

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

**GOLF TOWN CANADA HOLDINGS INC.,
GOLF TOWN CANADA INC., and
GOLF TOWN GP II INC.**

FOURTH REPORT OF THE MONITOR

November 16, 2016

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**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.

**FOURTH REPORT TO THE COURT
SUBMITTED BY FTI CONSULTING CANADA INC.
IN ITS CAPACITY AS MONITOR**

INTRODUCTION

1. On September 14, 2016 (the “**Filing Date**”), Golf Town Canada Holdings Inc., Golf Town Canada Inc. (“**GT Canada**”) and Golf Town GP II Inc. (collectively, the “**Applicants**”) made an application under the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), and an initial order (the “**Initial Order**”) was made by the Honourable Mr. Justice Newbould of the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) granting, among other things, a stay of proceedings against the Applicants until October 14, 2016 (the “**Stay of Proceedings**”) and appointing FTI Consulting Canada Inc. as monitor (the “**Monitor**”). The benefits of the protections and authorizations provided by the Initial Order were also extended 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**”). The proceedings commenced by the Applicants under the CCAA are referred to herein as the “**CCAA Proceedings**”.
2. On September 30, 2016, the Court granted an Approval and Vesting Order (the “**Approval and Vesting Order**”) approving the sale of the Golf Town Entities’ business (the “**Golf Town Transaction**”) pursuant to the terms of a Purchase Agreement dated September 14,

2016 (the “**Purchase Agreement**”) among GT Canada and Golf Town LP, as sellers (collectively, the “**Vendors**”), and Golf Town Limited (formerly 9918167 Canada Inc.) (the “**Purchaser**”), an entity owned by Fairfax Financial Holdings Limited (“**Fairfax**”) and certain investment funds managed by CI Investments Inc. (“**CI**”), as purchaser.

3. Also on September 30, 2016, the Court extended the Stay of Proceedings against the Applicants until January 31, 2017.
4. The purpose of this, the Monitor’s Fourth Report (the “**Fourth Report**”), is to provide the Court with information regarding:
 - (a) the closing of the Golf Town Transaction;
 - (b) the Golf Town Entities’ and the Monitor’s recent activities;
 - (c) the status of the Chapter 11 Proceedings (as defined below) initiated by the Golf Town Entities’ U.S. affiliate, Golfsmith International Holdings, Inc. (“**GS Holdings**”) and its wholly owned subsidiaries and Golf Town USA, L.L.C. (collectively, the “**Golfsmith Entities**”, and together with the Golf Town Entities, the “**Company**”);
 - (d) the status of Golf Town’s leased locations;
 - (e) the financial status of the Golf Town Entities; and
 - (f) certain anticipated next steps to be undertaken in the CCAA Proceedings.
5. In preparing this Fourth Report, the Monitor has relied upon audited and unaudited financial information of the Golf Town Entities, the Golf Town Entities’ books and records, certain financial information and forecasts prepared by the Golf Town Entities, and discussions with various parties, including senior management (“**Management**”) of and advisors to the Company (collectively, the “**Information**”). To the extent necessary and appropriate, the Monitor has also reviewed audited and unaudited financial information and forecasts of the Golfsmith Entities.

6. The Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information. Accordingly, the Monitor expresses no opinion or other form of assurance on the Information contained in this Fourth Report or relied on in its preparation. Future-oriented financial information reported or relied on in preparing this Fourth Report is based on Management's assumptions regarding future events; actual results may vary from the forecast and such variations may be material.
7. Capitalized terms not otherwise defined herein have the meanings given to them in the Initial Order or previous reports filed by the Monitor.

A. STATUS OF THE GOLF TOWN TRANSACTION

8. In accordance with the Purchase Agreement, on October 31, 2016, the Golf Town Transaction was successfully completed and the Monitor delivered the Monitor's Certificate confirming:
 - (a) the satisfaction of the Purchase Price for the Purchased Assets by the Purchaser in accordance with the Purchase Agreement;
 - (b) that the conditions to closing as set out in the Purchase Agreement had been satisfied or waived by the Vendors and the Purchaser; and
 - (c) that the Golf Town Transaction had been completed to the satisfaction of the Monitor.

The Monitor's Certificate was filed with the Court and served on the Service List. A copy of the Monitor's Certificate is attached hereto as Appendix "A".

9. An unredacted copy of the Purchase Agreement is contained in Confidential Supplement No. 2 to the First Report of the Monitor dated September 27, 2016.
10. Pursuant to paragraph 21 of the Approval and Vesting Order, the unredacted Purchase Agreement was subject to a sealing order which expired upon the delivery of the Monitor's Certificate. Given the expiry of the sealing order in respect of the Purchase Agreement, the Monitor can now report that the Base Purchase Price for the Purchased Assets (each as defined in the Purchase Agreement) is C\$80 million with a prepaid rent adjustment of

C\$1.13 million for total gross sale proceeds of C\$81.13 million. The gross proceeds are the subject of a number of reserves and adjustments as outlined further below. The Post-Transaction Cash Flow Forecast provided below includes financial information that was previously sealed by the Court.

