTrak® with an appropriate bar-code fax coversheet or using such other means of posting to SyndTrak® as may be available and reasonably acceptable to Agent prior to such posting, (iii) posted to any other E-System set up by or at the direction of Agent or (iv) addressed to such other address as shall be notified in writing (A) in the case of the Borrowers, Agent and the Swingline Lender, to the other parties hereto and (B) in the case of all other parties, to the Borrower Representative and Agent. Transmission by electronic mail (including E-Fax, even if transmitted to the fax numbers set forth above) shall not be sufficient or effective to transmit any such notice under this clause (a) unless such transmission is an available means to post to any E-System.

(b) Effectiveness. All communications described in clause (a) above and all other notices, demands, requests and other communications made in connection with this Agreement shall be effective and be deemed to have been received (i) if delivered by hand, upon personal delivery, (ii) if delivered by overnight courier service, 1 Business Day after delivery to such courier service, (iii) if delivered by mail, when deposited in the mail, (iv) if delivered by facsimile (other than to post to an E-System pursuant to clause (a)(ii) or (a)(iii) above), upon sender's receipt of confirmation of proper transmission, and (v) if delivered by posting to any E-System, on the later of the date of such posting and the date access to such posting is given to the recipient thereof in accordance with the standard procedures applicable to such E-System; provided, however, that no communications to Agent pursuant to Article I shall be effective until received by Agent. The posting, completion and/or submission by any Credit Party of any communication pursuant to an E-System shall constitute a representation and warranty by the Credit Parties that any representation, warranty, certification or other similar statement required by the Loan Documents to be provided, given or made by a Credit Party in connection with any

such communication is true, correct and complete except as expressly noted in such communication or E-System.

(c) Each Lender shall notify Agent in writing of any changes in the address to which notices to such Lender should be directed, of addresses of its Lending Office, of payment instructions in respect of all payments to be made to it hereunder and of such other administrative information as Agent shall reasonably request.

8.3 Electronic Transmissions.

(a) Authorization. Subject to the provisions of Section 8.2(a), each of Agent, Lenders, each Credit Party and each of their Related Persons, is authorized (but not required) to transmit, post or otherwise make or communicate, in its sole discretion, Electronic Transmissions in connection with any Loan Document and the transactions contemplated therein. Each Credit Party and each Secured Party hereto acknowledges and agrees that the use of Electronic Transmissions is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse and each indicates it assumes and accepts such risks by hereby authorizing the transmission of Electronic Transmissions.

(b) Signatures. Subject to the provisions of Section 8.2(a), (i)(A) no posting to any E-System shall be denied legal effect merely because it is made electronically, (B) each E Signature on any such posting shall be deemed sufficient to satisfy any requirement for a "signature" and (C) each such posting shall be deemed sufficient to satisfy any requirement for a "writing," in each case including pursuant to any Loan Document, any applicable provision of any UCC, the federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act, the PPSA, the *Electronic Commerce Act, 2000* (Ontario) and any substantive or procedural Requirement of Law governing such subject matter, (ii) each such posting that is not readily capable of bearing either a signature or a reproduction of a signature may be signed, and shall be deemed signed, by attaching to, or logically associating with such posting, an E-Signature, upon which each Secured Party and each Credit Party may rely and assume the authenticity thereof, (iii) each such posting containing a signature, a reproduction of a signature or an E-Signature shall, for all intents and purposes, have the same effect and weight as a signed paper original and (iv) each party hereto or beneficiary hereto agrees not to contest the validity or enforceability of any posting on any E-System or E-Signature on any such posting under the provisions of any applicable Requirement of Law requiring certain documents to be in writing or signed; provided, however, that nothing herein shall limit such party's or beneficiary's right to contest whether any posting to any E-System or E-Signature has been altered after transmission.

(c) Separate Agreements. All uses of an E-System shall be governed by and subject to, in addition to Section 8.2 and this Section 8.3, separate terms and conditions posted or referenced in such E-System and related Contractual Obligations executed by Agent and Credit Parties in connection with the use of such E-System.

(d) LIMITATION OF LIABILITY. ALL E-SYSTEMS AND ELECTRONIC TRANSMISSIONS SHALL BE PROVIDED "AS IS" AND "AS AVAILABLE." NONE OF AGENT, ANY LENDER OR ANY OF THEIR RELATED PERSONS WARRANTS THE

ACCURACY, ADEQUACY OR COMPLETENESS OF ANY E-SYSTEMS OR ELECTRONIC TRANSMISSION AND DISCLAIMS ALL LIABILITY FOR ERRORS OR OMISSIONS THEREIN. NO WARRANTY OF ANY KIND IS MADE BY AGENT, ANY LENDER OR ANY OF THEIR RELATED PERSONS IN CONNECTION WITH ANY E SYSTEMS OR ELECTRONIC COMMUNICATION, INCLUDING ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT OF THIRD-PARTY RIGHTS OR FREEDOM FROM VIRUSES OR OTHER CODE DEFECTS. Each Borrower, each other Credit Party executing this Agreement and each Secured Party agrees that Agent has no responsibility for maintaining or providing any equipment, software, services or any testing required in connection with any Electronic Transmission or otherwise required for any E-System.

8.4 No Waiver; Cumulative Remedies. No failure to exercise and no delay in exercising, on the part of Agent or any Lender, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. No course of dealing between any Credit Party, any Affiliate of any Credit Party, Agent or any Lender shall be effective to amend, modify or discharge any obligation or provision of this Agreement or any of the other Loan Documents.

8.5 Costs and Expenses. Any action taken by any Credit Party under or with respect to any Loan Document, even if required under any Loan Document or at the request of Agent or Required Lenders, shall be at the expense of such Credit Party, and neither Agent nor any other Secured Party shall be required under any Loan Document to reimburse any Credit Party or any Subsidiary of any Credit Party therefor except as expressly provided therein. Each Borrower shall reimburse (i) Agent for all fees, costs and expenses (including the reasonable fees and expenses of all of Agent's counsel, advisors, consultants and auditors (including financial advisors and sales consultants)), (ii) Lenders for all reasonable and actual out of pocket costs and expenses (other than Attorneys Costs), and (iii) Agent (and, with respect to clauses (b), (c) and (d) below, one counsel for all Lenders (other than Agent)) for all reasonable and documented fees, costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including sales consultants and advisors, environmental and management consultants and appraisers), incurred in connection with the negotiation, preparation and administration of the Loan Documents, the Interim Order, the Final Order and the Initial Order and incurred in connection with:

(a) any amendment, modification or waiver of, consent with respect to, or termination of, any of the Loan Documents or advice in connection with the syndication and administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(b) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, any Borrower or any other Person and whether as a party, witness or otherwise) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case or proceeding commenced by or against any Borrower or any other Person that may be obligated to Agent by virtue of the Loan Documents; including any such

litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided that no Person shall be entitled to reimbursement under this clause (b) in respect of any litigation, contest, dispute, suit, proceeding or action to the extent any of the foregoing results from such Person's gross negligence or willful misconduct (as determined by a final non-appealable judgment);

(c) any attempt to enforce or prosecute any rights or remedies of Agent against any or all of the Credit Parties or any other Person that may be obligated to Agent or any Lender by virtue of any of the Loan Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default;

(d) any work-out or restructuring of the Loans during the pendency of one or more Events of Default;

(e) the obtaining of approval of the Loan Documents by any Insolvency Court;

(f) the preparation and review of pleadings, documents and reports related to the Insolvency Cases and any Successor Cases, attendance at meetings, court hearings or conferences related to the Insolvency Cases and any Successor Cases, and general monitoring of the Insolvency Cases and any Successor Cases;

(g) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral;

(h) any lien searches or request for information listing financing statements or liens filed or searches conducted to confirm receipt and due filing of financing statements and security interests in all or a portion of the Collateral; and

(i) including, as to each of clauses (a) through (h) above, all reasonable attorneys' and other professional and service providers' fees arising from such services and other advice, assistance or other representation, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 8.5, all of which shall be payable, on demand, by Borrowers to Agent. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, sales consultants, financial advisors, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; air express charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

8.6 Indemnity.

(a) Each Credit Party agrees to indemnify, hold harmless and defend Agent, each Lender, each L/C Issuer and each of their respective Related Persons (each such Person being an "Indemnitee") from and against all Liabilities (including brokerage commissions, fees and other compensation) that may be imposed on, incurred by or asserted against any such Indemnitee in any matter relating to or arising out of, in connection with or as a result of (i) any Loan Document, any Related Agreement, any Obligation (or the repayment thereof), any Letter of Credit, the OMERS LC, the use or intended use of the proceeds of any Loan or the use of any Letter of Credit or any securities filing of, or with respect to, any Credit Party, (ii) any commitment letter, proposal letter or term sheet with any Person or any Contractual Obligation, arrangement or understanding with any broker, finder or consultant, in each case entered into by or on behalf of any Credit Party or any Affiliate of any of them in connection with any of the foregoing and any Contractual Obligation entered into in connection with any E-Systems or other Electronic Transmissions, (iii) any actual or prospective investigation, litigation or other proceeding, whether or not brought by any such Indemnitee or any of its Related Persons, any holders of securities or creditors (and including reasonable and documented attorneys' fees in any case), whether or not any such Indemnitee, Related Person, holder or creditor is a party thereto, and whether or not based on any securities or commercial law or regulation or any other Requirement of Law or theory thereof, including common law, equity, contract, tort or otherwise or (iv) any other act, event or transaction related, contemplated in or attendant to any of the foregoing (collectively, the "Indemnified Matters"); provided, however, that no Credit Party shall have any liability under this Section 8.6 to any Indemnitee with respect to any Indemnified Matter, and no Indemnitee shall have any liability with respect to any Indemnified Matter other than (to the extent otherwise liable), to the extent such liability has resulted from the gross negligence, bad faith or willful misconduct of such Indemnitee or breach by such Indemnitee of its obligations hereunder, as determined by a court of competent jurisdiction in a final non-appealable judgment or order. Furthermore, each of each Borrower and each other Credit Party executing this Agreement waives and agrees not to assert against any Indemnitee, and shall cause each other Credit Party to waive and not assert against any Indemnitee, any right of contribution with respect to any Liabilities that may be imposed on, incurred by or asserted against any Related Person.

(b) Without limiting the foregoing, "Indemnified Matters" includes all Environmental Liabilities, including those arising from, or otherwise involving, any Property of any Credit Party or any Related Person of any Credit Party or any actual, alleged or prospective damage to Property or natural resources or harm or injury alleged to have resulted from any Release of Hazardous Materials on, upon or into such Property or natural resource or any Property on or contiguous to any Real Estate of any Credit Party or any Related Person or any Credit Party, whether or not, with respect to any such Environmental Liabilities, any Indemnitee is a mortgagee pursuant to any leasehold mortgage, a mortgagee in possession, the successor-in-interest to any Credit Party or any Related Person of any Credit Party or the owner, lessee or operator of any Property of any Related Person through any foreclosure action, in each case except to the extent such Environmental Liabilities (i) are incurred solely following foreclosure by Agent or following Agent or any Lender having become the successor-in-interest to any Credit Party or any Related Person of any Credit Party and (ii) are attributable solely to acts of such Indemnitee.

(c) This Section 8.6 shall not apply with respect to Taxes other than Taxes that represent losses, damages, claims and similar amounts arising from any non-Tax claim.

8.7 Marshaling; Payments Set Aside. No Secured Party shall be under any obligation to marshal any Property in favor of any Credit Party or any other Person or against or in payment of any Obligation. To the extent that any Secured Party receives a payment from a Borrower, from any other Credit Party, from the proceeds of the Collateral or the OMERS LC, from the exercise of its rights of setoff, any enforcement action or otherwise, and such payment is subsequently, in whole or in part, invalidated, declared to be fraudulent or preferential, set aside or required to be repaid to a trustee, receiver or any other party, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied, and all Liens, rights and remedies therefor, shall be revived and continued in full force and effect as if such payment had not occurred.

8.8 Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns; provided that any assignment by any Lender shall be subject to the provisions of Section 8.9 hereof, and provided further that no Borrower may assign or transfer any of its rights or obligations under this Agreement without the prior written consent of Agent and each Lender.

8.9 Assignments and Participations; Binding Effect.

(a) This Agreement shall become effective when it shall have been executed by each Holding Company, the Borrowers, the other Credit Parties signatory hereto and Agent and when Agent shall have been notified by each Lender and the initial L/C Issuer that such Lender or L/C Issuer has executed it. Thereafter, it shall be binding upon and inure to the benefit of, but only to the benefit of, the Holding Companies, the Borrowers, the other Credit Parties hereto (in each case except for Article VII), Agent, each Lender and L/C Issuer party hereto and, to the extent provided in Section 7.11, each other Secured Party and, in each case, their respective successors and permitted assigns. Except as expressly provided in any Loan Document (including in Section 7.9), none of the Holding Companies, any Borrower, any other Credit Party, any L/C Issuer or Agent shall have the right to assign any rights or obligations hereunder or any interest herein.

(b) Each Lender may sell, transfer, negotiate or assign (a "Sale") all or a portion of its rights and obligations hereunder (including all or a portion of its Revolving Loan Commitments and its rights and obligations with respect to Loans and Letters of Credit) to (i) any existing Lender (other than a Non-Funding Lender or Impacted Lender), (ii) any Affiliate or Approved Fund of any existing Lender (other than a Non-Funding Lender or Impacted Lender), or (iii) any other Person acceptable (which acceptance shall not be unreasonably withheld or delayed) to Agent and, with respect to Sales of Revolving Loan Commitments, each L/C Issuer; provided, however, that (w) no Lender shall assign its obligation hereunder to fund Revolving Loans denominated in Dollars without a ratable assignment of its obligation hereunder to fund Revolving Loans in Canadian Dollars and no Lender shall assign its obligation hereunder to fund Revolving Loans denominated in Canadian Dollars without a ratable assignment of its obligation hereunder to fund Revolving Loans in Dollars, (x) for each Loan, the aggregate outstanding principal amount (determined as of the effective date of the applicable Assignment) of the Loans,

Revolving Loan Commitments and Letter of Credit Obligations subject to any such Sale shall be in a minimum amount of $1,000,000, unless such Sale is made to an existing Lender or an Affiliate or Approved Fund of any existing Lender, is of the assignor's (together with its Affiliates and Approved Funds) entire interest in such Facility or is made with the prior consent of the Borrower Representative, (y) interest accrued prior to and through the date of any such Sale may not be assigned, and (z) such Sales by Lenders who are Non-Funding Lenders due to clause (a) of the definition of Non-Funding Lenders shall be subject to Agent's prior written consent in all instances, unless in connection with such Sale, such Non-Funding Lender cures, or causes the cure of, its Non-Funding Lender status as contemplated in Section 1.11(e)(v). Agent's refusal to accept a Sale to a Credit Party, an Affiliate of a Credit Party, a holder of High Yield Debt or Subordinated Indebtedness or an Affiliate of such a holder, or to a Person that would be a Non-Funding or an Impacted Lender, or the imposition of conditions or limitations (including limitations on voting) upon Sales to such Persons, shall not be deemed to be unreasonable.

(c) The parties to each Sale made in reliance on Section 8.9(b) (other than those described in Section 8.9(e) or 8.9(f)) shall execute and deliver to Agent an Assignment via an electronic settlement system designated by Agent (or, if previously agreed with Agent, via a manual execution and delivery of the Assignment) evidencing such Sale, together with any existing Note subject to such Sale (or any affidavit of loss therefor acceptable to Agent), any tax forms required to be delivered pursuant to Section 9.1 and payment of an assignment fee in the amount of $3,500 to Agent, unless waived or reduced by Agent; provided that (1) if a Sale by a Lender is made to an Affiliate or an Approved Fund of such assigning Lender, then no assignment fee shall be due in connection with such Sale, and (2) if a Sale by a Lender is made to an assignee that is not an Affiliate or Approved Fund of such assignor Lender, and concurrently to one or more Affiliates or Approved Funds of such Assignee, then only one assignment fee of $3,500 shall be due in connection with such Sale. Upon receipt of all the foregoing, and conditioned upon such receipt and, if such Assignment is made in accordance with Section 8.9(b)(iii), upon Agent (and the Borrower Representative, if applicable) consenting to such Assignment (if required), from and after the effective date specified in such Assignment, Agent shall record or cause to be recorded in the Register the information contained in such Assignment.

(d) Subject to the recording of an Assignment by Agent in the Register pursuant to Section 1.4(b), (i) the assignee thereunder shall become a party hereto and, to the extent that rights and obligations under the Loan Documents have been assigned to such assignee pursuant to such Assignment, shall have the rights and obligations of a Lender, (ii) any applicable Note shall be transferred to such assignee through such entry and (iii) the assignor thereunder shall, to the extent that rights and obligations under this Agreement have been assigned by it pursuant to such Assignment, relinquish its rights (except for those surviving the termination of the Revolving Loan Commitments and the payment in full of the Obligations) and be released from its obligations under the Loan Documents, other than those relating to events or circumstances occurring prior to such Assignment (and, in the case of an Assignment covering all or the remaining portion of an assigning Lender's rights and obligations under the Loan Documents, such Lender shall cease to be a party hereto).

(e) In addition to the other rights provided in this Section 8.9, each Lender may grant a security interest in, or otherwise assign as collateral, any of its rights under this Agreement, whether now owned or hereafter acquired (including rights to payments of principal or interest on the Loans), to (A) any federal reserve bank (pursuant to Regulation A of the Federal Reserve Board), without notice to Agent or (B) any holder of, or trustee for the benefit of the holders of, such Lender's Indebtedness or equity securities; provided, however, that no such holder or trustee, whether because of such grant or assignment or any foreclosure thereon (unless such foreclosure is made through an assignment in accordance with Section 8.9(b)), shall be entitled to any rights of such Lender hereunder and no such Lender shall be relieved of any of its obligations hereunder.

(f) In addition to the other rights provided in this Section 8.9, each Lender may, (x) with notice to Agent, grant to an SPV the option to make all or any part of any Loan that such Lender would otherwise be required to make hereunder (and the exercise of such option by such SPV and the making of Loans pursuant thereto shall satisfy the obligation of such Lender to make such Loans hereunder) and such SPV may assign to such Lender the right to receive payment with respect to any Obligation and (y) without notice to or consent from Agent or the Borrowers, sell participations to one or more Persons in or to all or a portion of its rights and obligations under the Loan Documents (including all its rights and obligations with respect to the Revolving Loans and Letters of Credit); provided, however, that, whether as a result of any term of any Loan Document or of such grant or participation, (i) no such SPV or participant shall have a commitment, or be deemed to have made an offer to commit, to make Loans hereunder, and, except as provided in the applicable option agreement, none shall be liable for any obligation of such Lender hereunder, (ii) such Lender's rights and obligations, and the rights and obligations of the Credit Parties and the Secured Parties towards such Lender, under any Loan Document shall remain unchanged and each other party hereto shall continue to deal solely with such Lender, which shall remain the holder of the Obligations in the Register, except that (A) each such participant and SPV shall be entitled to the benefit of Article IX, but, with respect to Section 9.1, only to the extent such participant or SPV delivers the tax forms it would be required to deliver if it were a Lender to comply with Section 9.1 (but for the avoidance of doubt, this reference to obligations includes only those obligations which are appropriate for the participant or SPV to comply with the context of the relevant provision) and then, in each case, and then only to the extent of any amount to which such Lender would be entitled in the absence of any such grant or participation and (B) each such SPV may receive other payments that would otherwise be made to such Lender with respect to Loans funded by such SPV to the extent provided in the applicable option agreement and set forth in a notice provided to Agent by such SPV and such Lender, provided, however, that in no case (including pursuant to clause (A) or (B) above) shall an SPV or participant have the right to enforce any of the terms of any Loan Document, and (iii) the consent of such SPV or participant shall not be required (either directly, as a restraint on such Lender's ability to consent hereunder or otherwise) for any amendments, waivers or consents with respect to any Loan Document or to exercise or refrain from exercising any powers or rights such Lender may have under or in respect of the Loan Documents (including the right to enforce or direct enforcement of the Obligations), except for those described in clauses (ii) and (iii) of Section 8.1(a) with respect to amounts, or dates fixed for payment of amounts, to which such participant or SPV would otherwise be entitled and, in the case of participants, except for those described in clause (vi) of Section 8.1(a). No party hereto shall institute (and each Borrower and each Holding Company shall cause each other Credit

Party not to institute) against any SPV grantee of an option pursuant to this clause (f) any bankruptcy, reorganization, insolvency, liquidation or similar proceeding, prior to the date that is one year and one day after the payment in full of all outstanding commercial paper of such SPV; provided, however, that each Lender having designated an SPV as such agrees to indemnify each Indemnitee against any Liability that may be incurred by, or asserted against, such Indemnitee as a result of failing to institute such proceeding (including a failure to get reimbursed by such SPV for any such Liability). The agreement in the preceding sentence shall survive the termination of the Revolving Loan Commitments and the payment in full of the Obligations. Each Lender having sold a participation or having made a grant of an option to an SPV pursuant to this clause (f) shall, acting as a non-fiduciary agent of the Borrowers, maintain a register with respect to such participations or such SPV grants, on which it records the name and address of each participant or SPV and the principal amounts of and any interest on such participant's participations or the interest underlying such SPV's grant, as the case may be (each, a "Participant Register"). Each Lender shall make a copy of such Participant Register available for review by the Borrowers or Agent from time to time as the Borrowers or Agent may reasonably request.

8.10 Non-Public Information; Confidentiality.

(a) Non-Public Information. Agent, each Lender and each L/C Issuer acknowledges and agrees that it may receive material non-public information ("MNPI") hereunder concerning the Credit Parties and their Affiliates and agrees to use such information in compliance with all relevant policies, procedures and applicable Requirements of Laws (including United States federal and state securities laws and regulations, and Canadian federal, provincial and territorial security laws and regulations).

(b) Confidential Information. Each Lender, each L/C Issuer and Agent agrees to use all reasonable efforts to maintain, in accordance with its customary practices, the confidentiality of information obtained by it pursuant to any Loan Document and designated in writing by any Credit Party as confidential for a period of two (2) years following the date on which this Agreement terminates in accordance with the terms hereof, except that such information may be disclosed (i) with the Borrower's consent, (ii) to Related Persons of such Lender, L/C Issuer or Agent, as the case may be, or to any Person that any L/C Issuer causes to Issue Letters of Credit hereunder, that are advised of the confidential nature of such information and are instructed to keep such information confidential in accordance with the terms hereof, (iii) to the extent such information presently is or hereafter becomes (A) publicly available other than as a result of a breach of this Section 8.10 or (B) available to such Lender, L/C Issuer or Agent or any of their Related Persons, as the case may be, from a source (other than any Credit Party) not known by them to be subject to disclosure restrictions, (iv) to the extent disclosure is required by applicable Requirements of Law or other legal process or requested or demanded by any Governmental Authority, (in which case, Agent shall use commercially reasonable efforts to notify the Borrowers to the extent lawfully permitted to do so), (v) to the extent necessary or customary for inclusion in league table measurements, (vi) (A) to the National Association of Insurance Commissioners, the Insurance Bureau of Canada or any similar organization, any examiner or any nationally recognized rating agency or (B) otherwise to the extent consisting of general portfolio information that does not identify Credit Parties, (vii) to current or prospective assignees, SPVs (including the investors or prospective investors therein) or participants and to

their respective Related Persons, in each case to the extent such assignees, investors, participants, counterparties or Related Persons agree to be bound by provisions substantially similar to the provisions of this Section 8.10 (and such Person may disclose information to their respective Related Persons in accordance with clause (ii) above), (viii) to any other party hereto, and (ix) in connection with the exercise or enforcement of any right or remedy under any Loan Document, in connection with any litigation or other proceeding to which such Lender, L/C Issuer or Agent or any of their Related Persons is a party or bound, or to the extent necessary to respond to public statements or disclosures by Credit Parties or their Related Persons referring to a Lender, L/C Issuer or Agent or any of their Related Persons. In the event of any conflict between the terms of this Section 8.10 and those of any other Contractual Obligation entered into with any Credit Party (whether or not a Loan Document), the terms of this Section 8.10 shall govern.