B. UPDATE ON THE GOLF TOWN ENTITIES' AND THE MONITOR'S RECENT ACTIVITIES

11. The Company's Management, advisors and staff have continued to provide the Monitor with their full co-operation and all necessary access to the Golf Town Entities' personnel, premises and books and records. The Monitor has continued to monitor the Golf Town Entities' operations, cash receipts and disbursements, and the Company's cash management system - including the monitoring of intercompany amounts accruing between the Golf Town Entities and the Golfsmith Entities.
12. The Monitor has continued to maintain a presence on-site at the Company's head office in Austin, Texas and has worked closely with Management, the Company's chief restructuring officer (the "**CRO**"), Alvarez & Marsal North America LLC and Alvarez & Marsal Canada ULC (collectively, "**A&M**"), to address various issues that have arisen in the CCAA Proceedings since the Filing Date.
13. In accordance with paragraph 11 of the Approval and Vesting Order and as described in more detail below, the Monitor has established certain reserves in connection with the Purchase Agreement.
14. In connection with the closing of the Golf Town Transaction, and as contemplated by the Purchase Agreement, the Monitor agreed to act as escrow agent with respect to certain amounts to be held back under the Purchase Agreement. On October 31, 2016, the Vendors, the Purchaser and the Monitor (as escrow agent) entered into an escrow agreement (the "**Purchase Escrow Agreement**") pursuant to which C\$7 million (the "**Purchase Escrow Amount**") was deposited in trust with the Monitor in connection with post-closing working capital adjustments to be made pursuant to section 2.8 of the Purchase Agreement. The Purchase Escrow Amount will be held and amounts released by the Monitor in accordance with the terms of the Purchase Agreement and the Purchase Escrow Agreement.

15. In connection with and as contemplated by the Transition Services Agreement among GS Holdings, the Purchaser and the Vendors (the “**TSA**”), the Monitor also agreed to act as escrow agent with respect to amounts to be reserved to satisfy obligations under the TSA. On October 31, 2016, the Vendors, the Purchaser, GS Holdings and the Monitor (as escrow agent) entered into an escrow agreement (the “**TSA Escrow Agreement**”) pursuant to which C\$10.46 million was deposited in trust with the Monitor in connection with payments to be made to GS Holdings for the provision of certain transitional services to be provided by GS Holdings to the Vendors and the Purchaser. As obligations under the TSA are to be settled in U.S. Dollars, the Monitor converted the Canadian dollar denominated deposit into U.S. Dollars on November 1, 2016 to eliminate foreign exchange rate risk.
16. Prior to the completion of the Golf Town Transaction and in accordance with section 8.1 of the Purchase Agreement, the Purchaser made offers of employment at least five days in advance of closing to the Vendors’ employees at the leased retail locations assumed by the Purchaser and other employees at the Vendors’ corporate office and other locations. In each case, the offers of employment were to be effective upon closing of the Golf Town Transaction, and on substantially similar terms and conditions of employment in the aggregate as were in effect immediately prior to the Filing Date.
17. On October 31, 2016, the Vendors and the Purchaser concluded an Employee Services Agreement (the “**Employee Services Agreement**”) pursuant to which certain former employees of the Golf Town Entities now employed by the Purchaser will continue to provide certain services to the Vendors and the Monitor relating to the orderly transition of the business and administering the Vendors’ estate in connection with the CCAA Proceedings until April 30, 2017 (the “**ESA Term**”). The Vendors have the right to extend the ESA Term by one calendar month on up to six occasions with the consent of the Purchaser, with such consent not to be unreasonably withheld. The Monitor assisted the Vendors and the Purchaser with the terms, conditions, and finalization of the Employee Services Agreement.
18. With respect to the real property leases for the retail stores, the Monitor has assisted the Golf Town Entities and its advisors with:

- (a) the determination and reconciliation of certain cure costs owing for leases assigned to or assumed by the Purchaser;
 - (b) the disclaimer of certain leases not assigned to or assumed by the Purchaser; and
 - (c) discussions with counsel for certain of the landlords in respect of the forgoing.
19. Finally, the Monitor has continued to respond to various stakeholder enquiries and has maintained the Service List for the CCAA Proceedings in accordance with the Initial Order.

C. STATUS OF THE CHAPTER 11 PROCEEDINGS

20. Since the Monitor's last update on the status of the Chapter 11 Proceedings, a number of important developments have taken place.
21. As set out in the Monitor's Second Report dated October 21, 2016 (the "**Second Report**"), the Company pursued a dual-track strategy in the Chapter 11 Proceedings to maximize the value of the Golfsmith business for the benefit of stakeholders. Under this dual-track strategy, the Company pursued the Golfsmith Restructuring in accordance with the terms of the Support Agreement and undertook a sale process as required pursuant to the terms of the DIP Agreement.
22. On October 6, 2016, the U.S. Bankruptcy Court granted an Order approving bidding procedures for the sale of the Golfsmith Entities' assets (the "**U.S. Bidding Procedures Order**"). Pursuant to the U.S. Bidding Procedures Order, an auction for the Golfsmith Entities' assets commenced on October 19, 2016 (the "**Auction**"). On October 21, 2016, a joint bid submitted by Dick's Sporting Goods Inc. ("**Dick's**") and a joint-venture consisting of three parties (Hilco Merchant Resources, LLC, Tiger Capital Group, LLC and Gordon Brothers Retail Partners, LLC (collectively, the "**Agents**")) was declared the successful bid at the Auction (the "**Golfsmith Sale**"), to be undertaken by the Company in the event that it was subsequently determined that the Company would pursue a sale transaction rather than the Golfsmith Restructuring.
23. The Monitor understands that, on or about October 28, 2016, the Board of Directors, following consultation with the Company's legal advisors, the CRO and A&M, determined that the Golfsmith Sale was the best alternative available.

24. The U.S. Bankruptcy Court approved the Golfsmith Sale on October 31, 2016 and the Golfsmith Sale closed on November 2, 2016.
25. The Monitor understands that, although not required pursuant to the definitive documentation in respect of the Golfsmith Sale, Dick's plans to continue to operate certain of the Golfsmith Entities' locations (the "**Retained Locations**"); inventory from the remaining Golfsmith Entities' locations will be sold by the Agents. The Monitor understands that Dick's intends to continue to operate the Retained Locations under the Golfsmith Entities' banner in the short-term; however, it is Dick's intention to rebrand these locations under Dick's Golf Galaxy division.
26. The Monitor understands that discussions between the Golfsmith Entities and Dick's are on-going and that no decision has been made regarding what transition services, if any, will be required by Dick's.
27. As a result of the Golfsmith Sale, the Golfsmith Entities will not be pursuing the Golfsmith Restructuring and will withdraw their motion seeking approval of the Support Agreement by the U.S. Bankruptcy Court. In addition, as a plan of reorganization will not be pursued, the Golfsmith Entities have determined that it is no longer necessary for them to obtain a new senior secured debtor-in-possession financing facility and have terminated discussions with PNC Bank, National Association on which the Monitor previously reported in the Second Report.
28. The Monitor has been advised that the Golfsmith Entities intend to sell their real estate assets located in Austin, Texas as part of the Chapter 11 Proceedings and that authorization from the U.S. Bankruptcy Court may be sought to hold a second auction with respect to these real estate assets.

D. STATUS OF THE GOLF TOWN ENTITIES' LEASED LOCATIONS

29. On October 21, 2016 and as discussed in the Third Report of the Monitor dated October 25, 2016, the Golf Town Entities served a motion seeking, among other things, the assignment of 13 real property leases to the Purchaser in connection with the Golf Town Transaction pursuant to section 11.3 of the CCAA (the "**Assignment Motion**").

30. On October 27, 2016, the Court issued an Order (the “**Assignment Order**”) assigning 11 leases to the Purchaser in connection with the Golf Town Transaction. The Monitor understands that during the period of time between the date on which the Assignment Motion was served and the date of the Assignment Order, the Purchaser was able to reach agreement with two of the landlords for which a court-ordered lease assignment was previously contemplated.
31. As set out in the affidavit of David Roussy sworn October 24, 2016, in the event that certain real property leases were not assumed by the Purchaser prior to the closing of the Golf Town Transaction and pursuant to the Purchase Agreement, the Purchaser obtained the right to occupy such non-assumed premises for up to 60 days (the “**60-Day Post-Closing Occupancy Period**”). By letter dated October 25, 2016, counsel for the Vendors advised certain landlords that the Purchaser would continue to occupy the landlord’s premises for up to 60 days post-closing of the Golf Town Transaction if an assignment agreement was not concluded between the landlord and the Purchaser prior to the closing of the Golf Town Transaction.
32. By letter dated November 1, 2016, counsel for the Vendors advised the landlords of 34 store locations that the Golf Town Transaction had closed and that the Purchaser had elected to continue occupying such landlords’ premises during the 60-Day Post Closing Occupancy Period.
33. As of November 14, 2016, the Monitor understands that, of the 55 store locations for which leases were still in effect as of the Filing Date:
 - (a) 7 leases were disclaimed (the “**Disclaimed Leases**”);
 - (b) 11 leases were assigned to the Purchaser pursuant to the Assignment Order;
 - (c) lease amending agreements including landlord consent to the assignment of the underlying lease had been entered into for 7 leases; and
 - (d) the Purchaser continued to occupy the premises in respect of 30 leases pursuant to the 60-Day Post-Closing Occupancy Period and is in the process of negotiating and

finalizing lease amending agreements in respect of such leases (the “**Post-Closing Occupancy Leases**”).