(c) Tombstones. Each Credit Party's consent (not to be unreasonably withheld or delayed) shall be required prior to the publication by Agent or any Lender of advertising material relating to the financing transactions contemplated by this Agreement using Borrower's or any other Credit Party's name, product photographs, logo or trademark. Agent or such Lender shall provide a draft of any advertising material to Borrower for review and comment prior to the publication thereof.

(d) Press Release and Related Matters. No Credit Party shall, and no Credit Party shall permit any of its Affiliates to, issue any press release or other public disclosure (other than any document filed with any Governmental Authority relating to a public offering of securities of any Credit Party) using the name, logo or otherwise referring to Antares or of any of its Affiliates, the Loan Documents or any transaction contemplated therein to which Antares is party without the prior consent of Antares, not to be unreasonably withheld or delayed, except to the extent required to do so under applicable Requirements of Law and then, only after consulting with Antares.

(e) Distribution of Materials to Lenders and L/C Issuers. Subject to the provisions of Section 8.10(f), the Credit Parties acknowledge and agree that the Loan Documents and all reports, notices, communications and other information or materials provided or delivered by, or on behalf of, the Credit Parties hereunder (collectively, the "Borrower Materials") may be disseminated by, or on behalf of, Agent, and made available, to the Lenders and the L/C Issuers by posting such Borrower Materials on an E-System. The Credit Parties authorize Agent to download copies of their logos from its website and post copies thereof on an E-System.

(f) Material Non-Public Information. The Credit Parties hereby agree that if either they, any parent company or any Subsidiary of the Credit Parties has publicly traded equity or debt securities in the United States or Canada, they shall (and shall cause such parent company or Subsidiary, as the case may be, to) (i) identify in writing, and (ii) to the extent reasonably practicable, clearly and conspicuously mark such Borrower Materials that contain only information that is publicly available or that is not material for purposes of either United States federal and state securities laws or Canadian federal, provincial and territorial securities laws, as "PUBLIC". The Credit Parties agree that by identifying such Borrower Materials as "PUBLIC" or publicly filing such Borrower Materials with any securities commission, then Agent, the Lenders and the L/C Issuers shall be entitled to treat such Borrower Materials as not containing any MNPI for purposes of United States federal and state securities laws or Canadian

federal, provincial and territorial securities laws. The Credit Parties further represent, warrant, acknowledge and agree that the following documents and materials shall be deemed to be PUBLIC, whether or not so marked, and do not contain any MNPI: (A) the Loan Documents, including the schedules and exhibits attached thereto, and (B) administrative materials of a customary nature prepared by the Credit Parties or Agent (including, Notices of Borrowing, Notices of Conversion/Continuation, L/C Requests, Swingline requests and any similar requests or notices posted on or through an E-System). Before distribution of any Borrower Materials, the Credit Parties agree to execute and deliver to Agent a letter authorizing distribution of the evaluation materials to prospective Lenders and their employees willing to receive MNPI, and a separate letter authorizing distribution of evaluation materials that do not contain MNPI and represent that no MNPI is contained therein.

8.11 Set-off; Sharing of Payments.

(a) Right of Setoff. Each of Agent, each Lender, each L/C Issuer and each Affiliate (including each branch office thereof) of any of them is hereby authorized (notwithstanding the provisions of 362 of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from, the Bankruptcy Court or the Canadian Court), without notice or demand (each of which is hereby waived by each Credit Party), at any time and from time to time during the continuance of any Event of Default and to the fullest extent permitted by applicable Requirements of Law, to set off and apply any and all deposits (whether general or special, time or demand, provisional or final) at any time held and other Indebtedness, claims or other obligations at any time owing by Agent, such Lender, such L/C Issuer or any of their respective Affiliates to or for the credit or the account of the Borrowers or any other Credit Party against any Obligation of any Credit Party now or hereafter existing, whether or not any demand was made under any Loan Document with respect to such Obligation and even though such Obligation may be unmatured. No Lender or L/C Issuer shall exercise any such right of setoff without the prior consent of Agent or Required Lenders. Each of Agent, each Lender and each L/C Issuer agrees promptly to notify the Borrower Representative and Agent after any such setoff and application made by such Lender or its Affiliates; provided, however, that the failure to give such notice shall not affect the validity of such setoff and application. The rights under this Section 8.11 are in addition to any other rights and remedies (including other rights of setoff) that Agent, the Lenders, the L/C Issuer, their Affiliates and the other Secured Parties, may have.

(b) Sharing of Payments, Etc. If any Lender, directly or through an Affiliate or branch office thereof, obtains any payment of any Obligation of any Credit Party (whether voluntary, involuntary or through the exercise of any right of setoff or the receipt of any Collateral or "proceeds" (as defined under the applicable UCC or PPSA) of Collateral) other than pursuant to Section 8.9 and Article IX and such payment exceeds the amount such Lender would have been entitled to receive if all payments had gone to, and been distributed by, Agent in accordance with the provisions of the Loan Documents, such Lender shall purchase for cash from other Lenders such participations in their Obligations as necessary for such Lender to share such excess payment with such Lenders to ensure such payment is applied as though it had been received by Agent and applied in accordance with this Agreement (or, if such application would then be at the discretion of the Borrowers, applied to repay the Obligations in accordance herewith); provided, however, that (a) if such payment is rescinded or otherwise recovered from such Lender or L/C Issuer in whole or in part, such purchase shall be rescinded and the purchase

price therefor shall be returned to such Lender or L/C Issuer without interest and (b) such Lender shall, to the fullest extent permitted by applicable Requirements of Law, be able to exercise all its rights of payment (including the right of setoff) with respect to such participation as fully as if such Lender were the direct creditor of the applicable Credit Party in the amount of such participation. If a Non-Funding Lender receives any such payment as described in the previous sentence, such Lender shall turn over such payments to Agent in an amount that would satisfy the cash collateral requirements set forth in Section 1.11(e).

8.12 Counterparts; Facsimile Signature. This Agreement may be executed in any number of counterparts and by different parties in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Signature pages may be detached from multiple separate counterparts and attached to a single counterpart. Delivery of an executed signature page of this Agreement or any other Loan Document, or other agreement, document or instrument, by facsimile transmission or Electronic Transmission shall be as effective as delivery of a manually executed counterpart hereof.

8.13 Severability. The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement or any instrument or agreement required hereunder.

8.14 Captions. The captions and headings of this Agreement are for convenience of reference only and shall not affect the interpretation of this Agreement.

8.15 Independence of Provisions. The parties hereto acknowledge that this Agreement and other Loan Documents may use several different limitations, tests or measurements to regulate the same or similar matters, and that such limitations, tests and measurements are cumulative and must each be performed, except as expressly stated to the contrary in this Agreement.

8.16 Interpretation. This Agreement is the result of negotiations among and has been reviewed by counsel to the Credit Parties, Agent, each Lender and other parties hereto, and is the product of all parties hereto. Accordingly, this Agreement and the other Loan Documents shall not be construed against the Lenders or Agent merely because of Agent's or Lenders' involvement in the preparation of such documents and agreements.

8.17 No Third Parties Benefited. This Agreement is made and entered into for the sole protection and legal benefit of the Credit Parties, the Lenders, the L/C Issuer, Agent and, subject to the provisions of Section 7.11 hereof, each other Secured Party, and their permitted successors and assigns, and no other Person shall be a direct or indirect legal beneficiary of, or have any direct or indirect cause of action or claim in connection with, this Agreement or any of the other Loan Documents. Neither Agent nor any Lender shall have any obligation to any Person not a party to this Agreement or the other Loan Documents.

8.18 **GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING**

ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA (INCLUDING THE BANKRUPTCY CODE). EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT (I) THE BANKRUPTCY COURT SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES ORGANIZED IN THE UNITED STATES, AGENT AND LENDERS AND (II) THE CANADIAN COURT SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES ORGANIZED IN CANADA, AGENT AND LENDERS, IN EACH CASE, PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED THAT AGENT, LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THE BANKRUPTCY COURT OR THE CANADIAN COURT MAY HAVE TO BE HEARD BY A COURT OTHER THAN THE BANKRUPTCY COURT OR THE CANADIAN COURT; PROVIDED, FURTHER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION THAT SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN SECTION 8.2 AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR 3 DAYS AFTER DEPOSIT IN THE UNITED STATES MAILS, PROPER POSTAGE PREPAID.

8.19 **WAIVER OF JURY TRIAL. THE PARTIES HERETO, TO THE EXTENT PERMITTED BY LAW, WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING ARISING OUT OF, IN CONNECTION WITH OR RELATING TO, THIS AGREEMENT, THE OTHER LOAN DOCUMENTS AND ANY OTHER TRANSACTION CONTEMPLATED HEREBY AND THEREBY. THIS WAIVER APPLIES TO ANY ACTION, SUIT OR PROCEEDING WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE.**

8.20 Entire Agreement; Release; Survival.

(a) THE LOAN DOCUMENTS EMBODY THE ENTIRE AGREEMENT OF THE PARTIES AND SUPERSEDE ALL PRIOR AGREEMENTS AND UNDERSTANDINGS RELATING TO THE SUBJECT MATTER THEREOF AND ANY PRIOR LETTER OF INTEREST, COMMITMENT LETTER, CONFIDENTIALITY AND SIMILAR AGREEMENTS INVOLVING ANY CREDIT PARTY AND ANY LENDER OR ANY L/C ISSUER OR ANY OF THEIR RESPECTIVE AFFILIATES RELATING TO A FINANCING OF SUBSTANTIALLY SIMILAR FORM, PURPOSE OR EFFECT OTHER THAN THE FEE LETTER. IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS AGREEMENT AND ANY OTHER LOAN DOCUMENT, THE TERMS OF THIS AGREEMENT SHALL GOVERN (UNLESS SUCH TERMS OF SUCH OTHER LOAN DOCUMENTS ARE NECESSARY TO COMPLY WITH APPLICABLE REQUIREMENTS OF LAW, IN WHICH CASE SUCH TERMS SHALL GOVERN TO THE EXTENT NECESSARY TO COMPLY THEREWITH). IF ANY PROVISION IN THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT CONFLICTS WITH ANY PROVISION IN ANY APPLICABLE ORDER, THE PROVISIONS IN THE APPLICABLE ORDER SHALL GOVERN AND CONTROL.

(b) Execution of this Agreement by the Credit Parties constitutes a full, complete and irrevocable release of any and all claims which each Credit Party may have at law or in equity in respect of all prior discussions and understandings, oral or written, relating to the subject matter of this Agreement and the other Loan Documents. In no event shall any Indemnitee be liable on any theory of liability for any special, indirect, consequential or punitive damages (including any loss of profits, business or anticipated savings). Each of each Borrower and each other Credit Party signatory hereto hereby waives, releases and agrees (and shall cause each other Credit Party to waive, release and agree) not to sue upon any such claim for any special, indirect, consequential or punitive damages, whether or not accrued and whether or not known or suspected to exist in its favor.

(c) (i) Any indemnification or other protection provided to any Indemnitee pursuant to Article VII (The Agent), Section 8.5 (Costs and Expenses), Section 8.6 (Indemnity), this Section 8.20, and Article IX (Taxes, Yield Protection and Illegality) of this Agreement, (ii) solely for the two (2) year time period specified therein, the provisions of Section 8.10 of this Agreement and (iii) the provisions of Section 8.1 of the Guaranty and Security Agreement, in each case, shall (x) survive the termination of the Revolving Loan Commitments and the payment in full of all other Obligations and (y) with respect to clause (i) hereof, inure to the benefit of any Person that at any time held a right thereunder (as an Indemnitee or otherwise) and, thereafter, its successors and permitted assigns.

8.21 Patriot Act; Anti-Money Laundering Legislation.

(a) Each Credit Party acknowledges that, pursuant to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), the Patriot Act, and other applicable anti-money laundering, anti-terrorist financing, government sanction and "know your client" laws, whether within Canada or elsewhere (collectively, including any guidelines or orders thereunder, "AML Legislation"), the Lenders and Agent may be required to obtain, verify and

record information regarding each Credit Party, its respective directors, authorized signing officers, direct or indirect shareholders or other Persons in control of such Credit Party, and the transactions contemplated hereby. Borrower Representative shall promptly provide all such information, including supporting documentation and other evidence, as may be reasonably requested by any Lender or Agent, or any prospective assign or participant of a Lender or Agent, in order to comply with any applicable AML Legislation, whether now or hereafter in existence.

(b) If Agent has ascertained the identity of the Credit Parties or any authorized signatories of the Credit Parties for the purposes of applicable AML Legislation, then Agent:

(i) shall be deemed to have done so as an agent for each Lender, and this Agreement shall constitute a "written agreement" in such regard between each Lender and Agent within the meaning of applicable AML Legislation; and

(ii) shall provide to each Lender copies of all information obtained in such regard without any representation or warranty as to its accuracy or completeness.

Notwithstanding the preceding sentence and except as may otherwise be agreed in writing, each of the Lenders agrees that Agent has no obligation to ascertain the identity of the Credit Parties or any authorized signatories of the Credit Parties on behalf of any Lender, or to confirm the completeness or accuracy of any information it obtains from the Credit Parties or any such authorized signatory in doing so.

8.22 Replacement of Lender. Within forty-five (45) days after: (i) receipt by the Borrower Representative of written notice and demand from any Lender (an "Affected Lender") for payment of additional costs as provided in Sections 9.1, 9.3 and/or 9.6; or (ii) any failure by any Lender (other than Agent or an Approved Fund of Agent) to consent to a requested amendment, waiver or modification to any Loan Document in which Required Lenders have already consented to such amendment, waiver or modification but the consent of each Lender (or each Lender directly affected thereby, as applicable) is required with respect thereto, the Borrower Representative may, at its option, notify Agent and such Affected Lender (or such non-consenting Lender) of the Borrower Representative's intention to obtain, at the Borrowers' expense, a replacement Lender ("Replacement Lender") for such Affected Lender (or such non-consenting Lender), which Replacement Lender shall be reasonably satisfactory to Agent. In the event the Borrower Representative obtains a Replacement Lender within forty-five (45) days following notice of its intention to do so, the Affected Lender (or such non-consenting Lender) shall sell and assign its Loans and Revolving Loan Commitments to such Replacement Lender, at par, provided that the Borrowers have reimbursed such Affected Lender for its increased costs for which it is entitled to reimbursement under this Agreement through the date of such sale and assignment. In the event that a replaced Lender does not execute an Assignment pursuant to Section 8.9 within five (5) Business Days after receipt by such replaced Lender of notice of replacement pursuant to this Section 8.22 and presentation to such replaced Lender of an Assignment evidencing an assignment pursuant to this Section 8.22, the Borrower Representative shall be entitled (but not obligated) to execute such an Assignment on behalf of such replaced Lender, and any such Assignment so executed by the Borrower Representative, the Replacement Lender and Agent, shall be effective for purposes of this Section 8.22 and Section 8.9. Notwithstanding the foregoing, with respect to a Lender that is a Non-Funding

Lender or an Impacted Lender, Agent or Borrower Representative may, but shall not be obligated to, obtain a Replacement Lender and execute an Assignment on behalf of such Non-Funding Lender or Impacted Lender at any time with three (3) Business' Days prior notice to such Lender or an Impacted Lender (unless notice is not practicable under the circumstances) and cause such Lender's Loans and Revolving Loan Commitments to be sold and assigned, in whole or in part, at par. Upon any such assignment and payment and compliance with the other provisions of Section 8.9, such replaced Lender shall no longer constitute a "Lender" for purposes hereof; provided, any rights of such replaced Lender to indemnification hereunder shall survive.

8.23 Joint and Several. The obligations of the Credit Parties hereunder and under the other Loan Documents are joint and several. Without limiting the generality of the foregoing, reference is hereby made to Article II of the Guaranty and Security Agreement, to which the obligations of Borrower and the other Credit Parties are subject.

8.24 Lender-Creditor Relationship. The relationship between Agent, each Lender and the L/C Issuer, on the one hand, and the Credit Parties, on the other hand, is solely that of lender and debtor. No Secured Party has any fiduciary relationship or duty to any Credit Party arising out of or in connection with, and there is no agency, tenancy or joint venture relationship between the Secured Parties and the Credit Parties by virtue of, any Loan Document or any transaction contemplated therein.

8.25 Actions in Concert. Notwithstanding anything contained herein to the contrary, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights against any Credit Party arising out of this Agreement or any other Loan Document (including exercising any rights of setoff) without first obtaining the prior written consent of Agent or Required Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the other Loan Documents shall be taken in concert and at the direction or with the consent of Agent or Required Lenders, except as set forth in Section 7.9.

8.26 Acknowledgement and Consent to Bail-In of EEA Financial Institutions. Solely to the extent any Lender or L/C Issuer that is an EEA Financial Institution is a party to this Agreement and notwithstanding anything to the contrary in any Loan Document or in any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any Lender or L/C Issuer that is an EEA Financial Institution arising under any Loan Document, to the extent such liability is unsecured, may be subject to the Write-Down and Conversion Powers of an EEA Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by an EEA Resolution Authority to any such liabilities arising hereunder which may be payable to it by any Lender or L/C Issuer that is an EEA Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable:

(i) a reduction in full or in part or cancellation of any such liability;

(ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such EEA Financial Institution, its parent undertaking, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other Loan Document; or

(iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of any EEA Resolution Authority.

ARTICLE IX. - TAXES, YIELD PROTECTION AND ILLEGALITY

9.1 Taxes.

(a) Except as otherwise provided in this Section 9.1, each payment by any Credit Party under any Loan Document shall be made free and clear of all present or future taxes, levies, imposts, deductions, charges or withholdings and all liabilities with respect thereto (and without deduction for any of them) (collectively "Taxes", and excluding the taxes set forth in clauses (i) through (iii) below, the "Indemnified Taxes") other than for (i) Taxes imposed on, or measured by gross or net income, net assets, capital or net worth (including any Tax in the nature of a branch profits tax under Section 884(a) of the Code), branch interest Taxes and franchise Taxes imposed in lieu of net income Taxes, in each case imposed on any Secured Party by any jurisdiction (or any political subdivision thereof) under the laws of which it is organized, in which it has its principal office or in the case of a Lender its lending office, or in which it has or had a present or former connection (other than such connection arising solely from any Secured Party having executed, delivered or performed its obligations or received a payment under, or enforced, any Loan Document), (ii) Taxes that are directly attributable to the failure (other than as a result of a change in any Requirement of Law) by Agent or any Lender to deliver the documentation required to be delivered pursuant to Section 9.1(f), (iii) in the case of a Non-U.S. Lender Party, any United States federal withholding taxes imposed on amounts payable to such Non-U.S. Lender Party under FATCA, and (iv) any Canadian federal withholding Taxes imposed on the payment as a result of having been paid to a recipient that, at the time of making such payment, is a person with which a Credit Party does not deal at arm's length for the purposes of the ITA.

(b) If any Indemnified Taxes shall be required by law to be deducted from or in respect of any amount payable under any Loan Document to any Secured Party (i) such amount shall be increased as necessary to ensure that, after all required deductions for Indemnified Taxes are made (including deductions applicable to any increases to any amount under this Section 9.1), such Secured Party receives the amount it would have received had no such deductions been made, (ii) the relevant Credit Party shall make such deductions, (iii) the relevant Credit Party shall timely pay the full amount deducted to the relevant taxing authority or other authority in accordance with applicable Requirements of Law and (iv) within thirty (30) days after such payment is made, the relevant Credit Party shall deliver to Agent an original or certified copy of a receipt evidencing such payment; provided, however, that no such increase shall be made with respect to, and no Credit Party shall be required to indemnify any Secured

Party pursuant to Section 9.1(d) for, U.S. withholding taxes to the extent that the obligation to withhold amounts existed on the date that such Person became a "Secured Party" under this Agreement in the capacity under which such Person makes a claim under this Section 9.1(b), except in each case to the extent such Person is a direct or indirect assignee (other than pursuant to Section 8.22) of any other Secured Party that was entitled, at the time the assignment to such Person became effective, to receive additional amounts under this Section 9.1(b).

(c) In addition, the Borrowers agree to pay, and authorize Agent to pay in their name, any stamp, documentary, excise or property tax, charges or similar levies imposed by any applicable Requirement of Law or Governmental Authority and all Liabilities with respect thereto (including by reason of any delay in payment thereof), in each case arising from the preparation, administration, execution, delivery or registration of, or otherwise with respect to, any Loan Document or any transaction contemplated therein (collectively, "Other Taxes"). The Swingline Lender may, without any need for notice, demand or consent from the Borrowers or the Borrower Representative, by making funds available to Agent in the amount equal to any such payment, make a Swing Loan to the Borrowers in such amount, the proceeds of which shall be used by Agent in whole to make such payment. Within thirty (30) days after the date of any payment of Indemnified Taxes or Other Taxes by any Credit Party, the Borrowers shall furnish to Agent, at its address referred to in Section 8.2, the original or a certified copy of a receipt evidencing payment thereof.

(d) The Borrowers shall reimburse and indemnify, within thirty (30) days after receipt of demand therefor (with copy to Agent), each Secured Party for all Indemnified Taxes and Other Taxes with respect to any payment under any Loan Document (including any Indemnified Taxes and Other Taxes imposed by any jurisdiction on amounts payable under this Section 9.1) paid by such Secured Party and any Liabilities arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted (but excluding any penalties or interest attributable to the gross negligence or willful misconduct of such Secured Party or Agent). A Secured Party (or Agent on behalf of such Secured Party) claiming any compensation under this Section 9.1(d), shall deliver to the Borrower Representative, with a copy to Agent, a certificate setting forth, in reasonable detail, the basis and calculation, if applicable, of such compensation and the amounts to be paid thereunder, which shall be conclusive, binding and final for all purposes, absent manifest error. In determining such amount, Agent and such Secured Party may use any reasonable averaging and attribution methods.

(e) Any Lender claiming any additional amounts payable pursuant to this Section 9.1 shall use its reasonable efforts (consistent with its internal policies and Requirements of Law) to change the jurisdiction of its Lending Office if such a change would reduce any such additional amounts (or any similar amount that may thereafter accrue) and would not, in the reasonable determination of such Lender, be otherwise disadvantageous to such Lender.