34. In accordance with the Assignment Order, all cure costs in respect of the 11 leases assigned to the Purchaser pursuant to the Assignment Order were paid within three business days following the delivery of the Monitor’s Certificate.
35. The Monitor understands that negotiations are well advanced between the Purchaser and the remaining landlords for the Post-Closing Occupancy Leases and that the parties are working diligently to finalize the remaining assignment and assumption agreements. Concurrently, the Purchaser and the Vendors are working with landlords to resolve any remaining issues with respect to cure costs payable in connection with the assignment of such leases to the Purchaser. The Monitor understands that further discussions will be necessary if the Vendors and the Purchaser cannot conclude acceptable assignment and assumption agreements and reach a consensus on the respective cure costs owing in respect of the Post-Closing Occupancy Leases prior to the expiry of the 60-Day Post-Closing Occupancy Period.
36. Finally, the Monitor has been advised that all of the Golf Town Entities’ inventory and furniture, fixtures and equipment selected by the Purchaser and previously located at the premises of the Disclaimed Leases (which are purchased assets under the Purchase Agreement) were removed and relocated in accordance with the Purchase Agreement prior to the closing of the Golf Town Transaction on October 31, 2016.

E. FINANCIAL STATUS OF THE GOLF TOWN ENTITIES

(i) Receipts & Disbursements for the Three-Week Period Ending October 29, 2016

37. The Golf Town Entities’ actual net cash flow on a consolidated basis for the three-week period ending October 29, 2016 was approximately US\$(2.70) million compared to a forecast amount of US\$(4.09) million as noted in the Updated Operational Cash Flow Forecast filed as Appendix “F” to the Second Report – representing a positive variance of approximately US\$1.39 million as summarized below:

Golf Town Entities				
Cash Flow Budget-to-Actual Variance Analysis				
<i>(USD, 000s)</i>				
For the Three-Week Period				
Ending October 29, 2016				
	<u>Ref.</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Receipts	A	\$ 3,742	\$ 4,706	\$ (964)
<u>Operating and Non-Operating Disbursements</u>				
Operating Disbursements	B	(4,995)	(7,376)	2,381
Non-Operating Cash Flows	C	(1,451)	(1,415)	(36)
Total Disbursements	D=B+C	(6,446)	(8,791)	2,345
Net Cash Inflows / (Outflows)	A+D	<u>\$(2,704)</u>	<u>\$(4,085)</u>	<u>\$ 1,381</u>
<u>Book Cash</u>				
Opening Book Cash Balance		\$ 187	\$ 187	\$ -
Add: Receipts	A	3,742	4,706	(964)
Less: Pre-Petition ABL / FILO (Repayments)		(2,960)	(4,706)	1,746
Book Cash Available After Pre-Petition ABL / FILO Repayments		969	187	782
Less: Total Disbursements	D	(6,446)	(8,791)	2,345
Net DIP Borrowing Requirement		(5,477)	(8,604)	3,127
Add: DIP Borrowings / (Repayments)		4,237	8,604	(4,367)
Ending Book Cash Balance		<u>\$(1,240)</u>	<u>\$ -</u>	<u>\$(1,240)</u>

Please refer to Appendix “B” attached hereto for the detailed cash flow budget-to-actual variance analysis.

38. Explanations for the main variances in actual receipts and disbursements for the three-week period ending October 29, 2016 are set out below:
- (a) Receipts from sale of goods were US\$3.74 million compared to a forecast amount of US\$4.71 million. This negative variance of US\$0.97 million is due to the following: (i) lack of inventory due to suppliers’ unwillingness to supply goods on credit; (ii) sales at the stores with Disclaimed Leases were lower than forecast as a result of the immediate closure of these stores; and (iii) the Golf Town Entities’ bank withheld C\$0.35 million in credit card sales receipts to cover certain bank and credit card processing fees – the credit card sales receipts were subsequently released to the Golf Town Entities in November 2016.

- (b) Disbursements totaled US\$6.45 million compared to a forecast amount of US\$8.79 million, which resulted in a positive variance of US\$2.34 million. The following factors contributed to this variance:
- i. Disbursements for Merchandise and Freight were US\$0.53 million compared to a forecast amount of US\$2.23 million, giving a positive variance of US\$1.70 million. This variance arose as a result of suppliers' unwillingness to supply goods on credit.
 - ii. Disbursements for Employee Costs were US\$1.57 million compared to a forecast amount of US\$1.73 million, giving a positive variance of US\$0.17 million. This variance is primarily due to the reduced payroll costs at the locations with Disclaimed Leases.
 - iii. Disbursements for Rent and Other Operating Costs were US\$2.14 million compared to a forecast amount of US\$2.38 million, which resulted in a positive timing variance of US\$0.24 million.
 - iv. Disbursements for Sales Taxes were US\$0.75 million compared to a forecast amount of US\$1.03 million giving rise to a positive variance of US\$0.28 million. This variance is temporary in nature and is expected to reverse in the following months.
39. On a consolidated basis as summarized below, total liquidity of the Golf Town Entities and the Golfsmith Entities for the week ending October 29, 2016 was US\$0.47 million compared to forecast total liquidity of US\$(2.43) million.
40. From the week ending October 8, 2016 to the week ending October 29, 2016, the maximum borrowing availability under the DIP Facility declined from US\$90.65 million to US\$82.52 million, and the over advance under the DIP Facility increased from US\$0.16 million to US\$0.39 million.