(f) Each of Agent, each Lender, each L/C Issuer, each SPV and each participant that is entitled to an exemption from or reduction of withholding Tax with respect to payments made under any Loan Document shall deliver to Agent and the Borrower Representative, at the time or times reasonably requested by Agent or the Borrower Representative, such properly completed and executed documentation reasonably requested by

Agent or Borrower Representative as will permit such payments to be made without withholding or at a reduced rate of withholding. In addition, any Lender, if reasonably requested by Agent or Borrower Representative, shall deliver such other documentation prescribed by applicable law or reasonably requested by Agent and the Borrower Representative as will enable the Borrowers or Agent to determine whether or not such Lender is subject to backup withholding or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation shall not be required if in Agent's, Lender's, L/C Issuer's, SPV or participant's reasonable judgment such completion, execution or submission would subject such person to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Person. Without limiting the generality of the foregoing: (i) Each Non-U.S. Lender Party that, at any of the following times, is entitled to an exemption from United States withholding tax or, after a change in any Requirement of Law, is subject to such withholding tax at a reduced rate under an applicable tax treaty, shall (w) on or prior to the date such Non-U.S. Lender Party becomes a "Non-U.S. Lender Party" hereunder, (x) on or prior to the date on which any such form or certification expires or becomes obsolete, (y) after the occurrence of any event requiring a change in the most recent form or certification previously delivered by it pursuant to this clause (i) and (z) from time to time if requested by the Borrower Representative or Agent (or, in the case of a participant or SPV, the relevant Lender), provide Agent and the Borrower Representative (or, in the case of a participant or SPV, the relevant Lender) with two completed originals of each of the following, as applicable: (A) Forms W-8ECI (claiming exemption from U.S. withholding tax because the income is effectively connected with a U.S. trade or business), W-8BEN (claiming exemption from, or a reduction of, U.S. withholding tax under an income tax treaty) and/or W-8IMY or any successor forms, (B) in the case of a Non-U.S. Lender Party claiming exemption under Sections 871(h) or 881(c) of the Code, Form W-8BEN (claiming exemption from U.S. withholding tax under the portfolio interest exemption) or any successor form and a certificate in form and substance acceptable to Agent that such Non-U.S. Lender Party is not (1) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (2) a "10 percent shareholder" of the Borrowers within the meaning of Section 871(h)(3) or 881(c)(3)(B) of the Code or (3) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code or (C) any other applicable document prescribed by the IRS certifying as to the entitlement of such Non-U.S. Lender Party to such exemption from United States withholding tax or reduced rate with respect to all payments to be made to such Non-U.S. Lender Party under the Loan Documents. Unless the Borrower Representative and Agent have received forms or other documents satisfactory to them indicating that payments under any Loan Document to or for a Non-U.S. Lender Party are not subject to United States withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Credit Parties and Agent shall withhold amounts required to be withheld by applicable Requirements of Law from such payments at the applicable statutory rate.

(ii) Each U.S. Lender Party shall (A) on or prior to the date such U.S. Lender Party becomes a "U.S. Lender Party" hereunder, (B) on or prior to the date on which any such form or certification expires or becomes obsolete, (C) after the occurrence of any event requiring a change in the most recent form or certification previously delivered by it pursuant to this Section 9.1(f) and (D) from time to time if requested by the Borrower Representative or Agent (or, in the case of a participant or SPV, the relevant Lender), provide Agent and the Borrower Representative (or, in the case of a participant or SPV, the relevant Lender) with two completed originals of Form

W-9 (certifying that such U.S. Lender Party is entitled to an exemption from U.S. backup withholding tax) or any successor form, if such form is required under applicable law to establish an exemption from withholding.

(iii) Each Lender having sold a participation in any of its Obligations or identified an SPV as such to Agent shall collect from such participant or SPV the documents described in this Section 9.1(f) and provide them to Agent.

(iv) If a payment made to a Non-U.S. Lender Party would be subject to United States federal withholding tax imposed by FATCA if such Non-U.S. Lender Party fails to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Non-U.S. Lender Party shall deliver to Agent and the Borrower Representative any documentation under any Requirement of Law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) or reasonably requested by Agent or the Borrower Representative sufficient for Agent or the Borrower Representative to comply with their obligations under FATCA and to determine that such Non-U.S. Lender Party has complied with such Non-U.S. Lender Party's obligations under FATCA or to determine the amount to deduct and withhold from such payment. Solely for purposes of this clause (iv), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(g) If a Borrower pays any additional amount pursuant to this Section 9.1 with respect to a Lender, prior to the date specified in clause (a) of the definition of the Revolving Termination Date, such Lender shall use reasonable efforts to obtain a refund of tax credit against its tax liabilities on account of such payment. In the event that such Lender receives such a refund or credit, such Lender shall pay to such Borrower an amount that such Lender reasonably determines is equal to the net tax benefit obtained by such Lender as a result of such payment by such Borrower. In the event that no refund or credit is obtained with respect to such Borrower's payments to such Lender pursuant to this Section 9.1, then such Lender shall upon request provide a certification that such Lender has not received a refund or credit for such payments.

9.2 Illegality. If after the date hereof any Lender shall determine that the introduction of any Requirement of Law, or any change in any Requirement of Law or in the interpretation or administration thereof, has made it unlawful, or that any central bank or other Governmental Authority has asserted that it is unlawful, for any Lender or its Lending Office to make LIBOR Loans, then, on notice thereof by such Lender to the Borrowers through Agent, the obligation of that Lender to make LIBOR Loans shall be suspended until such Lender shall have notified Agent and the Borrower Representative that the circumstances giving rise to such determination no longer exists.

(a) Subject to Section 9.2(c), if any Lender shall determine that it is unlawful to maintain any LIBOR Loan or BA Rate Loan, the Borrowers shall prepay in full all LIBOR Loans or BA Rate Loans, as applicable, of such Lender then outstanding, together with interest accrued thereon, either on the last day of the Interest Period or BA Period, as applicable, thereof if such Lender may lawfully continue to maintain such LIBOR Loans or BA Period, as applicable, to such day, or immediately, if such Lender may not lawfully continue to maintain

such LIBOR Loans, together with any amounts required to be paid in connection therewith pursuant to Section 9.4.

(b) If the obligation of any Lender to make or maintain LIBOR Loans or BA Period, as applicable, has been terminated, the Borrower Representative may elect, by giving notice to such Lender through Agent that all Loans which would otherwise be made by any such Lender as (i) LIBOR Loans shall be instead Base Rate Loans and (ii) BA Rate Loans shall be instead Canadian Prime Rate Loans.

(c) Before giving any notice to Agent pursuant to this Section 9.2, the affected Lender shall designate a different Lending Office with respect to its LIBOR Loans if such designation will avoid the need for giving such notice or making such demand and will not, in the judgment of the Lender, be illegal or otherwise disadvantageous to the Lender.

9.3 Increased Costs and Reduction of Return.

(a) If any Lender or L/C Issuer shall determine that, due to either (i) the introduction of, or any change in, or in the interpretation of, any law or regulation or (ii) the compliance with any guideline or request from any central bank or other Governmental Authority (whether or not having the force of law), in the case of either clause (i) or (ii) subsequent to the date hereof, there shall be any increase in the cost to such Lender or L/C Issuer of agreeing to make or making, funding or maintaining any LIBOR Loans or of Issuing or maintaining any Letter of Credit, then the Borrowers shall be liable for, and shall from time to time, within thirty (30) days of demand therefor by such Lender or L/C Issuer (with a copy of such demand to Agent), pay to Agent for the account of such Lender or L/C Issuer, additional amounts as are sufficient to compensate such Lender or L/C Issuer for such increased costs; provided, that the Borrowers shall not be required to compensate any Lender or L/C Issuer pursuant to this Section for any increased costs incurred more than 180 days prior to the date that such Lender or L/C Issuer notifies the Borrower Representative, in writing of the increased costs and of such Lender's or L/C Issuer's intention to claim compensation thereof; provided, further, that if the circumstance giving rise to such increased costs is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof. The foregoing provisions of this Section 9.3 shall not apply in the case of Taxes, which shall instead be governed by Section 9.1.

(b) If any Lender or L/C Issuer shall have determined that:

(i) the introduction of any Capital Adequacy Regulation;

(ii) any change in any Capital Adequacy Regulation;

(iii) any change in the interpretation or administration of any Capital Adequacy Regulation by any central bank or other Governmental Authority charged with the interpretation or administration thereof; or

(iv) compliance by such Lender or L/C Issuer (or its Lending Office) or any entity controlling the Lender or L/C Issuer, with any Capital Adequacy Regulation;

affects the amount of capital required or expected to be maintained by such Lender or L/C Issuer or any entity controlling such Lender or L/C Issuer and (taking into consideration such Lender's or such entities' policies with respect to capital adequacy and such Lender's or L/C Issuer's desired return on capital) determines that the amount of such capital is increased as a consequence of its Revolving Loan Commitment(s), loans, credits or obligations under this Agreement, then, within thirty (30) days of demand of such Lender or L/C Issuer (with a copy to Agent), the Borrowers shall pay to such Lender or L/C Issuer, from time to time as specified by such Lender or L/C Issuer, additional amounts sufficient to compensate such Lender or L/C Issuer (or the entity controlling the Lender or L/C Issuer) for such increase; provided, that the Borrowers shall not be required to compensate any Lender or L/C Issuer pursuant to this Section for any amounts incurred more than 180 days prior to the date that such Lender or L/C Issuer notifies the Borrower Representative, in writing of the amounts and of such Lender's or L/C Issuer's intention to claim compensation thereof; provided, further, that if the event giving rise to such increase is retroactive, then the 180-day period referred to above shall be extended to include the period of retroactive effect thereof.

(c) Notwithstanding anything herein to the contrary, the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith shall be deemed to be a change in a Requirement of Law under subsection (a) above and/or a change in a Capital Adequacy Regulation under subsection (b) above, as applicable, regardless of the date enacted, adopted or issued.

9.4 Funding Losses. The Borrowers agree to reimburse each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of:

(a) the failure of the Borrowers to make any payment or mandatory prepayment of principal of any LIBOR Loan or BA Rate Loan (in each case, including payments made after any acceleration thereof);

(b) the failure of the Borrowers to borrow, continue or convert a Loan after the Borrower Representative has given (or is deemed to have given) a Notice of Borrowing or a Notice of Conversion/Continuation;

(c) the failure of the Borrowers to make any prepayment after the Borrowers have given a notice in accordance with Section 1.7;

(d) the prepayment (including pursuant to Section 1.8) of a LIBOR Loan or a BA Rate Loan on a day which is not the last day of the Interest Period or the BA Period, as applicable, with respect thereto; or

(e) the conversion pursuant to Section 1.6 of any (i) LIBOR Loan to a Base Rate Loan on a day that is not the last day of the applicable Interest Period or (ii) BA Rate Loan to a Canadian Prime Rate Loan on a day that is not the last day of the applicable BA Period;

including any such loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain its LIBOR Loans hereunder or from fees payable to terminate the deposits from which such funds were obtained. Solely for purposes of calculating amounts

payable by the Borrowers to the Lenders under this Section 9.4 and under Section 9.3(a): each LIBOR Loan made by a Lender (and each related reserve, special deposit or similar requirement) shall be conclusively deemed to have been funded at the LIBOR used in determining the interest rate for such LIBOR Loan by a matching deposit or other borrowing in the interbank eurodollar market for a comparable amount and for a comparable period, whether or not such LIBOR Loan is in fact so funded.

9.5 Inability to Determine Rates. If Agent shall have determined in good faith that for any reason adequate and reasonable means do not exist for ascertaining the LIBOR for any requested Interest Period with respect to a proposed LIBOR Loan or that the LIBOR applicable pursuant to Section 1.3(a) for any requested Interest Period with respect to a proposed LIBOR Loan does not adequately and fairly reflect the cost to the Lenders of funding such Loan, Agent will forthwith give notice of such determination to the Borrower Representative and each Lender. Thereafter, the obligation of the Lenders to make or maintain LIBOR Loans hereunder shall be suspended until Agent revokes such notice in writing. Upon receipt of such notice, the Borrower Representative may revoke any Notice of Borrowing or Notice of Conversion/Continuation then submitted by it. If the Borrower Representative does not revoke such notice, the Lenders shall make, convert or continue the Loans, as proposed by the Borrower Representative, in the amount specified in the applicable notice submitted by the Borrower Representative, but such Loans shall be made, converted or continued as Base Rate Loans.

9.6 Reserves on LIBOR Loans. The Borrowers shall pay to each Lender, as long as such Lender shall be required under regulations of the Federal Reserve Board to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency funds or deposits (currently known as "Eurocurrency liabilities"), additional costs on the unpaid principal amount of each LIBOR Loan equal to actual costs of such reserves allocated to such Loan by such Lender (as determined by such Lender in good faith, which determination shall be conclusive absent demonstrable error), payable on each date on which interest is payable on such Loan provided the Borrower Representative shall have received at least fifteen (15) days' prior written notice (with a copy to Agent) of such additional interest from the Lender. If a Lender fails to give notice fifteen (15) days prior to the relevant Interest Payment Date, such additional interest shall be payable fifteen (15) days from receipt of such notice.

9.7 Certificates of Lenders. Any Lender claiming reimbursement or compensation pursuant to this Article IX shall deliver to the Borrower Representative (with a copy to Agent) a certificate setting forth in reasonable detail the amount payable to such Lender hereunder and such certificate shall be conclusive and binding on the Borrowers in the absence of manifest error.

9.8 Parties Including Trustees; Insolvency Court Proceedings. This Agreement, the other Loan Documents, and all Liens and other rights and privileges created hereby or pursuant hereto or to any other Loan Document shall be binding upon each Credit Party, the estates of the Credit Parties, and any trustee, other estate representative or any successor in interest of the Credit Parties in the Insolvency Cases or any Successor Cases, and shall not be subject to Section 365 of the Bankruptcy Code. This Agreement and the other Loan Documents shall be binding upon, and inure to the benefit of, the successors of Agent and Lenders and their respective assigns, transferees and endorsees. The Liens created by this Agreement and the other Loan

Documents shall be and remain valid and perfected in the event of the substantive consolidation or conversion of the Insolvency Cases or any other bankruptcy case of any Credit Party to a Successor Case or in the event of dismissal of the Insolvency Cases or the release of any Collateral from the jurisdiction of the Insolvency Court for any reason, without the necessity that Agent files financing statements or otherwise perfect its Liens under applicable law. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Agent and Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Agents and Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

9.9 Survival. The agreements and obligations of the Borrowers in the Article IX shall survive the payment of all other Obligations.

ARTICLE X. - DEFINITIONS

10.1 Defined Terms. As used herein, the following terms have the meanings set forth below:

"Account" means, as at any date of determination, all "accounts" (as such term is defined in the UCC or the PPSA) and all "claims" (for purposes of the *Civil Code of Quebec*) of the Credit Parties and their Subsidiaries, including the unpaid portion of the obligation of a customer of any Credit Party or any its Subsidiaries in respect of Inventory purchased by and shipped to such customer and/or the rendition of services by any Credit Party or any its Subsidiaries, as stated on the respective invoice of any Credit Party or any its Subsidiaries, net of any credits, rebates or offsets owed to such customer.

"Account Debtor" means the customer of any Credit Party or any of its Subsidiaries who is obligated on or under an Account.

"Acquisition" means any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of the Stock and Stock Equivalents of any Person or otherwise causing any Person to become a Subsidiary of a Borrower, or (c) a merger, an amalgamation or consolidation or any other combination with another Person.

"Actual Cash Receipts" means the sum of all receipts received by the Credit Parties during the relevant Period of determination, as determined in a manner consistent with the Approved Budget.

"Actual Disbursement Amount" means the sum of all disbursements, expenses and payments made by the Credit Parties during the relevant Period of determination, as determined in a manner consistent with the Approved Budget.

"Actual Net Cash Flow" shall mean the sum of (i) Actual Cash Receipts for the relevant Period of determination, *minus* (ii) the Actual Disbursement Amount for the relevant Period of determination.

"Adequate Protection Liens" has the meaning assigned to the term "Adequate Protection Liens" in the Interim Order (or the Final Order, when applicable).

"Adequate Protection Superpriority Claims" has the meaning assigned to the term "Adequate Protection Superpriority Claims" in the Interim Order (or the Final Order, when applicable).

"Affected Lender" shall have the meaning set forth in Section 8.22.

"Affiliate" means, as to any Person, any other Person which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. A Person shall be deemed to control another Person if the controlling Person possesses, directly or indirectly, the power to direct or cause the direction of the management and policies of the other Person, whether through the ownership of voting securities, by contract or otherwise. Without limitation, solely for the purposes of determining whether a Person is an Affiliate of a Credit Party, any director, executive officer or beneficial owner of ten percent (10%) or more of the Stock (either directly or through ownership of Stock Equivalents) of a Person shall for the purposes of this Agreement, be deemed to control the other Person. Notwithstanding the foregoing, neither Agent nor any Lender shall be deemed an "Affiliate" of any Credit Party or of any Subsidiary of any Credit Party solely by reason of the provisions of the Loan Documents.

"Agent" means Antares Capital LP in its capacity as administrative agent for the Lenders hereunder, and any successor administrative agent.

"Agent Report" shall have the meaning set forth in Section 7.5(c).

"Agent's Advisors" shall have the meaning set forth in Section 4.18.

"Aggregate Canadian Dollar Revolving Exposure" means, at any time, the aggregate Canadian Dollar Revolving Exposure of all the Lenders at such time.

"Aggregate Excess Funding Amount" shall have the meaning set forth in Section 1.11(e)(iv).

"Aggregate Revolving Exposure" means, at any time, the aggregate Revolving Exposure of all the Lenders at such time.

"Aggregate Revolving Loan Commitment" means the combined Revolving Loan Commitments of the Lenders, which shall initially be in an amount the U.S. Dollar Equivalent of which is $135,000,000 as such amount may be reduced from time to time pursuant to this Agreement.

"Agreement" shall have the meaning set forth in the Preamble.

"AML Legislation" shall have the meaning set forth in Section 8.21(a).

"Antares" shall have the meaning set forth in the Preamble.

"Antares Finance" shall have the meaning set forth in the Preamble.

"Antares Lender" means Antares Finance and any Affiliate of Antares Finance that becomes a Lender or (other than Agent in its capacity as such) other Secured Party.

"Applicable Margin" means, with respect to Revolving Loans, Swing Loans and Letters of Credit, the applicable LIBOR margin, BA Rate margin, Base Rate margin, Canadian Prime Rate margin, or Letter of Credit margin set forth below:

LIBOR Margin and BA Rate Margin	Base Rate Margin and Canadian Prime Rate Margin	Letter of Credit Margin
2.25%	1.25%	2.25%

Notwithstanding anything herein to the contrary, (i) Swing Loans may not be LIBOR Loans or BA Rate Loans, (ii) only Loans denominated in Canadian Dollars may be BA Rate Loans or Canadian Prime Rate Loans and (iii) only Loans denominated in Dollars may be LIBOR Loans or Base Rate Loans.

"Approved Budget" means the budget prepared by the Borrowers and initially furnished to Agent on the Closing Date and which is approved by, and in form and substance satisfactory to, Agent in its reasonable discretion, as the same may be updated, modified or supplemented from time to time as provided in Section 4.18, which shall include a weekly cash budget, including information on a line item basis as to (w) projected cash receipts, (x) projected disbursements (including ordinary course operating expenses, bankruptcy-related expenses (including professional fees), capital expenditures, asset sales and fees and expenses of Agents and Lenders (including counsel therefor) and any other fees and expenses relating to the Loan Documents), (y) net cash flow, and (z) total available liquidity (consisting of Maximum Borrowing Availability).

"Approved Budget Variance Report" shall mean a weekly report provided by the Borrower Representative to Agent (i) showing by line item Actual Cash Receipts and Actual Disbursement Amounts, and a calculation of Actual Net Cash Flow and total available liquidity for the last day of the Prior Week, the Cumulative Four Week Period and the Cumulative Period, noting therein all variances, on a line-item and cumulative basis, from the amounts set forth for such period in the Approved Budget, and shall include explanations for all material variances, and (ii) certified by a Responsible Officer of the Borrowers.

"Approved Fund" means, with respect to any Lender, any Person (other than a natural Person) that (a) (i) is or will be engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business or (ii) temporarily warehouses loans for any Lender or any Person described in clause (i) above and (b) is advised or managed by (i) such Lender, (ii) any Affiliate of such Lender or (iii) any Person

(other than an individual) or any Affiliate of any Person (other than an individual) that administers or manages such Lender.

"Approved Liquidation Agreement" shall mean an agreement (including all schedules, exhibits, annexes and other appendices thereto) between a Credit Party and an Approved Liquidator for the liquidation on an equity basis (other than in the case of the Permitted Store Closing Sale, which may be on a fee basis) of the Inventory and furniture, fixtures and equipment of a Store to be closed, such agreement to be in form and substance reasonably satisfactory to Agent.

"Approved Liquidator" shall mean a nationally recognized liquidator of recognized standing approved by Agent.

"Approved Purchase Agreement" shall mean an agreement (including all schedules, exhibits, annexes and other appendices thereto) between a Credit Party and a buyer for a GC Sale, such agreement to be in form and substance and on terms reasonably satisfactory to Agent.

"Approved Real Estate Appraisal" means for each of the Eligible Real Estate properties, the most recently dated appraisal of such Eligible Real Estate obtained in accordance with the terms of Section 4.9(b).

"Assignment" means an assignment agreement entered into by a Lender, as assignor, and any Person, as assignee, pursuant to the terms and provisions of Section 8.9 (with the consent of any party whose consent is required by Section 8.9), accepted by Agent, in substantially the form of Exhibit 10.1(a) or any other form approved by Agent.

"Attorney Costs" means and includes all reasonable and documented fees and disbursements of any law firm or other external counsel.

"Automatic Stay" means the automatic stay imposed under section 362 of the Bankruptcy Code.

"Availability Block" means, at any time, an amount equal to 10% of the sum of clauses (b) through (f) of the definition of Revolving Credit Borrowing Base (and giving effect to the proviso in such definition) at such time.

"Bail-In Action" means the exercise of any Write-Down and Conversion Powers by the applicable EEA Resolution Authority in respect of any liability of an EEA Financial Institution.

"Bail-In Legislation" means, with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule.

"BA Period" means with respect to any BA Rate Loan, the period commencing on the Business Day such Loan is disbursed or continued or on the Conversion Date on which a Canadian Prime Rate Loan is converted to the BA Rate Loan and ending on the date one, two, three or six months (or, if commercially or otherwise available to each affected Lender, nine or

twelve months) as selected by the Borrower Representative in its Notice of Borrowing or Notice of Conversion/Continuation; provided that:

(a) if any BA Period pertaining to a BA Rate Loan would otherwise end on a day which is not a Business Day, that BA Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such BA Period into another calendar month, in which event such BA Period shall end on the immediately preceding Business Day;

(b) any BA Period pertaining to a BA Rate Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such BA Period) shall end on the last Business Day of the calendar month at the end of such BA Period; and

(c) no BA Period for any Revolving Loan shall extend beyond the Revolving Termination Date.

"BA Rate" means, in respect of any BA Period applicable to a BA Rate Loan, the rate per annum determined by Agent by reference to the average rate quoted on the Reuters Monitor Screen (Page CDOR, or such other Page as may replace such Page on such Screen on the purpose of displaying Canadian interbank bid rates for Canadian Dollar bankers' acceptances) applicable to Canadian Dollars bankers' acceptances with a term comparable to such BA Period as of 10:00 a.m. (Toronto time) two (2) Business Days before the first day of such BA Period. If for any reason the Reuters Monitor Screen rates are unavailable the BA Rate shall be determined from such financial report service or other information, BA Rate means the rate of interest determined by Agent that is equal to the arithmetic mean (rounded upwards to the nearest basis point) of the rates quoted by The Bank of Nova Scotia, Royal Bank of Canada and Canadian Imperial Bank of Commerce in respect of Canadian Dollar bankers' acceptances with a term comparable to such BA Period. No adjustment shall be made to account for the difference between the number of days in a year on which the rates referred to in this definition are based and the number of days in a year on the basis of which interest is calculated in the Agreement. If the BA Rate is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

"BA Rate Loan" means a Loan that bears interest based on the BA Rate.

"Bank Product" shall mean any of the following products, services or facilities: (a) cash management services consisting of automated clearing house transactions, controlled disbursement services, treasury, depository, overdraft and electronic funds transfer services, foreign exchange facilities, currency exchange transactions or agreements and options with respect thereto, credit card processing services, credit or debit cards, purchase cards and any indemnity given in connection with any of the foregoing, (b) leasing or equipment financing facilities, and (c) other extensions of credit approved by Agent; provided, however, that, except for Bank Products that have been provided or arranged by Antares Finance or an Affiliate of Antares Finance, for any of the foregoing to be included for purposes of a distribution under Section 1.10(d) and for the purposes of the definition of "Obligations", the applicable bank product provider and the applicable Credit Party or Subsidiary must have provided written notice

to Agent of (i) the existence of such Bank Product, (ii) the maximum dollar amount of obligations arising thereunder ("Bank Product Amount"), and (iii) the methodology to be used by such parties in determining the Bank Product Amount owing from time to time.