Consolidated Golfsmith Entities and Golf Town Entities						
Liquidity Variance Analysis (based on bank cash balance)						
<i>(USD, 000s)</i>						
	Week Ended - October 8, 2016			Week Ended - October 29, 2016		
	Actual	Budget	Variance	Actual	Budget	Variance
Net Borrowing Base	90,646	91,796	(1,149)	82,518	81,321	1,198
Facility Size	135,000	135,000	-	135,000	135,000	-
Maximum Borrowing Availability	\$ 90,646	\$ 91,796	\$ (1,149)	\$ 82,518	\$ 81,321	\$ 1,198
Less: Pre-Petition ABL Balance (Including LCs)	56,533	52,917	3,615	36,945	33,363	3,582
Less: Unapplied Pre-Petition ABL Paydown	-	-	-	-	-	-
Less: Pre-Petition FILO	11,535	11,250	285	11,535	11,535	-
Less: DIP ABL Balance (Including LCs)	22,738	27,427	(4,690)	34,424	39,350	(4,926)
Total ABL Balance	90,805	91,595	(789)	82,904	84,248	(1,344)
Excess Availability / (Over Advance)	(159)	201	(360)	(386)	(2,927)	2,542
Add: Bank Cash	438	500	(62)	857	500	357
Total Liquidity	\$ 279	\$ 701	\$ (422)	\$ 472	\$ (2,427)	\$ 2,899

Please refer to Appendix “C” for a weekly summary of liquidity for the Consolidated Golfsmith Entities and Golf Town Entities since the Filing Date.

(ii) Reserves Established by the Monitor Upon Completion of the Golf Town Transaction

41. On October 28, 2016, the Monitor received, in trust, the C\$8.00 million deposit in respect of the Golf Town Transaction that had previously been held in trust by counsel to the Vendors. The balance of C\$73.13 million was paid in trust to the Monitor by the Purchaser on October 31, 2016.
42. Pursuant to the Approval and Vesting Order, the Monitor in consultation with the Golf Town Entities, the CRO, A&M, the Company’s legal advisors and Antares Capital LP, as DIP Agent and First Lien Agent (the “**First Lien Agent**”) established certain reserves and other holdbacks from the transaction proceeds, in respect of, the Net Working Capital Adjustment under the Purchase Agreement, the TSA Escrow Agreement, seller cure costs, court-ordered charges and post-filing operating disbursements. The reserves also include amounts necessary to pay professional fees and other costs until the completion of the CCAA Proceedings. The summary below provides an overview of the transaction proceeds, reserves and other holdbacks, and the amount available for immediate distribution to the First Lien Agent on closing.

Golf Town Entities		
Summary of the Golf Town Transaction (CAD, 000 000s)		
Gross Sale Proceeds (includes Prepaid Rent)	A \$	81.13
Reserves:		
Estimated Working Capital Adjustment		9.09
Transition Services Escrow Amount		10.38
Other Transaction Costs (Note 1)		4.87
Reserve for Court-Ordered Charges (Note 2)		8.34
Reserve for Post-Petition Disbursements and Other Miscellaneous Reserves (Note 3)		9.79
Total Reserves	B	42.47
Amount Available for Immediate Distribution to First Lien Agent	C=A-B \$	38.66
Amount of Funds Held in Reserve by Monitor Upon Closing	=A-C \$	42.47
Note 1: Other Transaction Costs include amounts for seller cure costs, a transaction success fee payable to Jefferies, and KEIP payments.		
Note 2: Court-Ordered Charges include amounts for the Administration Charge, Priority Directors' Charge, Directors' Charge, and Transition Employee Charge.		
Note 3: Post-Petition Disbursements include amounts for post-petition operating disbursements and other miscellaneous reserves, which include but are not limited to A/P amounts owing at closing, rent, employee costs, freight/shipping, a lien claimant amount, sales taxes, and a contingency amount.		

43. After establishing the above noted Reserves, the Monitor distributed C\$38.66 million via wire payment to the First Lien Agent on October 31, 2016. As shown above, the balance of funds, C\$42.47 million was held by the Monitor in respect of the various reserves.
44. The Monitor has been advised that following receipt of funds from the Golfsmith Sale, an additional debt repayment of US\$50.85 million (approximately C\$68.21 million) was made to the First Lien Agent by the Golfsmith Entities on November 2, 2016. On November 6, 2016, counsel to the First Lien Agent advised the Monitor that all amounts owing by the Company under the Credit Agreement and DIP Facility were paid down to zero or fully cash collateralized.
45. Counsel to the Golf Town Entities has advised the Monitor that the Board of Directors has agreed that the Monitor may reduce the amount of reserves held to cash collateralize the Priority Directors' Charge of C\$3.70 million and subordinate Directors' Charge of C\$3 million (collectively, the "Directors' Charges"). The Board of Directors has agreed that the amount of cash being reserved by the Monitor in support of the Directors' Charges

totaling C\$6.7 million can be reduced by up to C\$3.80 million. The Monitor will provide an update on the status of the reserves in a subsequent report.