"Bank Product Agreement" means any agreement governing or evidencing any Bank Product.

"Bankruptcy Code" means the Federal Bankruptcy Reform Act of 1978 (11 U.S.C. §101, et seq.), as amended and in effect from time to time and the regulations issued from time to time thereunder.

"Bankruptcy Court" has the meaning set forth in the Recitals to this Agreement.

"Bankruptcy Rules" means the Federal Rules of Bankruptcy Procedure, as the same may from time to time be in effect and applicable to the Chapter 11 Cases.

"Base Rate" means, at any time, a rate per annum equal to the highest of (a) the rate last quoted by The Wall Street Journal (or another national publication selected by Agent) as the U.S. "Prime Rate," (b) the sum of 0.50% per annum and the Federal Funds Rate, and (c) the sum of (x) LIBOR calculated for each such day based on an Interest Period of one month determined two (2) Business Days prior to such day, plus (y) the excess of the Applicable Margin for LIBOR Loans over the Applicable Margin for Base Rate Loans, in each instance, as of such day. Any change in the Base Rate due to a change in any of the foregoing shall be effective on the effective date of such change in the "bank prime loan" rate, the Federal Funds Rate or LIBOR for an Interest Period of one month.

"Base Rate Loan" means a Loan that bears interest based on the Base Rate.

"Benefit Plan" means any employee benefit plan as defined in Section 3(3) of ERISA (whether governed by the laws of the United States or otherwise) to which any Credit Party incurs or otherwise has any obligation or liability, contingent or otherwise.

"BIA" means the Bankruptcy and Insolvency Act R.S.C., 1985, c. B-3.

"Borrower" and "Borrowers" shall have the meaning set forth in the Preamble.

"Borrower Representative" shall have the meaning set forth in Section 1.12.

"Borrowing" means a borrowing hereunder consisting of Loans made to or for the benefit of the Borrowers on the same day by the Lenders pursuant to Article I.

"Borrowing Base Certificate" means a certificate of the Borrower Representative, on behalf of each Credit Party, in substantially the form of Exhibit 10.1(b) hereto, duly completed as of a relevant date required in accordance with this Agreement or such other date acceptable to Agent in its sole discretion.

["Budgeted Cash Receipts" means the sum of the line items contained in the Approved Budget under the headings ["Receipts"] during the relevant Period of determination.

"Budgeted Disbursement Amount" means the sum of the line items contained in the Approved Budget under the heading [_____] during the relevant Period of determination.][9]

"Budgeted Net Cash Flow" means the sum of (i) the Budgeted Cash Receipts for the relevant Period of determination, *minus* (ii) the Budgeted Disbursement Amount for the relevant Period of determination.

"Business Day" means any day other than a Saturday, Sunday or other day on which commercial banks in New York, New York or Toronto, Canada are authorized or required by law to close and, if the applicable Business Day relates to any LIBOR Loan, a day on which dealings are carried on in the London interbank market.

"Canadian Benefit Plans" means any plan, fund, program, or policy, whether oral or written, formal or informal, funded or unfunded, insured or uninsured, providing material employee benefits, including medical, hospital care, dental, sickness, accident, disability, life insurance, pension, retirement or savings benefits, under which any Credit Party has any liability with respect to any employee or former employee, but excluding any Canadian Pension Plans and excluding the Canada Pension Plan or the Quebec Pension Plan as maintained by the Government of Canada or the Province of Quebec, respectively.

"Canadian Carve-Out" means the sum of all reasonable legal fees and costs of counsel for the Canadian Debtors, fees and costs of the Monitor in the CCAA Proceedings, reasonable legal fees and costs of counsel for the Monitor in the CCAA Proceedings, reasonable fees and costs of the Restructuring Advisor for advisory services and the services of Brian E. Cejka as chief restructuring officer of GT Canada and Golfsmith, and the work fee of the Investment Banker secured by the "Administration Charge" under the Initial Order up to the Canadian Carve-Out Amount, as the Canadian Carve-Out may be modified by the Canadian Court, but solely to the extent the same are incurred in accordance with the Approved Budget and are reflected as estimated professional fees and disbursements in the most recent Borrowing Base Certificate delivered to Agent by the Borrowers. The Canadian Carve-Out shall at all times be calculated without duplication of the U.S. Carve-Out.

"Canadian Carve-Out Amount" means an amount equal to Cdn$1,600,000.00.

"Canadian Court" has the meaning set forth in the Recitals to the Agreement.

"Canadian Debtor" and "Canadian Debtors" shall have the meaning set forth in the Recitals to this Agreement.

"Canadian Dollars" or "Cdn$" means lawful currency of Canada.

"Canadian Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Canadian Dollars, such amount, and (b) with respect to any amount denominated in any other currency, the equivalent amount thereof in Canadian Dollars as determined by Agent in accordance with Section 10.4.

[9] Note to Draft – A&M to complete all Approved Budget details in consultation with BRG.

"Canadian Dollar Revolving Sublimit" means an amount, at any time, equal to the lesser of (a) the Canadian Dollar Equivalent of the Revolving Credit Borrowing Base at such time and (b) the Canadian Dollar Equivalent of $60,000,000 at such time. The Canadian Dollar Revolving Sublimit is part of, and not in addition to, the Aggregate Revolving Loan Commitment.

"Canadian Dollar Revolving Sublimit Percentage" means the percentage equivalent of the Canadian Revolving Credit Sublimit, divided by the Aggregate Revolving Loan Commitments.

"Canadian Dollar Revolving Exposure" means, with respect to any Lender at any time, the sum of (a) the outstanding principal amount of such Lender's Revolving Loans denominated in Canadian Dollars plus (b) the aggregate outstanding Letter of Credit Obligations of such Lender with respect to Letters of Credit denominated in Canadian Dollars plus (c) the Canadian Dollar Equivalent of an amount equal to its Revolving Loan Commitment Percentage of the aggregate principal amount of Overadvances and Swing Loans, in each case, denominated in Canadian Dollars outstanding at such time plus (d) the aggregate amount of Prior Lender Obligations denominated in Canadian Dollars outstanding at such time.

"Canadian GC Sale" shall have the meaning set forth in Schedule 4.21.

"Canadian L/C Sublimit" has the meaning set forth in Section 1.1(c)(i)(A).

"Canadian Pension Plans" means a pension plan required to be registered under Canadian federal or provincial law that is maintained or contributed to by a Credit Party for its employees or former employees, but does not include the Canada Pension Plan or the Quebec Pension Plan as maintained by the Government of Canada or the Province of Quebec, respectively.

"Canadian Prime Rate" means, for any day, a rate per annum equal to the highest of (a) the annual rate of interest last quoted in the "Report on Business" section of The Globe and Mail as being "Canadian prime", "chartered bank prime rate" or words of similar description or, if such rate is no longer quoted therein, any similar rate quoted therein (as determined by Agent) and (b) the BA Rate existing on such day in respect of a BA Period of 30 days plus 1.00% per annum. Any change in any interest rate provided for in the Agreement based upon the Canadian Prime Rate shall take effect at the time of such change in the Canadian Prime Rate. No adjustments shall be made to account for the difference between the number of days in a year on which the rates referred to in this definition are based and the number of days in a year on the basis of which interest is calculated in the Agreement.

"Canadian Prime Rate Loan" means a Loan that bears interest based on the Canadian Prime Rate.

["Canadian Store Liquidation" shall have the meaning set forth in Schedule 4.21.]

"Canadian Swingline Sublimit" has the meaning set forth in Section 1.1(d)(i).

"Capital Adequacy Regulation" means any guideline, request or directive of any central bank or other Governmental Authority, or any other law, rule or regulation, whether or not

having the force of law, in each case, regarding capital adequacy or liquidity of any Lender or of any corporation controlling a Lender.

"Capital Expenditures" shall mean, for any period, an amount equal to the aggregate of all expenditures and other obligations of the Credit Parties during such period determined on a consolidated basis required to be capitalized in accordance with GAAP.

"Capital Lease" means, with respect to any Person, any leasing or similar arrangement which, in accordance with GAAP, is required to be classified and accounted for as a capital lease on the balance sheet of such Person.

"Capital Lease Obligations" means any and all monetary obligations of any Credit Party or any Subsidiary of any Credit Party under any Capital Leases.

"Cash Collateral" shall have the meaning set forth in Section 363(a) of the Bankruptcy Code.

"Cash Equivalents" means (a) any readily-marketable securities (i) issued by, or directly, unconditionally and fully guaranteed or insured by the Canadian or U.S. federal government or (ii) issued by any agency of the Canadian or U.S. federal government the obligations of which are fully backed by the full faith and credit of the Canadian federal government or the U.S. federal government, as applicable, (b) any readily-marketable direct obligations issued by any other agency of the Canadian or U.S. federal government, any province, territory or state thereof or any political subdivision of any such province, territory or state or any public instrumentality thereof, in each case having a rating of at least "A-1" from S&P or at least "P-1" from Moody's, (c) any commercial paper rated at least "A-1" by S&P or "P-1" by Moody's and issued by any Person organized under the laws of Canada or any province or territory thereof or any state of the United States, (d) any Dollar-denominated time deposit, insured certificate of deposit, overnight bank deposit or bankers' acceptance issued or accepted by (i) any Lender or (ii) any commercial bank that is (A) organized under the laws of Canada, the United States, any state thereof or the District of Columbia and (B) having combined capital, surplus and undivided profits in excess of $250,000,000, and (e) shares of any Canadian or United States money market fund that (i) has substantially all of its assets invested continuously in the types of investments referred to in clauses (a), (b), (c) or (d) above with maturities as set forth in the proviso below, (ii) has net assets in excess of $500,000,000 and (iii) has obtained from either S&P or Moody's the highest rating obtainable for money market funds in Canada or the United States; provided, however, that the maturities of all obligations specified in any of clauses (a), (b), (c) or (d) above shall not exceed 365 days.

"Cash Management Order" shall mean the order of the Bankruptcy Court entered in the Chapter 11 Cases after the "first day" hearings, together with all extensions, modifications and amendments thereto, in form and substance satisfactory to Agent, which among other matters authorizes the Debtors to maintain their existing cash management and treasury arrangements (as set forth in the Pre-Petition Credit Agreement) or such other arrangements as shall be acceptable to Agent in all material respects.

"CCAA" shall have the meaning set forth in the Recitals to this Agreement.

"CCAA Orders" means, collectively, the Initial Order and all other orders issued or to be issued by the Canadian Court in connection with the CCAA Proceedings.

"CCAA Proceedings" shall have the meaning set forth in the Recitals to this Agreement.

"Change of Control" means the occurrence of any of the following: (a) OMERS and OCP Trust shall cease to have the power, directly or indirectly, to vote or direct the voting of the issued and outstanding stock of either GT Canada Holdco or GT USA Holdco having more than fifty percent (50%) of the ordinary voting power for the election of the board of directors of GT Canada Holdco or GT USA Holdco, respectively, (b) OMERS shall cease to own, directly or indirectly, the issued and outstanding stock of any of the Holding Companies having more than fifty percent (50%) of the economic interest in GT Canada Holdco or GT USA Holdco, respectively, (c) GT Canada Holdco ceases to own and control, directly or indirectly, all of the economic and voting rights associated with all of the outstanding stock of GT Canada or (d) GT USA Holdco ceases to own and control, directly or indirectly, all of the economic and voting rights associated with all of the outstanding stock of Golfsmith or GT USA.

"Chapter 11 Cases" shall have the meaning set forth in the Recitals to this Agreement.

"Closing Date" means the first date each of the conditions precedent in Section 2.1 have been satisfied or waived in accordance with Section 8.1.

"Closing Checklist" means the closing checklist substantially in the form of Exhibit 2.1 as attached hereto.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" means, at any time of determination, all Property and interests in Property and proceeds thereof now owned or hereafter acquired by any Credit Party and any of their respective Subsidiaries and any other Person who has granted a Lien to Agent, in or upon which a Lien exists in favor of any Lender or Agent for the benefit of Agent, Lenders and other Secured Parties, whether under this Agreement, any Loan Document or under any other documents executed by any such Persons and delivered to Agent, and including all collateral described in the Interim Order, the Initial Order and the Final Order, as applicable.

"Collateral Documents" means, collectively, the Guaranty and Security Agreement, the Mortgages, each Control Agreement, the Quebec Collateral Documents, each Lien Waiver, the Interim Order, the Final Order, the Initial Order and all other security agreements, pledge agreements, patent and trademark security agreements, guarantees and other similar agreements, and all amendments, restatements, reaffirmations, joinders, modifications or supplements thereof or thereto, by or between any one or more of any Credit Party, any of their respective Subsidiaries or any other Person pledging or granting a lien on Collateral or guaranteeing the payment and performance of the Obligations, and any Lender or Agent for the benefit of Agent, the Lenders and other Secured Parties now or hereafter delivered to the Lenders or Agent pursuant to or in connection with the transactions contemplated hereby, and all financing statements (or comparable documents now or hereafter filed in accordance with the UCC or the PPSA or comparable law) against any such Person as debtor in favor of any Lender or Agent for

the benefit of Agent, the Lenders and the other Secured Parties, as secured party, as any of the foregoing may be amended, restated and/or modified from time to time.

"Compliance Certificate" shall have the meaning set forth in Section 4.2(b).

"Concentration Account" means, collectively, (i) the Control Account, Account No. 2716 held at Wells Fargo Bank, National Association, (ii) the Control Account, Account No. 0158 held at The Toronto-Dominion Bank, or (iii) such other Control Account(s) that may be specified by Agent in writing.

"Contingent Obligation" means, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person: (i) with respect to any Indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (ii) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (iii) to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement; or (iv) for the obligations of another Person through any agreement to purchase, repurchase or otherwise acquire such obligation or any Property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another Person. The amount of any Contingent Obligation (subject to any express limitation set forth therein) shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed or supported. For the avoidance of doubt, contingent obligations of a Person resulting merely from pending litigation or other causes of action which are owed to another Person potentially injured as the result of a cause of action forming the basis for such litigation or claim shall not constitute Contingent Obligations.

"Contractual Obligations" means, as to any Person, any provision of any security issued by such Person or of any agreement, undertaking, contract, indenture, mortgage, deed of trust or other instrument, document or agreement to which such Person is a party or by which it or any of its Property is bound.

"Control Account" means any deposit account, lockbox account, securities account, commodity account or similar account owned by any Credit Party.

"Control Agreement" means a deposit account, lockbox account, securities account, commodities account control agreement or other similar control agreement by and among, inter alia, the applicable Credit Party, Agent and the depository, securities intermediary or commodities intermediary, and each in form and substance reasonably satisfactory in all respects to Agent and in any event providing to Agent "control" of such deposit account, securities or commodities account within the meaning of the PPSA or Articles 8 and 9 of the UCC.

"Conversion Date" means any date on which the Borrowers convert (i) a Canadian Prime Rate Loan to a BA Rate Loan or a BA Rate Loan to a Canadian Prime Rate Loan or (ii) a Base Rate Loan to a LIBOR Loan or a LIBOR Rate Loan to a Base Rate Loan.

"Copyrights" means all rights, title and interests (and all related IP Ancillary Rights) arising under any Requirement of Law in copyrights and all mask works and copyright rights in databases and designs, whether or not registered or published, all registrations thereof and all applications in connection therewith.

"CRA" means the Canada Revenue Agency.

"Credit Card Agreements" shall mean all agreements or notices, each in form and substance reasonably satisfactory to Agent, now or hereafter entered into by Borrowers with any credit card issuer or any credit card processor, as the same may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced; provided, that any such credit card agreement or notice shall provide, among other things, that each such credit card processor shall transfer all proceeds due with respect to credit card charges for sales (net of expenses and chargebacks of the credit card issuer or processor) by Borrowers received by it (or other amounts payable by such credit card processor) into a designated concentration account on a daily basis, or on such other basis as the Agent may agree in writing in the exercise of its reasonable credit judgment.

"Credit Card Receivables" shall mean all present and future rights of Borrowers to payment from (a) any major credit card issuer or major credit card processor arising from sales of goods or rendition of services to customers who have purchased such goods or services using a credit or debit card and (b) any major credit card issuer or major credit card processor in connection with the sale or transfer of Accounts arising pursuant to the sale of goods or rendition of services to customers who have purchased such goods or services using a credit card or a debit card, including, but not limited to, all amounts at any time due or to become due from any major credit card issuer or major credit card processor pursuant to a Credit Card Agreements or otherwise.

"Credit Parties" means (a) each Holding Company, (b) each Borrower and (c) each other Person (i) which executes a guaranty of the Obligations or (ii) which grants a Lien on all or substantially all of its assets to secure payment of the Obligations, but shall not include SPV Holdco.

"Cumulative Four Week Period" shall mean the four-week period up to and through the Saturday of the most recent week then ended, or if a four-week period has not then elapsed from the Petition Date, such shorter period since the Petition Date through the Saturday of the most recent week then ended.

"Cumulative Period" means the period from the Petition Date through the most recent week ended.

"D&O Charge" has the meaning assigned to the term "Priority Directors' Charge" in the Initial Order up to the D&O Charge Amount.

"D&O Charge Amount" means an amount equal to Cdn$3,700,000.

"Default" means any event or circumstance which, with the giving of notice, the lapse of time, or both, would (if not cured or otherwise remedied during such time) constitute an Event of Default.

"Designated Borrower" means collectively, GT Canada, GT USA and Golfsmith.

"DIP Indemnity Account" means an amount equal to $500,000 for the purpose of securing contingent indemnification obligations and other contingent claims arising under this Agreement, the other Loan Documents or otherwise in respect of the Obligations in the event the Agent and the Lenders have not received releases and discharges of claims and liabilities, in form and substance reasonably satisfactory to the Agent and the Lenders, at the time of payment in full in cash of all Obligations other than contingent obligations relating thereto.

"Disposition" means (a) the sale, lease, conveyance or other disposition of Property, and (b) the sale or transfer by a Credit Party or any Subsidiary of a Credit Party of any Stock or Stock Equivalent issued by any Subsidiary of a Credit Party and held by such transferor Person.

"Disqualified Stock" means any Stock or Stock Equivalent which, by its terms (or by the terms of any security or other Stock or Stock Equivalent into which it is convertible or for which it is exchangeable), or upon the happening of any event or condition, (a) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, or is redeemable at the option of the holder thereof, in whole or in part, (b) is convertible in or exchangeable for (i) debt securities or Indebtedness or (ii) any Stock or Stock equivalent referred to in clause (a) above or (c) contains any repurchase obligations or (d) requires the payment of dividends or distributions.

"Dollars", "dollars" and "$" each mean lawful money of the United States of America.

"Domestic Subsidiary" means any Subsidiary incorporated, organized or otherwise formed under the laws of (a) the United States, any state thereof, the District of Columbia or any other political subdivision thereof or (b) Canada or any province thereof.

"EEA Financial Institution" means (a) any credit institution or investment firm established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any financial institution established in an EEA Member Country which is a Subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

"EEA Member Country" means any of the member states of the European Union, Iceland, Liechtenstein, and Norway.

"EEA Resolution Authority" means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

"E-Fax" means any system used to receive or transmit faxes electronically.

"E-Signature" means the process of attaching to or logically associating with an Electronic Transmission an electronic symbol, encryption, digital signature or process (including the name or an abbreviation of the name of the party transmitting the Electronic Transmission) with the intent to sign, authenticate or accept such Electronic Transmission.

"E-System" means any electronic system approved by Agent, including Intralinks® and ClearPar® and any other Internet or extranet-based site, whether such electronic system is owned, operated or hosted by Agent, any of its Related Persons or any other Person, providing for access to data protected by passcodes or other security system.

"Electronic Transmission" means each document, instruction, authorization, file, information and any other communication transmitted, posted or otherwise made or communicated by e-mail or E-Fax, or otherwise to or from an E-System or other equivalent service.

"Eligible Credit Card Accounts" means all of the Credit Card Receivables (net of fees) of the Borrowers that arise in the Ordinary Course of Business, which have been earned by performance, that are not excluded as ineligible by virtue of one or more of the criteria set forth below (such criteria being subject to adjustment as set forth in Section 1.13) and reflected in the most recent Borrowing Base Certificate delivered by the Borrower Representative to Agent. Eligible Credit Card Accounts shall not include any of the following Credit Card Receivables:

(a) Credit Card Receivables that have been outstanding for more than five (5) Business Days from the date of sale;

(b) Credit Card Receivables with respect to which the Borrowers do not have good, valid and marketable title thereto, free and clear of any Lien (other than those (i) Liens expressly permitted under Sections 5.1(b) and (i) and (ii) Qualified Liens);

(c) Credit Card Receivables that are not subject to a first priority perfected Lien in favor of Agent on behalf of the Secured Parties (subject in priority only to Qualified Liens);

(d) Credit Card Receivables which are disputed, or with respect to which a claim, counterclaim, offset or chargeback has been asserted, by the related credit card processor (but only to the extent of such dispute, counterclaim, offset or chargeback);

(e) Credit Card Receivables which the credit card processor has the right under certain circumstances to require the Borrowers to repurchase such Accounts from such credit card processor;

(f) Except as otherwise approved by Agent, Credit Card Receivables as to which Agent has not received an acceptable Credit Card Agreement;

(g) Credit Card Receivables which Agent determines, in its reasonable credit judgment, to be unlikely to be collected;

(h) Credit Card Receivables due from major credit card processors which are not located in the United States of America or Canada;

(i) Credit Card Receivables that are not denominated in Dollars or Canadian Dollars; or

(j) Credit Card Receivables that are otherwise determined to be unacceptable by Agent in its reasonable credit judgment.

"Eligible Domestic In Transit Inventory" means finished goods Inventory owned by a Borrower which is in transit to the Borrower's owned or leased location in the contiguous United States from a location of a vendor in the contiguous United States with a freight carrier or shipping company which is not an Affiliate of any Credit Party or the vendor (unless such shipping company or any Affiliate of such shipping company beneficially owns less than twenty-five (25%) of the Stock of such vendor entitled to vote for such vendor's board of directors (or equivalent governing body)) and which Inventory is not excluded as ineligible by virtue of one or more of the criteria set forth below (such criteria being subject to adjustment as set forth in Section 1.13) and reflected in the most recent Borrowing Base Certificate delivered by the Borrower Representative to Agent. Eligible Domestic In Transit Inventory shall not include any of the following Inventory:

(a) (i) Inventory that has not been identified in a contract of sale between a vendor and the Borrower, (ii) Inventory in respect of which, pursuant to the terms of sale of such Inventory, title and risk of loss have not expressly passed from such vendor to the Borrower, or (iii) Inventory in respect of which such vendor has or maintains rights to reclaim, divert the shipment of, reroute, repossess, stop delivery of such Inventory (whether under applicable law or pursuant to effective documents of title or otherwise unless (x) Reserves reasonably satisfactory to Agent have been established with respect thereto or (y) a reasonably satisfactory waiver of such rights by vendor has been delivered to Agent);

(b) (i) Inventory not subject to a tangible negotiable bill of lading which identifies the Borrower as the "Shipper" and which is made to the order of the Borrower (or, if otherwise required by Agent, to the order of Agent) and all original counterparts of each such tangible non-negotiable bill of lading are in the possession of Agent or (ii) Inventory not subject to a tangible non-negotiable bill of lading, which identifies the Borrower as the "Shipper" and which is made to the order of Borrower (or, if otherwise required by Agent, to the order of Agent);

(c) Inventory not otherwise deemed to be "Eligible Inventory" (other than failure to comply with clauses (b) and (c) thereof); or

(d) Inventory otherwise determined to be unacceptable to Agent in its reasonable credit judgment.

"Eligible Inventory" means, all of the Inventory owned by a Borrower that are not excluded as ineligible by virtue of one or more of the criteria set forth below (such criteria being subject to adjustment as set forth in Section 1.13) and reflected in the most recent Borrowing

Base Certificate delivered by the Borrower Representative to Agent. Eligible Inventory shall not include any of the following Inventory:

(a) Inventory that is not owned by such Borrower free and clear of all Liens and rights of any other Person (including the rights of a purchaser that has made progress payments and the rights of a surety that has issued a bond to assure such Borrower's performance with respect to that Inventory, and the rights of suppliers under Section 81.1 of the Bankruptcy and Insolvency Act (Canada)), except for (x) those Liens expressly permitted under Sections 5.1(b) and (i) and (y) Qualified Liens;

(b) Inventory that (i) is not located on premises owned, leased or rented by such Borrower and disclosed to Agent other than as set forth in clause (c) below, or (ii) is stored at a Specified Leased Location unless (x) a reasonably satisfactory Lien Waiver has been delivered to Agent, or (y) Reserves reasonably satisfactory to Agent up to three months' rent and all past due rent for such location have been established with respect thereto, (iii) is stored at a distribution center, warehouse, shipping center, plant, factory or other similar location leased by a Credit Party whether in the United States or Canada (which for the avoidance of doubt excludes retail stores) unless a reasonably satisfactory Lien Waiver has been delivered to Agent (or with respect to such locations in Canada existing on the Closing Date, Reserves reasonably satisfactory to Agent up to three months' rent for such location have been established with respect thereto), (iv) is stored with a bailee, warehouseman or other third party unless a reasonably satisfactory, acknowledged Lien Waiver has been received by Agent or Reserves reasonably satisfactory to Agent up to three months' rent or storage charges (as applicable) for such location have been established with respect thereto, or (v) is located at an owned location subject to a Lien in favor of a Person other than Agent (other than those Liens expressly permitted under Section 5.1(i) and Qualified Liens), unless a reasonably satisfactory mortgagee waiver has been delivered to Agent, or (v) is located at any site if the aggregate book value of Inventory at any such location is less than $100,000;

(c) Inventory that is placed on consignment or is in transit, except for (x) Inventory in transit from (i) an owned or leased location of the Borrowers in the United States to another owned or leased location of the Borrowers in the United States or (ii) a location of the Borrowers in Canada to another location of the Borrowers in Canada, in each case, as to which Agent's Liens have been perfected at origin and destination and (y) Eligible Domestic In Transit Inventory;

(d) Inventory that is covered by a negotiable document of title, unless such original document has been delivered to Agent with all necessary endorsements, free and clear of all Liens except those in favor of Agent and Lenders (other than those Liens expressly permitted under Section 5.1(i) and Qualified Liens);

(e) Inventory that is used (other than trade-ins and returns described in clause (g) below) excess, obsolete, unsaleable, shopworn, seconds, samples, damaged, unfit for sale, imperfects, or designed or held for destruction;

(f) Inventory that consists of display items or packing or shipping materials, manufacturing supplies, raw materials, parts, subassemblies, work-in-process, tooling,

replacement parts (excluding from the foregoing, however, readily saleable golf club components) or other unfinished Inventory;

(g) Inventory that consists of goods which have been returned by the buyer (other than trade-ins which are undamaged and fit for immediate sale in the Ordinary Course of Business and other than returns that have been restocked and can be resold as new);

(h) Inventory that is not of a type held for sale in the ordinary course of such Borrower's business;

(i) Inventory that is not subject to a first priority lien in favor of Agent on behalf of itself and Lenders (subject in priority only to Qualified Liens);

(j) Inventory as to which any of the representations or warranties pertaining to it set forth in the Loan Documents is untrue;

(k) Inventory that consists of any costs associated with "freight-in" charges;

(l) Inventory that that consists of Hazardous Materials or goods that can be transported or sold only with licenses that are not readily available;

(m) Inventory that is not covered by casualty insurance reasonably acceptable to Agent;

(n) Inventory (i) subject to any licensing, trademark, trade name or copyright agreements with any third parties which would require any consent of any third party for the sale or disposition of that Inventory (which consent has not been obtained), (ii) subject to the payment of any monies to any third party upon such sale or disposition unless Reserves reasonably satisfactory to Agent have been established with respect thereto in accordance with Section 1.13 or (iii) which may not be sold without violation or infringement of the intellectual property rights of third parties;

(o) Inventory located outside the United States or Canada;

(p) Inventory subject to a promotional offer of the supplier thereof that would reduce the sale price other than to the extent Agent has imposed a Reserve in its reasonable credit judgment; or

(q) Inventory that is otherwise unacceptable to Agent in its reasonable credit judgment.

"Eligible Letter of Credit" means, at any time during the LC Eligibility Period, the OMERS LC, solely to the extent an OMERS LC Event has not occurred.

"Eligible Real Estate" means all of the Real Estate of the Borrowers that is not excluded as ineligible by virtue of one or more of the criteria set forth below (such criteria being subject to adjustment as set forth in Section 1.13) and is reflected in the most recent Borrowing Base

Certificate delivered by the Borrower Representative to Agent. None of the following shall be deemed to be Eligible Real Estate:

(a) Real Estate in which a Borrower does not own a fee interest;

(b) Real Estate that is not subject to a first priority perfected Lien in favor of Agent on behalf of the Secured Parties (or in favor of such other trustee as may be required or desired under local law) (subject in priority only to (i) Liens set forth in the policy of title insurance delivered to Agent on the Closing Date insuring the Lien in favor of Agent with respect to such Real Estate and (ii) Qualified Liens) free and clear of all other Liens (other than those (i) Liens expressly permitted under Sections 5.1(g) and (i) and (ii) Qualified Liens);

(c) to the extent reasonably requested by Agent, the applicable Borrower shall not have delivered to Agent title insurance policies, current as-built surveys, zoning letters or an opinion of local counsel with respect to compliance with zoning matters and certificates of occupancy or such other evidence of the absence of outstanding notices of violations and other building code regulation issues as Agent shall otherwise require, in each case reasonably satisfactory in form and substance to Agent;

(d) Real Estate that is unacceptable to Agent in its reasonable credit judgment, whether for environmental reasons, insurance or otherwise; or

(e) except as may be agreed to by Agent in its sole discretion, Real Estate that is not owned by any Borrower on the Closing Date.

"Eligible Wholesale Accounts" means all of the Accounts (net of fees) of the Borrowers arising in the Ordinary Course of Business from the sale of the Borrowers' Inventory at wholesale to Persons who intend to resell such Inventory, which have been earned by performance, that are not excluded as ineligible by virtue of one or more of the criteria set forth below (such criteria being subject to adjustment as set forth in Section 1.13) and are reflected in the most recent Borrowing Base Certificate delivered by the Borrower Representative to Agent. Eligible Wholesale Accounts shall not include any of the following Accounts:

(a) Any Account that does not arise from the sale of Inventory or the performance of services by such Borrower in the Ordinary Course of Business;

(b) Any Account (i) upon which such Borrower's right to receive payment is not absolute or is contingent upon the fulfillment of any condition whatsoever or (ii) as to which such Borrower is not able to bring suit or otherwise enforce its remedies against the Account Debtor through judicial process, or (iii) if the Account represents a progress billing consisting of an invoice for goods sold or used or services rendered pursuant to a contract under which the Account Debtor's obligation to pay that invoice is subject to such Borrower's completion of further performance under such contract or is subject to the equitable lien of a surety bond issuer;

(c) Any Account to the extent that any credit or any defense, counterclaim, setoff or dispute is asserted as to such Account;

(d) Any Account that is not a true and correct statement of bona fide indebtedness incurred in the amount of the Account for merchandise sold to or services rendered and accepted by the applicable Account Debtor;

(e) Any Account with respect to which an invoice, reasonably acceptable to Agent in form and substance, has not been sent to the applicable Account Debtor;

(f) Any Account that (i) is not owned by such Borrower or (ii) is subject to any right, claim, security interest or other interest of any other Person, other than those (x) Liens expressly permitted under Sections 5.1(b) and (i) and (y) Qualified Liens;

(g) Any Account that arises from a sale to any director, officer, other employee or Affiliate of any Credit Party, or to any entity that has any common officer with any Credit Party;

(h) Any Account that is the obligation of an Account Debtor that is the United States government or a political subdivision thereof, or any state, county or municipality or department, agency or instrumentality thereof unless Agent, in its sole discretion, has agreed to the contrary in writing and such Borrower, if necessary or desirable, has complied with respect to such obligation with the Federal Assignment of Claims Act of 1940, or any applicable state, county or municipal law restricting the assignment thereof with respect to such obligation;

(i) Any Account that is the obligation of an Account Debtor located in a country other than the United States or Canada unless payment thereof is assured by a letter of credit assigned and delivered to Agent, satisfactory to Agent as to form, amount and issuer;

(j) Any Account to the extent such Borrower or any Subsidiary thereof is liable for goods sold or services rendered by the applicable Account Debtor to such Borrower or any Subsidiary thereof but only to the extent of the potential offset;

(k) Any Account that arises with respect to goods that are delivered on a bill-and-hold, credit hold, cash-on-delivery basis or placed on consignment, guaranteed sale or other terms by reason of which the payment by the Account Debtor is or may be conditional;

(l) Any Account that is in default; provided, that, without limiting the generality of the foregoing, an Account shall be deemed in default upon the occurrence of any of the following:

(i) the Account is not paid within the earlier of: 60 days following its due date or 90 days following its original invoice date; or

(ii) the Account Debtor obligated upon such Account suspends business, makes a general assignment for the benefit of creditors or fails to pay its debts generally as they come due; or

(m) a petition is filed by or against any Account Debtor obligated upon such Account under any bankruptcy law or any other federal, state or foreign (including any provincial) receivership, insolvency relief or other law or laws for the relief of debtors;

(n) Any Account that is the obligation of an Account Debtor if 50% or more of the U.S. Dollar Equivalent of all Accounts owing by that Account Debtor are ineligible under the other criteria set forth in this definition;

(o) Any Account as to which Agent's Lien thereon, on behalf of itself and the other Secured Parties, is not a first priority perfected Lien (subject in priority only to Qualified Liens);

(p) Any Account as to which any of the representations or warranties in the Loan Documents are untrue;

(q) Any Account to the extent such Account is evidenced by a judgment, Instrument or Chattel Paper;

(r) Any Account to the extent such Account exceeds any credit limit established by Agent, in its reasonable credit judgment;

(s) Any Account to the extent that such Account, together with all other Accounts owing to such Account Debtor and its Affiliates as of any date of determination exceed 10% of all Eligible Wholesale Accounts of all Borrowers;

(t) Any Account that is payable in any currency other than Dollars or Canadian Dollars;

(u) Any Account that is a Credit Card Receivable, regardless of whether any such Account is an Eligible Credit Card Account; or

(v) Any Account that is otherwise unacceptable to Agent in its reasonable credit judgment.

"Environmental Laws" means all present and future Requirements of Law and Permits imposing liability or standards of conduct for or relating to the regulation and protection of human health and safety as it relates to exposure to Hazardous Materials, the environment and natural resources, and including public notification requirements and environmental transfer of ownership, notification or approval statutes.

"Environmental Liabilities" means all Liabilities (including costs of Remedial Actions, natural resource damages and costs and expenses of investigation and feasibility studies) that may be imposed on, incurred by or asserted against any Credit Party or any Subsidiary of any Credit Party as a result of, or related to, any claim, suit, action, investigation, proceeding or demand by any Person, whether based in contract, tort, implied or express warranty, strict liability, criminal or civil statute or common law or otherwise, arising under any Environmental Law or in connection with any environmental, health or safety condition or with any Release and resulting from the ownership, lease, sublease or other operation or occupation of property by any Credit Party or any Subsidiary of any Credit Party, whether on, prior or after the date hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA Affiliate" means, collectively, any Credit Party and any Person under common control or treated as a single employer with, any Credit Party, within the meaning of Section 414(b), (c), (m) or (o) of the Code.

"ERISA Event" means any of the following: (a) a reportable event described in Section 4043(b) of ERISA (or, unless the 30-day notice requirement has been duly waived under the applicable regulations, Section 4043(c) of ERISA) with respect to a Title IV Plan; (b) the withdrawal of any ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any ERISA Affiliate from any Multiemployer Plan; (d) with respect to any Multiemployer Plan, the filing of a notice of reorganization, insolvency or termination (or treatment of a plan amendment as termination) under Section 4041A of ERISA; (e) the filing of a notice of intent to terminate a Title IV Plan (or treatment of a plan amendment as termination) under Section 4041 of ERISA; (f) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (g) the failure to make any required contribution to any Title IV Plan or Multiemployer Plan when due; (h) the imposition of a lien under Section 412 of the Code or Section 302 or 4068 of ERISA on any property (or rights to property, whether real or personal) of any ERISA Affiliate; (i) the failure of a Benefit Plan or any trust thereunder intended to qualify for tax exempt status under Section 401 or 501 of the Code or other Requirements of Law to qualify thereunder; and (j) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of any liability upon any ERISA Affiliate under Title IV of ERISA other than for PBGC premiums due but not delinquent.

"EU Bail-In Legislation Schedule" means the EU Bail-In Legislation Schedule published by the Loan Market Association (or any successor person), as in effect from time to time.

"Event of Default" shall have the meaning set forth in Section 6.1.

"Event of Loss" means, with respect to any Property, any of the following: (a) any loss, destruction or damage of such Property; (b) any pending or impending institution of any proceedings for the condemnation or seizure of such Property or for the exercise of any right of eminent domain; or (c) any actual condemnation, seizure or taking, by exercise of the power of eminent domain or otherwise, of such Property, or confiscation of such Property or the requisition of the use of such Property.

"Excess Availability" means, at any time, the amount by which (a) the Maximum Borrowing Availability at such time exceeds (b) the Aggregate Revolving Exposure at such time.

"Excess Canadian Availability" means, at any time (a) the amount by which the Canadian Dollar Revolving Sublimit at such time exceeds (b) the Aggregate Canadian Dollar Revolving Exposure at such time.

"Excluded Accounts" means any (a) deposit account or securities account specially and exclusively used in the Ordinary Course of Business for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of any Credit Party's officers, directors

and employees, which accounts are funded only in the Ordinary Course of Business and not in excess of any amounts necessary to fulfill such obligations that are then due and payable or to become due and payable within five (5) business days following such funding, (b) trust or fiduciary accounts, (c) deposit accounts, securities accounts and commodities accounts denominated in Canadian Dollars with Canadian banks or financial institutions having a balance of less than $250,000 at any time in the aggregate for all such accounts or (d) deposit accounts, securities accounts and commodities accounts denominated in Dollars with U.S. banks or financial institutions having a balance of less than $250,000 at any time in the aggregate for all such accounts.

"Excluded Subsidiary" shall mean any direct or indirect subsidiary of GT USA Holdco that is (a) a Foreign Subsidiary, (b) organized in the United States, treated as a disregarded entity for U.S. Federal income tax purposes and all of the assets (other than a de minimis amount) of which consists of Stock or Stock Equivalent of one or more direct or indirect Foreign Subsidiaries or (c) organized in the United States and a subsidiary of a Foreign Subsidiary.

"Existing Letters of Credit" shall have the meaning set forth in Section 1.1(c)(ix).

"FATCA" means Sections 1471, 1472, 1473 and 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), current or future United States Treasury Regulations promulgated thereunder and published guidance with respect thereto, any agreements entered into pursuant to Section 1471(b)(1) of the Code and any applicable intergovernmental agreements with respect thereto.

"Federal Flood Insurance" means Federally backed Flood Insurance available under the National Flood Insurance Program to owners of real property improvements located in Special Flood Hazard Areas in a community participating in the National Flood Insurance Program.

"Federal Funds Rate" means, for any day, the rate per annum (rounded upward to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal Funds transactions with members of the Federal Reserve System arranged by Federal Funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate quoted to Agent on such day on such transactions as determined by Agent in a commercially reasonable manner.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve System, or any entity succeeding to any of its principal functions.

"Fee Letter" shall have the meaning set forth in Section 1.9(a).

"FEMA" means the Federal Emergency Management Agency, a component of the U.S. Department of Homeland Security that administers the National Flood Insurance Program.

"Final Order" means collectively, the order of the Bankruptcy Court entered in the Chapter 11 Cases after a final hearing under Bankruptcy Rule 4001(c)(2) or such other procedures as approved by the Bankruptcy Court which order shall be satisfactory in form and

substance to Agent, and from which no appeal or motion to reconsider has been timely filed, or if timely filed, such appeal or motion to reconsider has been dismissed or denied with no further appeal and the time for filing such appeal has passed unless Agent waives such requirement), together with all extensions, modifications and amendments thereto, in form and substance satisfactory to Agent, which, among other matters but not by way of limitation, authorizes the Credit Parties to obtain credit, incur (or guaranty) Indebtedness, and grant Liens under this Agreement and the other Loan Documents, as the case may be, and provides for the super priority of Agent's and the Lenders' claims.

"FIRREA" means the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended.

"Fiscal Month" means any of the monthly accounting periods of Golfsmith Holdco, GT Canada, GT USA, GT Partnership, Golfsmith and their respective Subsidiaries, as applicable.

"Fiscal Quarter" means any of the quarterly accounting periods of Golfsmith Holdco, GT Canada, GT USA, GT Partnership, Golfsmith and their respective Subsidiaries, as applicable, ending on or about March 31, June 30, September 30 and December 31 of each Fiscal Year.

"Fiscal Year" means any of the annual accounting periods of Golfsmith Holdco, GT Canada, GT USA, GT Partnership, Golfsmith and their respective Subsidiaries, as applicable, ending on December 31 of each calendar year.

"Flood Insurance" means, for any improvements upon Real Estate located in a Special Flood Hazard Area, Federal Flood Insurance or private insurance that meets the requirements set forth by FEMA in its Mandatory Purchase of Flood Insurance Guidelines. Flood Insurance shall be in an amount equal to the full, unpaid balance of the Loans and any prior liens on the Real Estate up to the maximum policy limits set under the National Flood Insurance Program, or as otherwise required by Agent in its reasonable discretion, with deductibles not to exceed $50,000.

"Foreign Subsidiary" means, with respect to any Person, a Subsidiary of such Person, which Subsidiary is not a Domestic Subsidiary.

"GAAP" means, subject to Section 10.3 hereof, generally accepted accounting principles in the United States set forth from time to time in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board (or agencies with similar functions of comparable stature and authority within the accounting profession), including the FASB Accounting Standards Codification™, which are applicable to the circumstances as of the date of determination. Subject to Section 10.3 hereof, all references to "GAAP" shall be to GAAP applied consistently with the principles used in the preparation of the audited financial statements described in Section 3.11(a); provided that with respect to Credit Parties and their respective Subsidiaries organized under the laws of Canada or any province or territory thereof, unless GAAP is being applied, "GAAP" shall mean in relation to any Person at any time, (a) until such time as such Person adopts the International Financial Reporting Standards, accounting principles generally accepted in Canada as recommended in the Handbook of the Canadian Institute of Chartered Accountants or its successor, applied on a basis consistent

with the most recent audited financial statements of such Person (except for changes approved by the auditors of such Person), and (b) after such time as such Person adopts the International Financial Reporting Standards, such International Financial Reporting Standards.

"GC Sale" means a sale, in one or a series of related transactions, of all or substantially all of the assets of each of the Debtors as a going concern, whether under Section 363 of the Bankruptcy Code with respect to the U.S. Debtors or under Section 36 of the CCAA with respect to the Canadian Debtors. The GC Sale shall be conducted pursuant to bidding procedures, sales procedures, approval orders, purchase agreements, agency documents or other agreements, as applicable, in form and substance and on terms reasonably satisfactory to Agent.

"GS Europe" shall have the meaning set forth in the Preamble.

"GS Incentive" shall have the meaning set forth in the Preamble.

"GS Licensing" shall have the meaning set forth in the Preamble.

"Golfsmith" shall have the meaning set forth in the Preamble.

"Golfsmith 2 GP" shall have the meaning set forth in the Preamble.

"Golfsmith Holdco" means Golfsmith International Holdings LP, a limited partnership formed under the laws of Ontario.

"Golfsmith International" shall have the meaning set forth in the Preamble.

"Golfsmith LP" shall have the meaning set forth in the Preamble.

"Golfsmith NU" shall have the meaning set forth in the Preamble.

"Golfsmith USA" shall have the meaning set forth in the Preamble.

"Governmental Authority" means any nation or government, any state, province, territory or other political subdivision thereof, any central bank (or similar monetary or regulatory authority) thereof, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

"GT Canada" shall have the meaning set forth in the Preamble.

"GT Canada Holdco" means Golf Town Canada Holdings Inc., a corporation formed under the laws of Ontario, Canada.

"GT GP II" shall have the meaning set forth in the Preamble.

"GT Holdco" shall have the meaning set forth in the Preamble.

"GT Partnership" shall have the meaning set forth in the Preamble.

"GT USA" shall have the meaning set forth in the Preamble.

"GT USA Holdco" means Golf Town USA Holdings Inc., a Delaware corporation.

"Guarantor" means each Borrower, the Holding Companies, GMAC Holdings, LLC, a Delaware limited liability company ("GMAC"), and each other Subsidiary of the Holding Companies required to execute and deliver a guaranty or guaranty supplement pursuant to Section 4.13.

"Guaranty and Security Agreement" means (a) that certain Guaranty and Security Agreement, dated as of the Closing Date made by certain of the Credit Parties in favor of Agent, for the benefit of the Secured Parties, as the same has been and hereafter may be amended, restated and/or modified from time to time, and (b) that certain Guarantee and Security Agreement, dated as of the Closing Date made by certain of the Credit Parties in favor of Agent, for the benefit of the Secured Parties, as the same has been and hereafter may be amended, restated and/or modified from time to time.

"Hazardous Materials" means any substance, material or waste that is classified, regulated or otherwise characterized under any Environmental Law as hazardous, toxic, a contaminant or a pollutant or by other words of similar meaning or regulatory effect, including but not limited to any "hazardous waste", any "hazardous substance", any petroleum or any fraction thereof, asbestos, asbestos containing material, polychlorinated biphenyls, mold, and radioactive substances or any other substance that is toxic, ignitable, reactive, corrosive, caustic, or dangerous.

"High Yield Debt" means the High Yield Notes and any other Indebtedness or other obligations of any Credit Party or any Subsidiary of any Credit Party pursuant to the High Yield Debt Documents.

"High Yield Debt Documents" means the High Yield Indenture, the High Yield Notes, the offering memorandum related thereto, the purchase agreement related thereto, the High Yield Security Documents, the guarantees in respect thereof and other documents, instruments or agreements entered into in connection therewith.

"High Yield Indenture" means that certain Indenture dated as of July 24, 2012 by and among GT Canada and Golfsmith, as the issuers, the other Credit Parties, as the guarantors, the High Yield Trustee and the High Yield Purchasers.

"High Yield Intercreditor Agreement" means that certain Intercreditor Agreement dated as of July 24, 2012, by and among Agent, the Credit Parties and the High Yield Trustee.

"High Yield Notes" means those certain 10.5% Senior Secured Notes Due 2018 issued by GT Canada and Golfsmith on the Closing Date, in the original aggregate principal amount equal to Cdn$125,000,000, together with all notes issued from time to time in exchange or substitution therefor.

"High Yield Purchasers" means the holders, from time to time, of High Yield Notes or any other High Yield Debt.

"High Yield Security Documents" means the "Security Documents" as defined in the High Yield Indenture, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms and conditions of the High Yield Intercreditor Agreement.

"High Yield Trustee" means, collectively, BNY Trust Company of Canada and The Bank of New York Mellon, as trustee, BNY Trust Company of Canada, as Canadian collateral agent, and The Bank of New York Mellon, as U.S. collateral agent under the Indenture and each of their successors and assigns in such capacity.