(iii) Post-Transaction Cash Flow Forecast for the Weeks Ending From November 5, 2016 to January 28, 2017

46. With the successful closing of the Golf Town Transaction as scheduled on October 31, 2016, the Golf Town Entities are now undertaking post-closing transaction matters and wind-down activities. While the Golf Town Entities continue to operate certain retail locations during the 60-Day Post Closing Occupancy Period pending the finalization of lease arrangements between the Purchaser and the respective landlords, the cost of such operations is for the sole account of the Purchaser pursuant to the Purchase Agreement.
47. The Monitor, with the assistance of the Golf Town Entities, the CRO and A&M, has developed a Post-Transaction Cash Flow Forecast for the 13-weeks ending from November 5, 2016 to January 28, 2017 (the “**Post-Transaction Cash Flow Forecast**”). This forecast shows the estimated cash receipts and disbursements until January 28, 2017 to be incurred in connection with the wind-down of the Golf Town Entities. As described below, it is expected that additional disbursements in connection with the wind-down of the Golf Town Entities, including disbursements in connection with the TSA, will be incurred following the expiry of the forecast period set out in the Post-Transaction Cash Flow Forecast.

Golf Town Entities	
Post-Transaction Cash Flow and Book Cash Summary (CAD, 000s)	
	13-Week Total
Total Receipts	\$ 82,413
Total Operating Disbursements	(5,858)
Cash Flow From Operations	76,555
<u>Non-Operating Disbursements:</u>	
DIP Repayment	(38,664)
Professional Fees	(3,971)
Working Capital Adjustment	(9,087)
Transition Services Agreement	(1,483)
Other	(8,732)
Total Non-Operating Disbursements	(61,938)
Net Cash Inflows / (Outflows)	\$ 14,617
 Book Cash	
Opening Book Cash Balance	\$ (1,613)
Adjust: Net Cash Inflows / (Outflows)	14,617
Ending Book Cash Balance	\$ 13,004

48. The Post-Transaction Cash Flow Forecast shows total operating disbursements of C\$5.86 million. It shows total non-operating disbursements of C\$61.94 million including, among other things, DIP repayment of C\$38.66 million, restructuring professional fees of C\$3.97 million, working capital adjustment of C\$9.09 million and TSA charges of C\$1.48 million. In addition, net cash inflows are C\$14.62 million for the 13-week period ending January 28, 2017. The Post-Transaction Cash Flow Forecast is attached as Appendix “D” hereto.
49. The Post-Transaction Cash Flow Forecast has been prepared based on Management’s expectations of future disbursements required to wind-down the operations of the Golf Town Entities and should be read in conjunction with the notes to the Post-Transaction Cash Flow Forecast (the “**Forecast Notes**”) as included in Appendix “D”.

F. NEXT STEPS

50. Going forward, in accordance with the Approval and Vesting Order, the Monitor will continue to review and monitor amounts reserved in connection with the closing of the Golf Town Transaction and will make distributions from amounts reserved in connection

with the Golf Town Transaction as necessary. It will also be fulfilling its duties under the Purchase Escrow Agreement and the TSA Escrow Agreement.

51. The Monitor will work with the Golf Town Entities over the coming months to deal with any remaining matters in the CCAA Proceedings. Given that the proceeds from the Golf Town Transaction will not be sufficient to repay in full the amounts owing under the second lien Secured Notes (now that all amounts owing under the Credit Facility and the DIP Facility have been satisfied), the Monitor understands that the Golf Town Entities do not intend to initiate a claim process for the determination of pre-filing claims against the Golf Town Entities.
52. The Stay of Proceedings expires on January 31, 2017. On or before that time, the Monitor intends to provide an expected time frame for the completion of the CCAA Proceedings, which will be influenced by the length of time required by the Purchaser for transition services under the TSA and the time required to complete all other administrative and wind-down matters. As a result, the Monitor anticipates that the Golf Town Entities will seek a further extension of the Stay of Proceedings to allow for the wind-up of their estates.

The Monitor respectfully submits this Fourth Report to the Court.

Dated this 16th day of November, 2016.

FTI Consulting Canada Inc.
In its capacity as Monitor of
Golf Town Canada Holdings Inc., Golf Town Canada Inc. and Golf Town GP II Inc.



Paul Bishop
Senior Managing Director

Appendix “A” - Monitor’s Certificate

(see attached)

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
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INC., GOLF TOWN CANADA INC. AND
GOLF TOWN GP II INC.**

Applicants

MONITOR'S CERTIFICATE

RECITALS

A. Pursuant to an Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated September 14, 2016, FTI Consulting Canada Inc. was appointed as the monitor (the "**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 (collectively the "**Golf Town Entities**") in proceedings pursuant to the *Companies' Creditors Arrangement Act* (Canada).