"Holdco Debt" means the Holdco Note and any other Indebtedness of GT Canada pursuant to the Holdco Debt Documents.

"Holdco Debt Documents" means the Holdco Note and each other loan document entered into in connection therewith, in each case, as amended, restated, supplemented or otherwise modified from time to time in accordance with the terms and conditions hereof.

"Holdco Lenders" means Golfsmith Holdco and such other holders, from time to time, of Holdco Note or any other Holdco Debt.

"Holdco Note" means that certain Amended and Restated Subordinated Promissory Grid Note issued by GT Canada on July 24, 2012 in favor of the Holdco Lenders, in the aggregate principal amount of Cdn$99,000,000 outstanding on July 24, 2012.

"Holdco Subordination Agreement" means that certain Subordination Agreement dated as of the Closing Date by and among the Agent, GT Canada and the Holdco Lenders.

"Holding Companies" means, collectively, GT Canada Holdco and GT USA Holdco.

"Impacted Lender" means any Lender that fails to provide Agent, within three (3) Business Days following Agent's written request, satisfactory assurance that such Lender will not become a Non-Funding Lender, or any Lender that has a Person that directly or indirectly controls such Lender and such Person (a) becomes subject to a voluntary or involuntary case under the Bankruptcy Code or any similar bankruptcy laws, (b) has appointed a custodian, conservator, receiver or similar official for such Person or any substantial part of such Person's assets, or (c) makes a general assignment for the benefit of creditors, is liquidated, or is otherwise adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or bankrupt, and for each of clauses (a) through (c), Agent has determined that such Lender is reasonably likely to become a Non-Funding Lender. For purposes of this definition, control of a Person shall have the same meaning as in the second sentence of the definition of Affiliate.

"Indebtedness" of any Person means, without duplication: (a) all indebtedness for borrowed money; (b) all obligations issued, undertaken or assumed as the deferred purchase price of Property or services (including, to the extent owed, earnout obligations, purchase price adjustments, deferred payments and other contingent obligations payable in cash with respect to any deferred payment arising in connection with acquisitions but excluding trade payables entered into in the Ordinary Course of Business); (c) the face amount of all letters of credit or banker's acceptances issued for the account of such Person and without duplication, all drafts

drawn thereunder, and all reimbursement or payment obligations with respect to, letters of credit, surety bonds and other similar instruments issued by such Person whether or not matured; (d) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connection with the acquisition of Property, assets or businesses; (e) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to Property acquired by the Person (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such Property); (f) all Capital Lease Obligations; (g) the principal balance outstanding under any synthetic lease, off-balance sheet loan or similar off balance sheet financing product; (h) all obligations, whether or not contingent, to purchase, redeem, retire, defease or otherwise acquire for value any of its own Stock or Stock Equivalents (or any Stock or Stock Equivalent of a direct or indirect parent entity thereof) prior to the date that is 180 days after the Revolving Termination Date, valued at, in the case of redeemable preferred Stock, the greater of the voluntary liquidation preference and the involuntary liquidation preference of such Stock plus accrued and unpaid dividends; (i) all indebtedness referred to in clauses (a) through (h) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in Property (including accounts and contracts rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness; and (j) all Contingent Obligations described in clause (i) of the definition thereof in respect of indebtedness or obligations of others of the kinds referred to in clauses (a) through (i) above.

"Indemnified Matters" shall have the meaning set forth in Section 8.6(a).

"Indemnified Taxes" shall have the meaning set forth in Section 9.1(a).

"Initial Order" means, collectively, the initial order of the Canadian Court issued in the CCAA Proceedings of the Canadian Debtors, which order shall be satisfactory in form and substance to the Agent and Lenders, and from which no appeal has been timely filed, or if timely filed, such appeal has been dismissed or denied unless the Agent and the Lenders waive such requirement), together with all extensions, modifications and amendments thereto, in form and substance satisfactory to the Agent and Lenders, which, among other matters but not by way of limitation, authorizes the Canadian Debtors to obtain credit, incur (or guarantee) Indebtedness, and grant Liens under this Agreement and the other Loan Documents, as the case may be, and provides for the super-priority charge to Agent, for the benefit of the Secured Parties, on the Collateral to secure the Obligations, subject to the "Administration Charge" and any other charges as set forth in the Initial Order.

"Insolvency Cases" means, collectively, the Chapter 11 Cases and the CCAA Proceedings.

"Insolvency Court" means as applicable and as the context may require, either the. Bankruptcy Court or the Canadian Court and collectively, the Bankruptcy Court and the Canadian Court.

"Insolvency Laws" means any of the *Bankruptcy and Insolvency Act* (Canada), the *Companies' Creditors Arrangement Act* (Canada), the *Winding-Up and Restructuring Act*

(Canada), the Bankruptcy Code, each as now and hereafter in effect, any successors to such statutes and any other applicable insolvency or other similar law of any jurisdiction, including any law of any jurisdiction permitting a debtor to obtain a stay or a compromise of the claims of its creditors against it.

"Insolvency Proceeding" means (a) any case, action or proceeding (including the filing of any notice of intention in respect thereof) before any court or other Governmental Authority relating to bankruptcy, reorganization, insolvency, liquidation, receivership, dissolution, winding-up or relief of debtors, suspension of general operations or similar arrangement, or (b) any general assignment for the benefit of creditors, composition, marshaling of assets for creditors, or other, similar arrangement in respect of its creditors generally or any substantial portion of its creditors; in each case in (a) and (b) above, undertaken under any Insolvency Laws, U.S. Federal, state or foreign law, any corporate laws or any other applicable law.

"Insolvency Stays" means, collectively, the Automatic Stay and the Stay of Proceedings.

"Intellectual Property" means all rights, title and interests in or relating to intellectual property and industrial property arising under any Requirement of Law and all IP Ancillary Rights relating thereto, including all Copyrights, Patents, Trademarks, Internet Domain Names, Trade Secrets and IP Licenses.

"Interest Payment Date" means, (a) with respect to any LIBOR Loan (other than a LIBOR Loan having an Interest Period of six (6) months or more) the last day of each Interest Period applicable to such Loan, (b) with respect to any LIBOR Loan having an Interest Period of six (6) months or more, the last day of each three (3) month interval and, without duplication, the last day of such Interest Period, (c) with respect to Base Rate Loans (including Swing Loans denominated in Dollars) the first day of each calendar month, (d) with respect to any BA Rate Loan (other than a BA Rate Loan having an Interest Period of six (6) months or more) the last day of each BA Period applicable to such Loan, (e) with respect to any BA Rate Loan having an BA Period of six (6) months or more, the last day of each three (3) month interval and, without duplication, the last day of such BA Period, (f) with respect to Canadian Prime Rate Loans (including Swing Loans denominated in Canadian Dollars) the first day of each month.

"Interest Period" means, with respect to any LIBOR Loan, the period commencing on the Business Day such Loan is disbursed or continued or on the Conversion Date on which a Base Rate Loan is converted to the LIBOR Loan and ending on the date one, two, three or six months (or, if commercially or otherwise available to each affected Lender, nine or twelve months) thereafter (or, if in accordance with Section 1.6(a), one (1) week thereafter), as selected by the Borrower Representative in its Notice of Borrowing or Notice of Conversion/Continuation; provided that:

(a) if any Interest Period pertaining to a LIBOR Loan would otherwise end on a day which is not a Business Day, that Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month, in which event such Interest Period shall end on the immediately preceding Business Day;

(b) any Interest Period pertaining to a LIBOR Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and

(c) no Interest Period for any Revolving Loan shall extend beyond the Revolving Termination Date.

"Internet Domain Name" means all right, title and interest (and all related IP Ancillary Rights) arising under any Requirement of Law in or relating to internet domain names.

"Interim Order" means, collectively, the order of the Bankruptcy Court entered in the Chapter 11 Cases after an interim hearing (assuming satisfaction of the standards prescribed in Section 364 of the Bankruptcy Code and Bankruptcy Rule 4001 and other applicable law), together with all extension, modifications, and amendments thereto, in form and substance satisfactory to Agent, which, among other matters but not by way of limitation, authorizes, on an interim basis, the Credit Parties to execute and perform under the terms of this Agreement and the other Loan Documents.

"Inventory" means all of the "inventory" (as such term is defined in the UCC or the PPSA) of the Credit Parties and their Subsidiaries, including, but not limited to, all merchandise, raw materials, parts, supplies, work in process and finished goods intended for sale, together with all the containers, packing, packaging, shipping and similar materials related thereto, and including such inventory as is temporarily out of a Credit Party or such Subsidiary's custody or possession, including inventory on the premises of others and items in transit.

"Investment Banker" means an investment banker reasonably acceptable to the Agent. For the avoidance of doubt, Jefferies LLC shall be a reasonably acceptable Investment Banker.

"Investments" shall have the meaning set forth in Section 5.4.

"IP Ancillary Rights" means, with respect to any Intellectual Property, as applicable, all foreign counterparts to, and, as applicable, all divisionals, reversions, continuations, continuations-in-part, reissues, reexaminations, renewals and extensions of, such Intellectual Property and all income, royalties, proceeds and Liabilities at any time due or payable or asserted under or with respect to any of the foregoing or otherwise with respect to such Intellectual Property, including all rights to sue or recover at law or in equity for any past, present or future infringement, misappropriation, dilution, violation or other impairment thereof.

"IP License" means all Contractual Obligations (and all related IP Ancillary Rights), whether written or oral, granting any right, title and interest in or relating to any Intellectual Property.

"IRS" means the Internal Revenue Service of the United States and any successor thereto.

"ISP" means, with respect to any Letter of Credit, the "International Standby Practices 1998" published by the Institute of International Banking Law & Practice, Inc. (or such later version thereof as may be in effect at the time of issuance).

"Issue" means, with respect to any Letter of Credit, to issue, extend the expiration date of, renew (including by failure to object to any automatic renewal on the last day such objection is permitted), increase the face amount of, or reduce or eliminate any scheduled decrease in the face amount of, such Letter of Credit, or to cause any Person to do any of the foregoing. The terms "Issued" and "Issuance" have correlative meanings.

"ITA" means the *Income Tax Act* (Canada).

"Joint Venture" means, any joint venture in which any Credit Party or any of its Subsidiaries hold equity interests that represent less than 100% of the ordinary voting power and aggregate equity value represented by the issued and outstanding equity interests in such joint venture.

"Judgment Conversion Date" shall have the meaning set forth in Section 10.5(a).

"Judgment Currency" shall have the meaning set forth in Section 10.5(a).

"LC Draw Event" means (a) the occurrence of November 30, 2016, (b) a sale of all or substantially all of the Collateral has been consummated and the initial payment of the purchase price relating to such sale, plus all amounts required to be paid on account of such sale prior to November 30, 2016 pursuant to the definitive documentation evidencing such sale, is not sufficient to repay in full in cash all of the Obligations and the Prior Lender Obligations, as determined by the Agent on the date of the initial payment, (c) any Event of Default has occurred and is continuing, or (d) an OMERS LC Event has occurred.

"LC Eligibility Period" means the period commencing on the First Amendment Effective Date and ending upon the exhaustion of the OMERS LC due to a draw or draws on the OMERS LC following an LC Draw Event.

"L/C Issuer" means any Lender or an Affiliate thereof or a bank or other legally authorized Person reasonably acceptable to Agent, in each case, in such Person's capacity as an issuer of Letters of Credit hereunder.

"L/C Reimbursement Agreement" shall have the meaning set forth in Section 1.1(c)(i)(C).

"L/C Reimbursement Date" shall have the meaning set forth in Section 1.1(c)(v).

"L/C Reimbursement Obligation" means, for any Letter of Credit, the obligation of the Borrowers to the L/C Issuer thereof or to Agent, as and when matured, to pay all amounts drawn under such Letter of Credit in the currency in which such Letter of Credit was issued.

"L/C Request" shall have the meaning set forth in Section 1.1(c)(ii).

"L/C Sublimit" has the meaning set forth in Section 1.1(c)(i)(A).

"Lead Arranger" means Antares.

"Lease Reserve Commencement Date" means the date that is fourteen (14) weeks prior to the Lease Rejection Date.

"Lease Rejection Date" means the last day of the 120-day lease rejection/assumption period, as such period may be extended or shortened by the Bankruptcy Court.

"Lease Reserve" means a reserve, in an amount established by Agent in its reasonable credit judgment, in respect of (i) Inventory held at any leased Store locations intended to be closed with respect to which the lease therefor is or is intended to be terminated by the applicable Credit Party (other than any location subject the Permitted Store Closing Sale unless such location is subject of a lease rejection motion or with respect to which notice has been given under the CCAA or there has been filed a motion with any Insolvency Court to compel the assumption or rejection of the lease), (ii) Inventory at leased Store locations located in the United States with respect to which the lease has not been assumed commencing on the Lease Reserve Commencement Date, or with respect to any specific location, the date that is fourteen (14) weeks prior to the expiration of such period of time as shall have been consented to for rejection/assumption of such lease by the landlord for such location and approved by the Bankruptcy Court, or (iii) Inventory held at leased Store locations with respect to which notice has been given under the CCAA or as to which there has been filed a motion with any Insolvency Court to compel the assumption or rejection of the lease, in each case in an amount determined by the Agent in its sole discretion.

"Lender" shall have the meaning set forth in the Preamble.

"Lending Office" means, with respect to any Lender, the office or offices of such Lender specified as its "Lending Office" beneath its name on the applicable signature page hereto, or such other office or offices of such Lender as it may from time to time notify the Borrower Representative and Agent.

"Letter of Credit" means the U.S. Dollar Equivalent of documentary or standby letters of credit issued for the account of the Borrowers by L/C Issuers, and bankers' acceptances issued by a Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

"Letter of Credit Fee" shall have the meaning set forth in Section 1.9(c).

"Letter of Credit Obligations" means all outstanding obligations incurred by Agent and Lenders at the request of the Borrowers or the Borrower Representative, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of Letters of Credit by L/C Issuers or the purchase of a participation as set forth in Section 1.1(c) with respect to any Letter of Credit. The amount of such Letter of Credit Obligations shall equal the maximum amount that may be payable by Agent and Lenders thereupon or pursuant thereto.

"Liabilities" means all claims, actions, suits, judgments, damages, losses, liability, obligations, legally binding responsibilities, fines, penalties, sanctions, costs, fees, taxes, commissions, charges, disbursements and expenses, in each case of any kind or nature (including interest accrued thereon or as a result thereto and fees, charges and disbursements of financial, legal and other advisors and consultants), whether joint or several, whether or not indirect, contingent, consequential, actual, punitive, treble or otherwise.

"LIBOR" means, for each Interest Period, the offered rate per annum for deposits of Dollars for the applicable Interest Period that appears on Reuters Screen LIBOR01 Page as of 11:00 A.M. (London, England time) two (2) Business Days prior to the first day in such Interest Period. If no such offered rate exists, such rate will be the rate of interest per annum, as reasonably determined by Agent (rounded upwards, if necessary, to the nearest 1/100 of 1%) at which deposits of Dollars in immediately available funds are offered at 11:00 A.M. (London, England time) two (2) Business Days prior to the first day in such Interest Period by major financial institutions reasonably satisfactory to Agent in the London interbank market for such Interest Period for the applicable principal amount on such date of determination. If the LIBOR is less than zero, such rate shall be deemed to be zero for purposes of this Agreement.

"LIBOR Loan" means a Loan that bears interest based on LIBOR.

"Lien" means, with respect to any asset, a mortgage, deed of trust, pledge, hypothecation, assignment (collateral or otherwise), charge or deposit arrangement, encumbrance, easement, lien (statutory or otherwise), security interest or other security arrangement and any other preference, priority or preferential arrangement of any kind or nature whatsoever (including those created by, arising under or evidenced by any conditional sale or other title retention agreement, the interest of a lessor under a Capital Lease, synthetic lease or any other financing lease having substantially the same economic effect as any of the foregoing, or the filing of any financing statement naming the owner of the asset to which such lien relates as debtor, under the UCC, the PPSA or any comparable law) and any other agreement to provide any of the foregoing, but not including the interest of a lessor under an operating lease or an agreement to sell.

"Lien Waiver" means an agreement, in form and substance reasonably satisfactory to Agent, by which (a) for any Collateral located on leased premises, the lessor waives or subordinates any Lien it may have on the Collateral, and agrees to permit Agent (or its designees) to enter upon the premises and remove the Collateral as permitted hereunder or to use the premises to store or dispose of the Collateral; (b) for any Collateral located on an owned premises subject to a mortgage or deed of trust (other than a mortgage or deed of trust in favor of Agent or the High Yield Trustee to the extent permitted by Section 5.1(i)), the mortgagee or beneficiary, as applicable, waives or subordinates any Lien it may have on the Collateral, and agrees to permit Agent (or its designees) to enter upon the premises and remove the Collateral as permitted hereunder or to use the premises to store or dispose of the Collateral; (c) for any Collateral held by a warehouseman, processor, shipper, customs broker or freight forwarder, such Person waives or subordinates any Lien it may have on the Collateral, agrees to hold any documents in its possession relating to the Collateral as agent for Agent, and agrees to deliver the Collateral to Agent upon request; and (d) for any Collateral held by a repairman, mechanic or bailee, such Person acknowledges Agent's Lien, waives or subordinates any Lien it may have on the Collateral, and agrees to deliver the Collateral Agent upon request.

"Loan" means an extension of credit by a Lender to any Borrower pursuant to Article I hereof, and may, in the case of Dollar denominated Loans be a Base Rate Loan or a LIBOR Loan and in the case of Canadian Dollar denominated Loans be a BA Rate Loan or Canadian Prime Rate Loan.

"Loan Account" shall have the meaning set forth in Section 1.4(a).

"Loan Documents" means this Agreement, the Notes, the Fee Letter, the Collateral Documents, the Approved Budget, the High Yield Intercreditor Agreement, each subordination agreement, each Borrowing Base Certificate, the OMERS LC and all documents delivered to Agent and/or any Lender in connection with any of the foregoing, including the Interim Order, the Final Order and the Initial Order.

"Margin Stock" means "margin stock" as such term is defined in Regulation T, U or X of the Federal Reserve Board.

"Material Adverse Effect" means, other than, in each case, the commencement of the Insolvency Cases or the events resulting in the commencement of the Insolvency Cases: (a) a material adverse effect on the business, assets, operations, financial condition or liabilities (contingent or otherwise) of the Credit Parties and their Subsidiaries taken as a whole; (b) a material impairment of the ability of the Credit Parties' ability, taken as a whole, to pay any of the Obligations in accordance with the terms of the Loan Documents or (c) a material adverse effect upon (i) the legality, validity, binding effect or enforceability of any Loan Document, (ii) the perfection or priority of any lien granted to Agent under the Loan Documents or (iii) the rights and remedies of Agent or any Lender under the Loan Documents. Notwithstanding the foregoing, in no event shall any Material Adverse Effect be deemed to exist as a result of the commencement of the Insolvency Cases to the extent that such events would reasonably be expected to result therefrom.

"Material Environmental Liabilities" means Environmental Liabilities exceeding $325,000 in the aggregate.

"Maximum Borrowing Availability" means, at any time, an amount equal to the lesser of (a) the Aggregate Revolving Loan Commitment then in effect, and (b) the U.S. Dollar Equivalent of the Revolving Credit Borrowing Base at such time.

"Maximum Lawful Rate" shall have the meaning set forth in Section 1.3(d).

"MNPI" shall have the meaning set forth in Section 8.10(a).

"Monitor" means FTI Consulting Canada Inc. in its capacity as court-appointed monitor in the CCAA Proceedings.

"Moody's" means Moody's Investors Service, Inc.

"Mortgage" means each deed of trust, leasehold deed of trust, mortgage, leasehold mortgage, deed to secure debt, leasehold deed to secure debt or other document creating a Lien on Real Estate or any interest in Real Estate executed by a Credit Party in favor of Agent after the Closing Date, in each case, in form and substance reasonably satisfactory to Agent.

"Multiemployer Plan" means any multiemployer plan, as defined in Section 4001(a)(3) of ERISA, as to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

"National Flood Insurance Program" means the program created by the U.S. Congress pursuant to the National Flood Insurance Act of 1968 and the Flood Disaster Protection Act of 1973, as revised by the National Flood Insurance Reform Act of 1994, that mandates the purchase of flood insurance to cover real property improvements located in Special Flood Hazard Areas in participating communities and provides protection to property owners through a Federal insurance program.

"Net Orderly Liquidation Value" means, with respect to any Inventory, the net appraised orderly liquidation value (expressed as a percentage) of such Inventory (net of liquidation expenses, costs of sale, operating expenses and retrieval and related costs), as determined from time to time by Agent in its reasonable credit judgment by reference to the most recent appraisal of the Inventory performed by an appraiser chosen by and reasonably satisfactory to Agent; provided, however, that following the commencement of the Permitted Store Closing Sales, the net appraised orderly liquidation value (expressed as a percentage) then in effect with respect to all Inventory (other than Inventory subject to Permitted Store Closing Sales) may initially be reduced by an amount not to exceed 0.80% and thereafter may be adjusted to reflect the effects of the Permitted Store Closing Sales by an amount determined by Agent in its reasonable credit judgment by reference to the most recent desktop appraisal of Inventory performed by an appraiser chosen by and reasonably satisfactory to Agent.

"Net Proceeds" means proceeds in cash, checks or other cash equivalent financial instruments (including Cash Equivalents) as and when received by the Person making a Disposition, as well as insurance proceeds and expropriation, condemnation and similar awards received on account of an Event of Loss, net of: (a) in the event of a Disposition (i) reasonable commissions and other transaction costs, fees and expenses directly attributable to such Disposition excluding amounts payable to a Borrower or any Affiliate of a Borrower, in each case, arising Post-Petition, (ii) sale, use or other transaction taxes arising Post-Petition and paid or payable as a result thereof, and (iii) amounts required to be applied to repay principal, interest and prepayment premiums and penalties on Indebtedness (other than the Obligations and the Prior Lender Obligations) secured by a Lien on the asset which is the subject of such Disposition senior to the Obligations and the Prior Lender Obligations, if applicable and (b) in the event of an Event of Loss, (i) all money actually applied to repair or reconstruct the damaged Property or Property affected by the condemnation, taking, damage or casualty to the extent such expenditure is permitted by the Approved Budget, (ii) all of the costs and expenses reasonably incurred in connection with the collection of such proceeds, award or other payments, in each case, arising Post-Petition, and (iii) any amounts retained by or paid to parties having rights secured by a Lien on the asset which is the subject of such Event of Loss senior to the Obligations and the Prior Lender Obligations, if applicable.

"Non-Funding Lender" means any Lender that has (a) failed to fund any payments required to be made by it under the Loan Documents within two (2) Business Days after any such payment is due (excluding expense and similar reimbursements that are subject to good faith disputes), (b) given written notice (and Agent has not received a revocation in writing), to any Borrower, Agent, any Lender, or the L/C Issuer or has otherwise publicly announced (and Agent has not received notice of a public retraction) that such Lender believes it will fail to fund payments or purchases of participations required to be funded by it under the Loan Documents or one or more other syndicated credit facilities, (c) failed to fund (and not cured such failure)

loans, participations, advances, or reimbursement obligations under one or more other syndicated credit facilities, unless subject to a good faith dispute, (d) any Revolving Lender that has (i) become subject to a voluntary or involuntary case under any Insolvency Laws, (ii) a custodian, conservator, receiver or similar official appointed for it or any substantial part of such Person's assets, or (iii) made a general assignment for the benefit of creditors, been liquidated, or otherwise been adjudicated as, or determined by any Governmental Authority having regulatory authority over such Person or its assets to be, insolvent or bankrupt, and for clause (d), and Agent has determined that such Lender is reasonably likely to fail to fund any payments required to be made by it under the Loan Documents or (e) become the subject of a Bail-In Action . For purposes of this definition, control of a Person shall have the same meaning as in the second sentence of the definition of Affiliate.

"Non-U.S. Lender Party" means each of Agent, each Lender, each L/C Issuer, each SPV and each participant, in each case that is not a United States person under and as defined in Section 7701(a)(30) of the Code.

"Note" means any Revolving Note or Swingline Note, and "Notes" means all such Notes.

"Notice of Borrowing" means a notice given by the Borrower Representative to Agent pursuant to Section 1.5, in substantially the form of Exhibit 10.1(c) hereto.

"Notice of Conversion/Continuation" means a notice given by the Borrower Representative to Agent pursuant to Section 1.6(a) in the form of Exhibit 1.6 hereto.

"Obligations" means all Loans, and other Indebtedness, advances, debts, liabilities, obligations, covenants and duties, including interest and fees accruing on any of the foregoing, during any Insolvency Proceeding with respect to one or more Credit Parties, regardless of whether such interest and fees are disallowed as a claim in that Insolvency Proceeding, in each case, owing by any Credit Party to any Lender, Agent, any L/C Issuer, or any other Person required to be indemnified, that arises under any Loan Document, any Secured Bank Product Agreement, whether or not for the payment of money, whether arising by reason of an extension of credit, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired.

"Obligation Currency" shall have the meaning set forth in Section 10.5(a).

"OCP Trust" means that certain trust created pursuant to declaration of trust, dated June 11, 2007, the trustee of which is OCP Holdings Corporation.

"OCPI Golf Holding Inc." means OCPI Golf Holding Inc., a corporation organized under the laws of Ontario.

"OFAC" shall have the meaning set forth in Section 2.1(o).

"OMERS" means OMERS Administration Corporation, a non-share capital corporation continued pursuant to the Ontario Municipal Employees Retirement System Act, 2006.

"OMERS Affiliate" means, with respect to OMERS, any Person (other than a natural Person) that (x) is controlled by OMERS or OCP Trust, and (y) does not constitute a portfolio company (or a holding company of a portfolio company) of any of the foregoing. For purposes of this definition "control" means the power to direct or cause the direction of management and policies of a Person, whether by contract or otherwise.

"OMERS LC" means that certain Irrevocable Standby Letter of Credit (No. [_____]),[10] provided by, and duly executed and delivered by, the OMERS LC Issuer in the face amount of $16,533,681.98, for the benefit of the Agent, dated as of [_____, 2016] and with an expiration date that is no earlier than November [__], 2017, and otherwise in form and substance and on terms satisfactory to the Agent (including a provision permitting the Agent to draw on such OMERS LC, in whole or in part, immediately upon the occurrence of an LC Draw Event), as the same may be further amended, restated, supplemented or otherwise modified with the prior written consent of the Agent or replaced or substituted, so long as such replacement or substitute letter of credit has terms substantially similar to the OMERS LC and is from an issuing bank reasonably satisfactory to the Agent.

"OMERS LC Event" means, at any time from and after the First Amendment Effective Date: (a) the OMERS LC Issuer fails to maintain a credit rating of at least "A-" by S&P or "A3" by Moody's; (b) the OMERS LC is disaffirmed, disclaimed, repudiated, rejected, cancelled or otherwise terminated, in whole or in part, or the validity of the OMERS LC is challenged in writing by the OMERS LC Issuer or any successor in interest, a Credit Party, SPV Holdco, Sponsor, a Sponsor Affiliate, the High Yield Trustee, any High Yield Purchaser or any other creditor of any Credit Party or SPV Holdco; (c) the OMERS LC Issuer fails to comply with or perform its obligations under the OMERS LC; (d) the OMERS LC fails or ceases to be in full force and effect; (e) the OMERS LC fails to remain legal, valid, binding and enforceable in accordance with its terms; (f) the OMERS LC fails to remain irrevocable; (g) the OMERS LC is amended or modified without the prior written consent of Agent; (h) the imposition of any Lien on the OMERS LC; or (i) the failure of the OMERS LC Issuer to renew the OMERS LC at least sixty (60) days prior to its expiry; provided, however, that solely to the extent Agent acknowledges in writing having received either (x) a replacement letter of credit from a bank and on terms satisfactory to Agent in all respects or (y) net cash proceeds in an aggregate amount of not less than the then current face amount of the OMERS LC for application to payment of the Obligations and the Prior Lender Obligations in accordance with the terms hereof, then any OMERS LC Event arising solely as a result of clauses (a), (c), (d), (e), (f), (g) or (i) hereof shall be deemed cured.

"OMERS LC Issuer" means the Royal Bank of Canada.

"Orders" means, as applicable and as the context may require, (a)(i) the Interim Order or the Final Order, whichever is then applicable, or (ii) the Initial Order, and (b) collectively, the Interim Order (or the Final Order, whichever is then applicable) and the Initial Order.

"Ordinary Course of Business" means, in respect of any transaction involving any Credit Party or any Subsidiary of any Credit Party, the ordinary course of such Person's business, as

[10] Note to Draft – New OMERS LC to be issued on account or expiration date.

conducted by any such Person in accordance with past practices and undertaken by such Person in good faith and not for the purposes of evading any covenant or restriction in any Loan Document.

"Organization Documents" means, (a) for any corporation, the certificate and articles of incorporation, amalgamation or continuation, as applicable, the bylaws, any certificate of determination or instrument relating to the rights of preferred shareholders of such corporation, any shareholder rights agreement, (b) for any partnership, the partnership agreement and, if applicable, certificate of limited partnership, (c) for any limited liability company, the operating agreement and articles or certificate of formation or (d) any other document setting forth the manner of election or duties of the officers, directors, managers or other similar persons, or the designation, amount or relative rights, limitations and preference of the Stock of a Person.

"Other Taxes" shall have the meaning set forth in Section 9.1(c).

"Outstanding Items" shall have the meaning set forth in Section 4.15.

"Overadvance" shall have the meaning set forth in Section 1.1(a)(ii).

"Participant Register" shall have the meaning set forth in Section 8.9(f).

"Patents" means all rights, title and interests (and all related IP Ancillary Rights) arising under any Requirement of Law in or relating to letters patent and applications therefor.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, P.L. 107-56, as amended.

"PBGC" means the United States Pension Benefit Guaranty Corporation any successor thereto.

"Period" shall mean a Prior Week, a Cumulative Four Week Period or a Cumulative Period, as applicable.

"Permits" means, with respect to any Person, any permit, approval, authorization, license, registration, certificate, concession, grant, franchise, variance or permission from, and any other Contractual Obligations with, any Governmental Authority, in each case whether or not having the force of law and applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"Permitted Liens" shall have the meaning set forth in Section 5.1.

"Permitted Store Closings Sales" means the closure of [20] Stores listed on Schedule 4.21(a) and any additional Stores approved in writing by the Agent in its reasonable discretion (subject to the performance of a desktop appraisal in form an substance acceptable to Agent) and the liquidation of assets related thereto by an Approved Liquidator pursuant to bidding procedures, an Approved Liquidation Agreement and all other relevant documents executed in connection therewith, each, as applicable, to be in form and substance reasonably satisfactory to Agent.

"Person" means an individual, partnership, corporation, limited liability company, business trust, public benefit corporation, joint stock company, estate, association, firm enterprise, trust, unincorporated association, joint venture, other entity or Governmental Authority.

"Petition Date" shall mean as to the U.S. Debtors, the Canadian Debtors and as the context may require, (a) September [__], 2016, the date of the commencement of the Chapter 11 Cases of the U.S. Debtors and (b) September [__], 2016, the date of the commencement of the CCAA Proceedings of the Canadian Debtors.

"Post-Petition" means the time period commencing immediately upon the filing of the applicable Insolvency Cases.

"PPSA" means the *Personal Property Security Act* (Ontario) and the Regulations thereunder, as from time to time in effect, provided, however, if attachment, perfection or priority of Agent's security interests in any Collateral are governed by the personal property security laws of any jurisdiction other than Ontario, PPSA shall mean those personal property security laws in such other jurisdiction for the purposes of the provisions hereof relating to such attachment, perfection or priority and for the definitions related to such provisions.

"Pre-Petition" means the time period ending immediately prior to the filing of the applicable Insolvency Cases.

"Pre-Petition Credit Agreement" shall have the meaning set forth in the Recitals to this Agreement.

"Pre-Petition Indebtedness" means all Indebtedness of any of the Credit Parties outstanding on the Petition Date immediately prior to the filing of the Insolvency Cases other than Indebtedness under the Pre-Petition Credit Agreement and the other Pre-Petition Loan Documents.

"Pre-Petition Indemnity Account" means an amount equal to $500,000 for the purpose of securing contingent indemnification obligations and other contingent claims arising under the Pre-Petition Credit Agreement, the other Pre-Petition Loan Documents or otherwise in respect of the Prior Lender Obligations in the event the Prior Agent and the Prior Lenders have not received releases and discharges of claims and liabilities, in form and substance reasonably satisfactory to the Prior Agent and the Prior Lenders, at the time of payment in full in cash of all Prior Lender Obligations other than contingent obligations relating thereto.

"Pre-Petition Loan Documents" shall mean the "Loan Documents" as such term is defined in the Pre-Petition Credit Agreement.

"Prior Agent" shall mean Antares, as the administrative agent under the Pre-Petition Credit Agreement.

"Prior Claims" means all Liens created by applicable law (in contrast with Liens voluntarily granted) which rank or are capable of ranking prior or pari passu with Agent's security interests (or interests similar thereto under applicable law) against all or part of the

Collateral, including for amounts owing for employee source deductions, goods and services taxes, sales taxes, harmonized sales taxes, municipal taxes, workers' compensation, Quebec corporate taxes, pension fund obligations, *Wage Earner Protection Program Act* obligations and overdue rents.

"Prior Lenders" means the lenders under the Pre-Petition Credit Agreement.

"Prior Lender Obligations" means all "Obligations" under, and as defined in, the Pre-Petition Credit Agreement of any Credit Party and any of their Subsidiaries to the Secured Parties (under, and as defined in, the Pre-Petition Loan Documents) pursuant to the Pre-Petition Credit Agreement, the other Pre-Petition Loan Documents and all instruments and documents executed pursuant thereto or in connection therewith. For purposes of calculating Revolving Exposure, Prior Lender Obligations shall not include letter of credit obligations under the Pre-Petition Credit Agreement for so long as such letter of credit obligations have been cash collateralized pursuant to Section 1.1(c)(ix).

"Prior Week" shall mean, as of any date of determination, the immediately preceding week ended on a Saturday and commencing on the prior Sunday.

"Property" means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

"Protective Advance" shall have the meaning set forth in Section 1.1(a)(iii).

"Qualified Liens" means those Liens expressly permitted by Sections 5.1(c), 5.1(d) (solely as such relate to (a) statutory landlord's liens on Inventory located on such leased premises of the Borrowers or (b) possessory liens of a carrier or warehouseman or similar possessory liens upon Inventory in the possession of such carrier or warehouseman securing only the freight charges or storage charges for the transportation or storage of such Inventory of the Borrowers) and 5.1(f).

"Quebec Collateral Documents" means the Debentures, Debenture Pledge Agreements and Deeds of Hypothec executed by each Credit Party which has its domicile (within the meaning of the Civil Code of Quebec) or chief executive office or any of its personal property located in the Province of Quebec.

"Real Estate" means any real property owned, leased, subleased or otherwise operated or occupied by any Credit Party or any Subsidiary of any Credit Party.

"Register" shall have the meaning set forth in Section 1.4(b).

"Related Persons" means, with respect to any Person, each Affiliate of such Person, each such Person's successors or assigns, and each director, member, manager, equity holder, officer, employee, agent, trustee, representative, attorney, accountant, collateral auditor, appraiser and each insurance, environmental, legal, financial and other advisor (including those retained in connection with the satisfaction or attempted satisfaction of any condition set forth in Article II) and other consultants and agents of or to such Person or any of its Affiliates.

"Releases" means any release, threatened release, spill, emission, leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material into or through the environment.

"Remedial Action" means all actions required to (a) clean up, remove, treat or in any other way address any Hazardous Material in the indoor or outdoor environment, (b) prevent or minimize any Release so that a Hazardous Material does not migrate or endanger or threaten to endanger public health or welfare or the indoor or outdoor environment or (c) perform pre remedial studies and investigations and post-remedial monitoring and care with respect to any Hazardous Material.

"Remedies Notice Period" shall have the meaning assigned to such term in the Interim Order or the Final Order, as applicable.

"Replacement Lender" shall have the meaning set forth in Section 8.22.

"Required Lenders" means at any time (a) if there are two (2) or fewer Revolving Lenders, all Revolving Lenders and (b) if there are three (3) or more Revolving Lenders, (x) at least two (2) Revolving Lenders then holding more than fifty percent (50%) of the Aggregate Revolving Loan Commitments of all Revolving Lenders, or (y) if the Aggregate Revolving Loan Commitments have terminated, at least two (2) Lenders then having more than fifty percent (50%) of the sum of the aggregate outstanding amount of Revolving Loans, outstanding Letter of Credit Obligations, amounts of participations in Swing Loans and the principal amount of unparticipated portions of Swing Loans. Additionally, solely for this definition, a Revolving Lender and its Affiliates shall collectively constitute (1) Revolving Lender.

"Required Supermajority Lenders" means at any time (a) if there are two (2) or fewer Revolving Lenders, all Revolving Lenders and (b) if there are three (3) or more Revolving Lenders, (x) at least two (2) Revolving Lenders then holding eighty percent (80%) or more of the Aggregate Revolving Loan Commitments of all Revolving Lenders, or (y) if the Aggregate Revolving Loan Commitments have terminated, at least two (2) Lenders then having eighty percent (80%) or more of the sum of the aggregate outstanding amount of Revolving Loans, outstanding Letter of Credit Obligations, amounts of participations in Swing Loans and the principal amount of unparticipated portions of Swing Loans. Additionally, solely for this definition, a Revolving Lender and its Affiliates shall collectively constitute (1) Revolving Lender.

"Requirement of Law" means, as to any Person, any law (statutory or common), ordinance, treaty, rule, regulation, judgments, writs, injunctions, decrees (including administration or judicial precedents or authorities) and the interpretation or administration thereof by, and other determinations, directives, requirements, requests order, policy, other legal requirement or determination of an arbitrator or of a Governmental Authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Reserves" means reserves (including reserves on account of Prior Claims) against the Revolving Credit Borrowing Base established by the Agent from time to time in accordance with

Section 1.13, including (a) reserves established by the Agent from time to time against Eligible Credit Card Accounts, Eligible Wholesale Accounts, Eligible Inventory, Eligible Domestic In Transit Inventory and Eligible Real Estate, (b) the Lease Reserves, (c) a reserve or reserves in the full amount of the U.S. Carve-Out, the Canadian Carve-Out, the D&O Charge and in the maximum amount of any other court-ordered charges or other liabilities that Agent determines in its reasonable judgment rank senior in priority or may rank senior in priority to the Lien securing the Obligations as established by the Agent on the Closing Date and thereafter modified, as and to the extent Agent determines to do so, (d) subject to the Agent's right to modify such Reserves in its reasonable credit judgment based on circumstances, conditions, events or contingencies arising after the Closing Date or that were unknown to the Agent prior to the Closing Date, Reserves associated with (x) gift cards shall be equal to 40% of Borrowers' book value thereof and (y) customer deposits shall be equal to 50% of Borrowers' book value thereof and (e) reserves established by Agent from time to time relating to Eligible Inventory subject to Permitted Store Closing Sales by reference to the most recent desktop appraisal of Inventory performed by an appraiser chosen by and reasonably satisfactory to Agent. Without limiting the generality of the foregoing, reserves established to ensure the payment of accrued interest expenses or Indebtedness shall be deemed to be a reasonable exercise of Agent's credit judgment.

"Responsible Officer" means the chief executive officer, president, chief financial officer, chief restructuring officer or treasurer of a Borrower or Borrower Representative, as applicable, or any other officer having substantially the same authority and responsibility; or, with respect to compliance with financial covenants or delivery of financial information, including any Borrowing Base Certificates, Compliance Certificates, Approved Budgets or Approved Budget Variance Reports, the chief financial officer or treasurer of a Borrower or Borrower Representative, as applicable, or any other officer having substantially the same authority and responsibility.

"Restricted Payments" shall have the meaning set forth in Section 5.11.

"Restructuring Advisor" means a financial advisor reasonably acceptable to the Agent. For the avoidance of doubt, Alvarez & Marsal Canada ULC and Alvarez & Marsal North America LLC shall be a reasonably acceptable Restructuring Advisor.

"Revolving Credit Borrowing Base" means, as of any date of determination by Agent, from time to time, an amount equal to the sum of the U.S. Dollar Equivalent of:

(a) 100% of the stated amount of the Eligible Letter of Credit; plus

(b) up to 95% of the book value of Eligible Credit Card Accounts at such time; plus

(c) up to 95% of the book value of Eligible Wholesale Accounts at such time; plus

(d) up to 95% of the Net Orderly Liquidation Value of the cost of Eligible Inventory on a first-in, first-out basis; plus

(e) up to 60% of the fair market value (as shown on the Approved Real Estate Appraisal) of Eligible Real Estate; minus

(f) Reserves established by Agent at such time in its reasonable credit judgment; minus

(g) the Availability Block;

provided that notwithstanding the foregoing, the amount calculated pursuant to clause (e) shall not exceed 30% of the Revolving Credit Borrowing Base at any time.

"Revolving Exposure" means, with respect to any Lender at any time, the sum of (a) the U.S. Dollar Equivalent of the outstanding principal amount of such Lender's Revolving Loans plus (b) the U.S. Dollar Equivalent of the aggregate outstanding Letter of Credit Obligations of such Lender plus (c) the U.S. Dollar Equivalent of an amount equal to its Revolving Loan Commitment Percentage of the aggregate principal amount of Overadvances, Protective Advances and Swing Loans outstanding at such time plus (d) the U.S. Dollar Equivalent of the aggregate amount of such Lender's Prior Lender Obligations outstanding at such time.

"Revolving Lender" means each Lender with a Revolving Loan Commitment (or if the Revolving Loan Commitments have terminated, who hold Revolving Loans or participations in Swing Loans).

"Revolving Loan" shall have the meaning set forth in Section 1.1(a)(i).

"Revolving Loan Commitment" has the meaning set forth in Section 1.1(a)(i).

"Revolving Loan Commitment Percentage" means, as to any Revolving Lender, the percentage equivalent of such Lender's Revolving Loan Commitment, divided by such Lender's Aggregate Revolving Loan Commitment; provided that following any acceleration of the Loans, such term means, as to any Lender, the percentage equivalent of the principal amount of the Loans held by such Lender, divided by the aggregate principal amount of the Loans held by all Lenders.

"Revolving Note" means a promissory note of the Borrowers payable to a Lender in substantially the form of Exhibit 10.1(d) hereto, evidencing Indebtedness of the Borrowers under the Revolving Loan Commitment of such Lender.

"Revolving Termination Date" means the earliest to occur of: (a) March [__], 2017, and (b) the date on which the Aggregate Revolving Loan Commitment shall terminate in accordance with the provisions of this Agreement.

"Sale" shall have the meaning set forth in Section 8.9(b).

"Sale Transaction" means any or all of the GC Sale or the Store Liquidation; provided that any such Sale Transaction shall be conducted pursuant to bidding procedures, sales procedures, approval orders, purchase agreements, agency documents or other agreements, as applicable, in form and substance and on terms reasonably satisfactory to the Agent.

"SDN List" shall have the meaning set forth in Section 3.24.

"Secured Bank Product Agreement" means any Bank Product Agreement between a Borrower and the counterparty thereto, which (a) has been provided or arranged by Antares Finance or an Affiliate of Antares Finance, or (b) Agent has acknowledged in writing constitutes a "Secured Bank Product Agreement" hereunder.

"Secured Bank Product Provider" means (a) a Lender or an Affiliate of a Lender (or a Person who was a Lender or an Affiliate of a Lender at the time of execution and delivery of a Bank Product Agreement) who has entered into a Secured Bank Product Agreement with a Borrower, or (b) a Person with whom Borrower has entered into a Secured Bank Product Agreement provided or arranged by Antares Finance or an Affiliate of Antares Finance, and any assignee thereof.

"Secured Party" means Agent, each Lender, each L/C Issuer, each other Indemnitee and each other holder of any Obligation of a Credit Party including each Secured Bank Product Provider.

"Settlement Date" shall have the meaning set forth in Section 1.11(b).

"Special Flood Hazard Area" means an area designated as such by FEMA in accordance with the National Flood Insurance Program.

"Specified Leased Location" means a leased location of any Credit Party located in Delaware, the District of Columbia, Iowa, Pennsylvania, Washington, West Virginia, Virginia or Canada (including any province thereof).

"Sponsor" means OMERS Private Equity Inc.

"Sponsor Affiliate" means, with respect to the Sponsor, any Person (other than a natural Person) that (a) controls the Sponsor, is controlled by, or is under common control with, the Sponsor, and (b) does not constitute a portfolio company (or a holding company of a portfolio company) of any of the foregoing. For purposes of this definition "control" means the power to direct or cause the direction of management and policies of a Person, whether by contract or otherwise.

"Sponsor Subordinated Debt" means (i) the Holdco Debt and (ii) any other loans owing by a Credit Party or a Subsidiary of a Credit Party to OMERS or any OMERS Affiliate (other than a Credit Party or any Subsidiary of any Credit Party), provided that such loans:

(a) do not mature or require any amortization or other payment of principal prior to the date that is six (6) months following the Revolving Termination Date;

(b) do not (including upon the happening of any event) require the payment of interest prior to the date that is six (6) months following the Revolving Termination Date;

(c) do not (including upon the happening of any event) provide for the acceleration of their maturity, and do not permit their holders (including upon the happening of any event) to declare a default or event of default or take any enforcement action, prior to the date that is six (6) months following the Revolving Termination Date;

(d) are not secured by a Lien on any assets of any Credit Party or any Subsidiary of a Credit Party and are not guaranteed by any Credit Party or any Subsidiary of a Credit Party;

(e) subordinated in right of payment to the Obligations pursuant to a subordination agreement in favor of Agent on terms substantially similar to the Holdco Subordination Agreement;

(f) do not (including upon the happening of any event) restrict the payment of amounts due in respect of the Obligations or compliance by any Credit Party with its obligations under the Loan Documents; and

(g) are not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holders thereof, in whole or in part, prior to the date that is six (6) months following the Revolving Termination Date.

"Spot Rate" means, with respect to a currency, the rate quoted by any financial institution designated by Agent from time to time as the spot rate for the purchase by such financial institution of such currency with another currency through its principal foreign exchange trading office at approximately 11:00 a.m. on the date two (2) Business Days prior to the date as of which the foreign exchange computation is made.

"SPV" means any special purpose funding vehicle identified as such in a writing by any Lender to Agent.

"SPV Holdco" means OCPI GT SPV Limited, a corporation formed under the laws of the Province of Ontario.

"Stay of Proceedings" means the stay of proceedings against the Canadian Debtors and their property and assets and the stay of the exercise of rights and remedies against the Canadian Debtors and their property and assets contained in the Initial Order, as it may be extended or amended by any other CCAA Order.

"Stock" means all shares of capital stock (whether denominated as common stock or preferred stock), equity interests, beneficial, partnership or membership interests, joint venture interests, participations or other ownership or profit interests in or equivalents (regardless of how designated) of or in a Person (other than an individual), whether voting or non-voting.

"Stock Equivalents" means all securities convertible into or exchangeable for Stock or any other Stock Equivalent and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any Stock or any other Stock Equivalent, whether or not presently convertible, exchangeable or exercisable.

"Store" means any retail store operated by the Credit Parties or any of their Subsidiaries.