B. Pursuant to an Order of the Court dated September 30, 2016 (as amended, the "**Approval and Vesting Order**"), the Court approved the Purchase Agreement dated as of September 14, 2016 (the "**Purchase Agreement**") between Golf Town Canada Inc. and Golf Town Operating Limited Partnership (together, the "**Vendors**") and Golf Town Limited (formerly 9918167 Canada Inc.) (the "**Purchaser**") and provided for the vesting in the Purchaser all of the Vendors' right, title and interest in and to the Purchased Assets, which vesting is to be effective with respect to the Purchased Assets upon the delivery by the Monitor to the Vendors and the Purchaser of a certificate confirming (i) the satisfaction of the Purchase Price for the Purchased Assets by the Purchaser in accordance with the Purchase Agreement; (ii) that the conditions to closing as set out in the Purchase Agreement have been satisfied or waived by the Vendors and the Purchaser; and (iii) the Golf Town Transaction has been completed to the satisfaction of the Monitor.

C. Unless otherwise indicated herein, terms with initial capitals have the meanings set out in the Purchase Agreement.

THE MONITOR HEREBY CERTIFIES the following:

1. The Purchaser has satisfied the Purchase Price for the Purchased Assets in accordance with the Purchase Agreement;
2. The conditions to closing as set out in the Purchase Agreement have been satisfied or waived by the Vendors and the Purchaser;
3. The Golf Town Transaction has been completed to the satisfaction of the Monitor; and
4. This Certificate was delivered by the Monitor on October 31, 2016 and is effective as of 11:59 p.m. on the same day.

**FTI Consulting Canada Inc., in its capacity as
Monitor of the Golf Town Entities and not in
its personal capacity**

Per: 

Name: Paul Bishop

Title: Senior Managing Director

Appendix "B"

Detailed Budget-to-Actual Analysis

Golf Town Entities				
Detailed Cash Flow Budget-to-Actual Variance Analysis (USD, 000s)				
For the Three-Week Period Ending October 29, 2016				
	<u>Ref.</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Receipts	A	\$ 3,742	\$ 4,706	\$ (964)
<u>Operating Disbursements</u>				
Merchandise and Freight		(532)	(2,234)	1,702
Employee Costs		(1,566)	(1,733)	167
Rent and Other Operating Costs		(2,141)	(2,381)	240
Sales Taxes		(751)	(1,028)	277
Capex and Maintenance		(5)	-	(5)
Total Operating Disbursements	B	\$ (4,995)	\$ (7,376)	\$ 2,381
<u>Non-Operating Cash Flows</u>				
DIP Fees and Interest		-	(124)	124
Third Party Deposits		(33)	(100)	67
Professional Fees		(1,418)	(1,191)	(227)
KEIP		-	-	-
Total Non-Operating Cash Flows	C	\$ (1,451)	\$ (1,415)	\$ (36)
Total Disbursements	D=B+C	<u>\$ (6,446)</u>	<u>\$ (8,791)</u>	<u>\$ 2,345</u>
Net Cash Inflows / (Outflows)	A + D	<u>\$ (2,704)</u>	<u>\$ (4,085)</u>	<u>\$ 1,381</u>
Book Cash				
Opening Book Cash Balance		\$ 187	\$ 187	\$ -
Add: Receipts	A	3,742	4,706	(964)
Less: Pre-Petition ABL / FILO (Repayments)		(2,960)	(4,706)	1,746
Book Cash Available After Pre-Petition ABL / FILO Repayments		969	187	782
Less: Total Disbursements	D	(6,446)	(8,791)	2,345
Net DIP Borrowing Requirement		(5,477)	(8,604)	3,127
Add: DIP Borrowings / (Repayments)		4,237	8,604	(4,367)
Ending Book Cash Balance		<u>\$ (1,240)</u>	<u>\$ -</u>	<u>\$ (1,240)</u>

Appendix “C”
Actual Weekly Liquidity Variance

Consolidated Golfsmith Entities and Golf Town Entities							
Weekly Liquidity (based on bank cash balance)							
(USD, 000s)							
	Actuals Week Ending						
	9/17	9/24	10/1	10/8	10/15	10/22	10/29
Net Borrowing Base	106,300	102,525	97,999	90,646	86,807	84,467	82,518
Facility Size	135,000	135,000	135,000	135,000	135,000	135,000	135,000
Maximum Borrowing Availability	\$106,300	\$102,525	\$ 97,999	\$ 90,646	\$ 86,807	\$ 84,467	\$ 82,518
Less: Pre-Petition ABL Balance (Including LCs)	87,707	75,110	65,111	56,533	49,149	42,007	36,945
Less: Unapplied Pre-Petition ABL Paydown	(2,215)	-	-	-	-	-	-
Less: Pre-Petition FILO	11,695	11,695	11,535	11,535	11,535	11,535	11,535
Less: DIP ABL Balance (Including LCs)	1,574	11,676	15,058	22,738	25,730	30,167	34,424
Total ABL Balance	98,761	98,481	91,704	90,805	86,414	83,709	82,904
Excess Availability / (Over Advance)	7,539	4,044	6,295	(159)	394	758	(385)
Add: Bank Cash	2,737	3,443	882	438	554	323	857
Total Liquidity	\$ 10,276	\$ 7,487	\$ 7,177	\$ 279	\$ 948	\$ 1,081	\$ 472