"Store Lease" means each lease identified by its address under the subheading "Store Leases" on Schedule 4.18 (as any such lease may be hereinafter amended, modified, restated, extended, supplemented, renewed or consolidated in accordance with the terms hereof), and all other leases which may now or hereinafter be entered into by a Credit Party as lessee, as any such lease may be hereinafter amended, modified, restated, extended, supplemented, renewed or consolidated in accordance with the terms hereof.

"Store Liquidation" means a liquidation on an equity basis, in one or a series of related transactions, of substantially the entire chain of Stores of each of the Debtors and all of the assets relating thereto (whether under Section 363 of the Bankruptcy Code with respect to the Stores of the U.S. Debtors or under Section 36 of the CCAA with respect to the Stores of the Canadian Debtors) for an amount sufficient to repay in full in cash the Obligations and the Prior Lender Obligations. The Store Liquidation shall be conducted pursuant to bidding procedures, sales procedures, approval orders, purchase agreements, agency documents or other agreements, as applicable, in form and substance and on terms reasonably satisfactory to Agent.

"Subordinated Indebtedness" means loans of any Credit Party or any Subsidiary of any Credit Party owing to any Person other than any Affiliate of any Credit Party; provided that the terms of such loans:

(a) do not mature or require any amortization or other payment of principal prior to the date that is six (6) months following the Revolving Termination Date;

(b) relating to the payment of interest (i) only require the payment of interest in kind or (ii) are on terms reasonably satisfactory to Agent;

(c) do not permit their holders to take any enforcement action, prior to the date that is six (6) months following the Revolving Termination Date;

(d) are not secured by a Lien on any assets of any Credit Party or any Subsidiary of any Credit Party and are not guaranteed by any Credit Party or any Subsidiary of a Credit Party;

(e) subordinated in right of payment to the Obligations pursuant to a subordination agreement in favor of Agent on terms substantially similar to such subordination as provided in the Holdco Subordination Agreement or on other subordination terms satisfactory to Agent;

(f) do not (including upon the happening of any event) restrict the payment of amounts due in respect of the Obligations or compliance by any Credit Party with its obligations under the Loan Documents; and

(g) are not (including upon the happening of any event) mandatorily convertible or exchangeable, or convertible or exchangeable at the option of the holders thereof, in whole or in part, prior to the date that is six (6) months following the Revolving Termination Date.

"Subsidiary" of a Person means any corporation, association, limited liability company, partnership, joint venture or other business entity of which more than fifty percent (50%) of the voting Stock, is owned or controlled directly or indirectly by the Person, or one or more of the Subsidiaries of the Person, or a combination thereof.

"Successor Case" means, (i) with respect to the Chapter 11 Cases, any subsequent proceedings under the Bankruptcy Code, including any proceedings under Chapter 7 of the Bankruptcy Code, and (ii) with respect to the CCAA Proceedings, any subsequent bankruptcy proceeding under the BIA or any receivership or other Canadian Insolvency Proceeding.

"Swingline Commitment" means $10,000,000.

"Swingline Lender" means, each in its capacity as Swingline Lender hereunder, Antares Finance or, upon the resignation of Antares as Agent hereunder, any Lender (or Affiliate or Approved Fund of any Lender) that agrees, with the approval of Agent (or, if there is no such successor Agent, the Required Lenders) and the Borrowers, to act as the Swingline Lender hereunder.

"Swingline Note" means a promissory note of the Borrower payable to the Swingline Lender, in substantially the form of Exhibit 10.1(e) hereto, evidencing the Indebtedness of the Borrower to Swingline Lender resulting from the Swing Loans made to the Borrowers by Swingline Lender.

"Swingline Request" has the meaning specified in Section 1.1(d)(ii).

"Swing Loan" has the meaning specified in Section 1.1(d)(i).

"S&P" means Standard & Poor's Rating Services.

"Tax Affiliate" means, (i) each Holding Company and each Borrower and (ii) any Affiliate of a Borrower with which such Borrower files or is eligible to file consolidated, combined or unitary tax returns.

"Tax Payment" shall have the meaning set forth in Section 5.11(d).

"Tax Returns" shall have the meaning set forth in Section 3.10.

"Taxes" shall have the meaning set forth in Section 9.1(a).

"Terrorist Lists" shall have the meaning set forth in Section 3.24.

"Title IV Plan" means a pension plan subject to Title IV of ERISA, other than a Multiemployer Plan, to which any ERISA Affiliate incurs or otherwise has any obligation or liability, contingent or otherwise.

"Trade Secrets" means all right, title and interest (and all related IP Ancillary Rights) arising under any Requirement of Law in or relating to trade secrets.

"Trademark" means all rights, title and interests (and all related IP Ancillary Rights) arising under any Requirement of Law in trademarks, trade names, corporate names, company names, business names, fictitious business names, trade styles, service marks, logos and other source or business identifiers and, in each case, all goodwill associated therewith, all registrations thereof and all applications in connection therewith.

"UCP" means, with respect to any Letter of Credit, the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce ("ICC") Publication No. 600 (or such later version thereof as may be in effect at the time of issuance).

"U.S. Carve-Out" has the meaning assigned to the term "Carve-Out" in the Interim Order (or the Final Order, when applicable). The U.S. Carve-Out shall at all times be calculated without duplication of the Canadian Carve-Out.

"U.S. Debtor" and "U.S. Debtors" shall have the meaning set forth in the Recitals to this Agreement.

"U.S. Dollar Equivalent" means, at any time, (a) with respect to any amount denominated in Dollars, such amount, and (b) with respect to any amount denominated in any other currency, the equivalent amount thereof in Dollars as determined by Agent in accordance with Section 10.4.

["U.S. GC Sale" shall have the meaning set forth in Schedule 4.21.]

"U.S. L/C Sublimit" has the meaning set forth in Section 1.1(c)(i)(A).

["U.S. Store Liquidation" shall have the meaning set forth in Schedule 4.21.]

"U.S. Swingline Sublimit" has the meaning set forth in Section 1.1(d)(i).

"UCC" means the Uniform Commercial Code as in effect from time to time in the State of New York.

"United States" and "U.S." each means the United States of America.

"Unused Commitment Fee" shall have the meaning set forth in Section 1.9(b).

"U.S. Lender Party" means each of Agent, each Lender, each L/C Issuer, each SPV and each participant, in each case that is a United States person under and as defined in Section 7701(a)(30) of the Code.

"Wholly-Owned Subsidiary" means any Subsidiary in which (other than directors' qualifying shares required by law) one hundred percent (100%) of the Stock and Stock Equivalents, at the time as of which any determination is being made, is owned, beneficially and of record, by any Credit Party, or by one or more of the other Wholly-Owned Subsidiaries, or both.

"Withdrawal Liabilities" means, at any time, any liability incurred (whether or not assessed) by any ERISA Affiliate and not yet satisfied or paid in full at such time with respect to any Multiemployer Plan pursuant to Section 4201 of ERISA.

"Write-Down and Conversion Powers" means, with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule.

10.2 Other Interpretive Provisions.

(a) Defined Terms. Unless otherwise specified herein or therein, all terms defined in this Agreement or in any other Loan Document shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto. The meanings of defined terms shall be equally applicable to the singular and plural forms of the defined terms. Terms (including uncapitalized terms) not otherwise defined herein and that are defined in the UCC or the PPSA, as applicable, shall have the meanings therein described.

(b) The Agreement. The words "hereof," "herein," "hereunder" and words of similar import when used in this Agreement or any other Loan Document shall refer to this Agreement or such other Loan Document as a whole and not to any particular provision of this Agreement or such other Loan Document; and subsection, section, schedule and exhibit references are to this Agreement or such other Loan Documents unless otherwise specified.

(c) Certain Common Terms. The term "documents" includes any and all instruments, documents, agreements, certificates, indentures, notices and other writings, however evidenced. The term "including" is not limiting and means "including without limitation."

(d) Performance; Time. Whenever any performance obligation hereunder or under any other Loan Document (other than a payment obligation) shall be stated to be due or required to be satisfied on a day other than a Business Day, such performance shall be made or satisfied on the next succeeding Business Day. In the computation of periods of time from a specified date to a later specified date, the word "from" means "from and including"; the words "to" and "until" each mean "to but excluding," and the word "through" means "to and including." If any provision of this Agreement or any other Loan Document refers to any action taken or to be taken by any Person, or which such Person is prohibited from taking, such provision shall be interpreted to encompass any and all means, direct or indirect, of taking, or not taking, such action. Unless otherwise specified herein, all references to the time of day shall be a reference to Central time (daylight or standard, as applicable).

(e) Contracts. Unless otherwise expressly provided herein or in any other Loan Document, references to agreements and other contractual instruments, including this Agreement and the other Loan Documents, shall be deemed to include all subsequent amendments, thereto, restatements and substitutions thereof and other modifications and supplements thereto which are in effect from time to time, but only to the extent such amendments and other modifications are not prohibited by the terms of any Loan Document.

(f) Laws. References to any statute or regulation may be made using either the common or public thereof or a specific cite reference and are to be construed as including all statutory and regulatory provisions related thereto or consolidating, amending, replacing, supplementing or interpreting the statute or regulation.

(g) Certificates. It is understood that any Borrowing Base Certificate is intended for demonstration purposes only and the definition of Maximum Borrowing Availability, Revolving Credit Borrowing Base and any related definitions, as applicable, shall control in the event of any inconsistency between the calculation contemplated by the Borrowing Base Certificate and the calculation contemplated by this Agreement.

10.3 Accounting Terms and Principles. All accounting determinations required to be made pursuant hereto shall, unless expressly otherwise provided herein, be made in accordance with GAAP. No change in the accounting principles used in the preparation of any financial statement hereafter adopted by any Credit Party shall be given effect for purposes of measuring compliance with any provision herein or demonstration of any financial ratio hereunder unless the Borrowers, Agent and the Required Lenders agree to negotiate in good faith to, and actually, modify such provisions to preserve the original intent thereof in light of such changes in GAAP and, unless such provisions are modified, all financial statements, Compliance Certificates and similar documents provided hereunder shall be provided together with a reconciliation between the calculations and amounts set forth therein before and after giving effect to such change in GAAP. Notwithstanding any other provision contained herein (i) all terms of an accounting or financial nature used herein shall be construed, and all computations of amounts and ratios referred to herein shall be made without giving effect to any election under Accounting Standards Codification 825-10 (or any other Financial Accounting Standard having a similar result or effect) to value any Indebtedness or other liabilities of any Credit Party or any Subsidiary of any Credit Party at "fair value" and (ii) with respect to any treatment of leases as operating leases or Capital Leases for the purposes of Article V hereof, GAAP shall be determined on the basis of such principles in effect on December 31, 2015 and consistent with those used in the preparation of the audited financial statements described in Section 3.11(a). Upon the adoption by any Credit Party of International Financial Reporting Standards, or in the event of a change in GAAP, Borrower Representative and Agent shall negotiate in good faith to revise (if appropriate) such ratios to give effect to the intention of the parties under this Agreement as at the Closing Date, and any new financial ratio shall be subject to approval by the Required Lenders. Until the successful conclusion of any such negotiation and approval by the Required Lenders, all calculations made for the purpose of determining compliance with the financial ratios contained herein shall be made on a basis consistent with GAAP in existence as at the Closing Date.

10.4 Payments; Currency Equivalents.

(a) Agent may set up standards and procedures to determine or redetermine at any time and from time to time, (i) the equivalent in Dollars of any amount expressed in any currency other than Dollars, including Canadian Dollars and (ii) the equivalent in any currency (including Canadian Dollars) of any amount expressed in Dollars, and otherwise may, but shall not be obligated to, rely on any determination made by any Credit Party or any L/C Issuer; provided that for the purposes of calculating the Revolving Credit Borrowing Base, Loans or

Letters of Credit (and any component definition of any of the foregoing), Agent shall determine the applicable currency equivalent no more frequently than once per month. No determination or redetermination by any Secured Party or any Credit Party and no other currency conversion shall change or release any obligation of any Credit Party or of any Secured Party (other than Agent and its Related Persons) under any Loan Document, each of which agrees to pay separately for any shortfall remaining after any conversion and payment of the amount as converted. Agent may round up or down, and may set up appropriate mechanisms to round up or down, any amount hereunder to nearest higher or lower amounts and may determine reasonable de minimis payment thresholds.

(b) Wherever in this Agreement in connection with a Borrowing, conversion, continuation or prepayment of a LIBOR Loan or the issuance, amendment or extension of a Letter of Credit, an amount, such as a required minimum or multiple amount, is expressed in Dollars, but such Borrowing, LIBOR Loan or Letter of Credit is denominated in Canadian Dollars, such amount shall be the relevant Canadian Dollar Equivalent of such Dollar amount as determined by Agent or the L/C Issuer, as the case may be, in accordance with the foregoing. Any such determination or redetermination by Agent shall be conclusive and binding for all purposes, absent manifest error.

10.5 Judgment Currency.

(a) If, for the purpose of obtaining or enforcing judgment against any Credit Party in any court in any jurisdiction, it becomes necessary to convert into any other currency (such other currency being hereinafter in this Section 10.5 referred to as the "Judgment Currency") an amount due under any Loan Document in any currency (the "Obligation Currency") other than the Judgment Currency, the conversion shall be made at the rate of exchange prevailing on the Business Day immediately preceding the date of actual payment of the amount due, in the case of any proceeding in the courts of the Province of Ontario or in the courts of any other jurisdiction that will give effect to such conversion being made on such date, or the date on which the judgment is given, in the case of any proceeding in the courts of any other jurisdiction (the applicable date as of which such conversion is made pursuant to this Section 10.5 being hereinafter in this Section 10.5 referred to as the "Judgment Conversion Date").

(b) If, in the case of any proceeding in the court of any jurisdiction referred to in Section 10.5(a), there is a change in the rate of exchange prevailing between the Judgment Conversion Date and the date of actual receipt for value of the amount due, the applicable Credit Party or Credit Parties shall pay such additional amount (if any, but in any event not a lesser amount) as may be necessary to ensure that the amount actually received in the Judgment Currency, when converted at the rate of exchange prevailing on the date of payment, will produce the amount of the Obligation Currency which could have been purchased with the amount of the Judgment Currency stipulated in the judgment or judicial order at the rate of exchange prevailing on the Judgment Conversion Date. Any amount due from any Credit Party under this Section 10.5(b) shall be due as a separate debt and shall not be affected by judgment being obtained for any other amounts due under or in respect of any of the Loan Documents.

(c) The term "rate of exchange" in this Section 10.5 means the rate of exchange at which Agent, on the relevant date at or about 12:00 noon (Toronto time), would be prepared to sell, in accordance with Agent's normal course foreign currency exchange practices, the Obligation Currency against the Judgment Currency.

10.6 Québec Matters. For purposes of any assets, liabilities or entities located in the Province of Québec and for all other purposes pursuant to which the interpretation or construction of this Agreement may be subject to the laws of the Province of Québec or a court or tribunal exercising jurisdiction in the Province of Québec, (a) "personal property" shall include "movable property", (b) "real property" or "real estate" shall include "immovable property", (c) "tangible property" shall include "corporeal property", (d) "intangible property" shall include "incorporeal property", (e) "security interest", "mortgage" and "lien" shall include a "hypothec", "right of retention", "prior claim" and a resolutory clause, (f) all references to filing, perfection, priority, remedies, registering or recording under the Uniform Commercial Code or a Personal Property Security Act shall include publication under the Civil Code of Québec, (g) all references to "perfection" of or "perfected" liens or security interest shall include a reference to an "opposable" or "set up" lien or security interest as against third parties, (h) any "right of offset", "right of setoff" or similar expression shall include a "right of compensation", (i) "goods" shall include "corporeal movable property" other than chattel paper, documents of title, instruments, money and securities, (j) an "agent" shall include a "mandatary", (k) "construction liens" shall include "legal hypothecs"; (l) "joint and several" shall include "solidary"; (m) "gross negligence or willful misconduct" shall be deemed to be "intentional or gross fault"; (n) "beneficial ownership" shall include "ownership on behalf of another as mandatary"; (o) "easement" shall include "servitude"; (p) "priority" shall include "prior claim"; (q) "survey" shall include "certificate of location and plan"; (r) "state" shall include "province"; (s) "fee simple title" shall include "absolute ownership"; and (t) "accounts" shall include "claims".

10.7 English Language. The parties hereto confirm that it is their wish that this Agreement and any other document executed in connection with the transactions contemplated herein be drawn up in the English language only and that all other documents contemplated thereunder or relating thereto, including notices, may also be drawn up in the English language only. Les parties aux présentes confirment que c'est leur volonté que cette convention et les autres documents de crédit y affereuts soient rédigés en anglais seulement et que tous les documents, y compris tous avis, envisagés par cette convention soient rédigés en anglais seulement.

- Remainder of page intentionally left blank; signature page follows -

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their duly authorized officers as of the day and year first above written.

BORROWERS:

GOLF TOWN CANADA INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

GOLF TOWN GP II INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

GOLF TOWN OPERATING LIMITED PARTNERSHIP

By: GOLF TOWN GP II INC., as its General Partner

By:_____
Name:
Title:

By:_____
Name:
Title:

BORROWERS (Cont'd):

GOLF TOWN USA, L.L.C.

By:_____
Name:
Title:

GOLFSMITH INTERNATIONAL HOLDINGS, INC.

By:_____
Name:
Title:

GOLFSMITH EUROPE, L.L.C.

By:_____
Name:
Title:

GOLFSMITH LICENSING, L.L.C.

By:_____
Name:
Title:

GOLFSMITH INCENTIVE SERVICES, LLC

By:_____
Name:
Title:

BORROWERS (Cont'd):

GOLFSMITH 2 GP, L.L.C.

By:_____
Name:
Title:

GOLFSMITH INTERNATIONAL, INC.

By:_____
Name:
Title:

GOLFSMITH INTERNATIONAL, L.P.

By: GOLFSMITH 2 GP, L.L.C., as its General Partner

By:_____
Name:
Title:

GOLFSMITH NU, L.L.C.

By:_____
Name:
Title:

GOLFSMITH USA, L.L.C.

By:_____
Name:
Title:

BORROWERS (Cont'd):

GOLF TOWN USA HOLDCO LIMITED

By:_____
Name:
Title:

By:_____
Name:
Title:

CREDIT PARTIES:

GOLF TOWN CANADA HOLDINGS INC.

By:_____
Name:
Title:

By:_____
Name:
Title:

CREDIT PARTIES (Cont'd):

GOLF TOWN USA HOLDINGS INC.

By:_____
Name:
Title:

CREDIT PARTIES (Cont'd):

GMAC HOLDINGS, LLC

By:_____
Name:
Title:

AGENT:

ANTARES CAPITAL LP, as Agent

By: _____
Name:
Title: Its Duly Authorized Signatory

Address for Payments (Dollars):

No.: 021-001-033
Account Number: 50293315
Deutsche Bank
60 Wall Street
New York, New York 10005
Account Name: Antares Capital LP – Loan Admin
Reference: ATC0673/Golfsmith

Address for Payments (Canadian Dollars):

Transit No.: 0002
Bank No.: 0003
SWIFT: ROYCCAT2
Account Number: 00002-1340173
Royal Bank of Canada (Toronto)
200 Bay Street, Main Floor
Toronto, ON, M5J 2K5
Account Name: Antares Capital LP CAD
Reference: ATC0672/Golf Town

LENDERS:

ANTARES HOLDINGS LP,
as a Lender and Swingline Lender

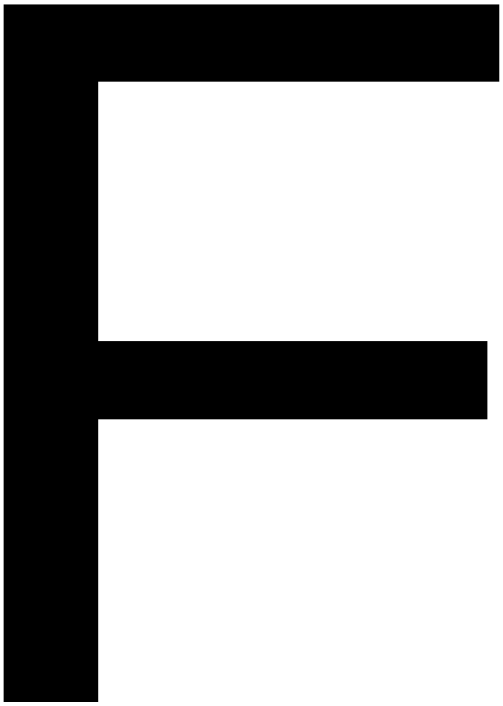
By: _____
Name:
Title: Its Duly Authorized Signatory

LENDERS (Cont'd):

[_____],
as a Lender

By:_____
Name:
Title:

By:_____
Name:
Title:



THIS IS EXHIBIT "F"

TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L. Murgia, Notary Public

Commissioner for Taking Affidavits

CONFIDENTIAL

THIS IS EXHIBIT "G"

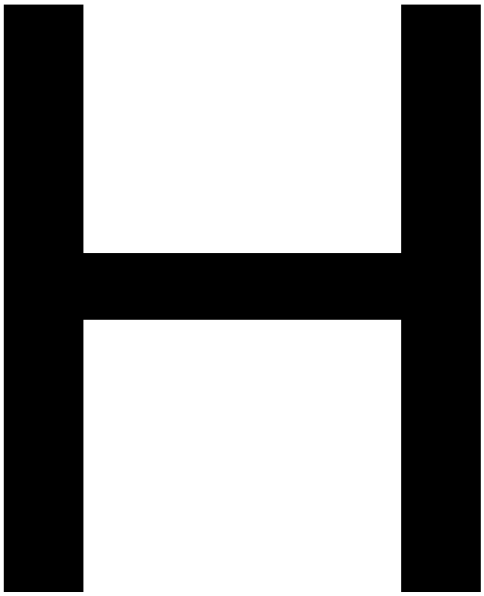
TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L. Murgia, Notary Public

Commissioner for Taking Affidavits

CONFIDENTIAL



THIS IS EXHIBIT "H"

TO THE AFFIDAVIT OF DAVID ROUSSY

SWORN BEFORE ME ON THE 13th DAY OF SEPTEMBER, 2016.

Martha L. Murgia Notary Public

Commissioner for Taking Affidavits

MARTHA L. MURGIA
MY COMMISSION EXPIRES
June 15, 2018

CONFIDENTIAL

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

Court File No: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

AFFIDAVIT OF DAVID ROUSSY
(Sworn September 13, 2016)

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Robert J. Chadwick LSUC#: 35165K
rchadwick@goodmans.ca

Melaney Wagner LSUC#: 44063B
mwagner@goodmans.ca

Bradley Wiffen LSUC#: 64279L
bwiffen@goodmans.ca

Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for the Applicants

5

Court File No. _____

ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

MONITOR'S CONSENT

FTI Consulting Canada Inc. hereby consents to act as Court-appointed monitor of Golf Town Canada Holdings Inc., Golf Town Canada Inc., Golf Town GP II Inc., Golfsmith International Holdings LP and Golf Town Operating Limited Partnership in respect of these proceedings.

Dated as of September 14, 2016

FTI Consulting Canada Inc.

Per: _____

Name: Paul Bishop
Title: Senior Managing Director

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

Court File No: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

MONITOR'S CONSENT

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333 Bay Street, Suite 3400
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rchadwick@goodmans.ca

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Lawyers for the Applicants

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

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF GOLF TOWN CANADA HOLDINGS INC., GOLF TOWN CANADA INC. AND GOLF TOWN GP II INC.

Applicants

Court File No: CV-16-11527-00CL

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)
Proceeding commenced at Toronto

APPLICATION RECORD
(Returnable September 14, 2016)

GOODMANS LLP
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333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

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Lawyers for the Applicants