Appendix "D"

Post-Transaction Cash Flow Forecast

Golf Town Entities

Post-Transaction Cash Flow Forecast (CAD, 000s)

	Week #:	2016-44	2016-45	2016-46	2016-47	2016-48	2016-49	2016-50	2016-51	2016-52	2017-1	2017-2	2017-3	2017-4	13 Week
	Week Ending:	11/5	11/12	11/19	11/26	12/3	12/10	12/17	12/24	12/31	1/7	1/14	1/21	1/28	Total
	Notes	Ref													
Sales Proceeds	2		\$ 81,132	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,132
Interest Income and Other Receipts	3		-	-	-	62	998	-	-	33	67	90	-	31	1,281
Total Receipts	A		81,132	-	-	62	998	-	-	33	67	90	-	31	82,413
Operating Disbursements															
Merchandise and Freight	4		-	(50)	(50)	(50)	(50)	-	-	-	-	-	-	-	(250)
Employee Costs	5		-	(607)	-	-	-	-	-	-	-	-	-	-	(607)
Rent and Other Operating Costs	6		(1,521)	(839)	(279)	(72)	(72)	(43)	(153)	(18)	(18)	(135)	-	-	(3,152)
Sales Tax	7		-	-	(23)	(1,364)	(460)	-	-	-	-	-	-	-	(1,848)
Total Operating Disbursements	B		\$ (1,521)	\$ (1,496)	\$ (352)	\$ (1,487)	\$ (583)	\$ (93)	\$ (153)	\$ (18)	\$ (18)	\$ (135)	\$ -	\$ -	\$ (5,858)
Non-Operating Disbursements															
DIP Repayment	8		(38,664)	-	-	-	-	-	-	-	-	-	-	-	(38,664)
Professional Fees	9		(1,578)	(1,180)	(169)	(169)	(169)	(169)	(80)	(80)	(80)	(73)	(73)	(73)	(3,971)
KEIP, Transaction Fees, and Other Fees	10		-	-	(2,435)	-	(1,434)	-	(33)	-	-	-	(33)	-	(3,934)
Intercompany Transfers	11		-	-	-	(3,800)	-	(998)	-	-	-	-	-	-	(4,798)
Net Working Capital Adjustment	12		-	-	-	(9,087)	-	-	-	-	-	-	-	-	(9,087)
TSA Payments	13		-	-	-	-	-	(742)	-	-	-	-	(742)	-	(1,483)
Total Non-Operating Disbursements	C		\$ (40,243)	\$ (1,180)	\$ (2,604)	\$ (13,056)	\$ (1,603)	\$ (1,167)	\$ (854)	\$ (80)	\$ (80)	\$ (73)	\$ (847)	\$ (73)	\$ (61,938)
Total Disbursements	D=B+C		\$ (41,764)	\$ (2,677)	\$ (2,956)	\$ (14,543)	\$ (2,186)	\$ (1,260)	\$ (1,008)	\$ (98)	\$ (98)	\$ (80)	\$ (208)	\$ (847)	\$ (67,796)
Net Cash Inflows / (Outflows)	A + D		\$ 39,368	\$ (2,677)	\$ (2,956)	\$ (14,481)	\$ (1,188)	\$ (1,260)	\$ (1,008)	\$ (98)	\$ (65)	\$ (13)	\$ (117)	\$ (847)	\$ 14,617
Opening Book Cash Balance			\$ (1,613)	\$ 37,756	\$ 35,079	\$ 32,123	\$ 17,642	\$ 16,454	\$ 15,194	\$ 14,187	\$ 14,088	\$ 14,023	\$ 14,010	\$ 13,893	\$ 13,046
Adjust: Net Cash Inflows / (Outflows)			39,368	(2,677)	(2,956)	(14,481)	(1,188)	(1,260)	(1,008)	(98)	(65)	(13)	(117)	(847)	14,617
Ending Book Cash Balance			\$ 37,756	\$ 35,079	\$ 32,123	\$ 17,642	\$ 16,454	\$ 15,194	\$ 14,187	\$ 14,088	\$ 14,023	\$ 14,010	\$ 13,893	\$ 13,046	\$ 13,004

GOLF TOWN ENTITIES POST-TRANSACTION 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 Post-Transaction 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 Post-Transaction Cash Flow Forecast includes assumptions discussed below with respect to the requirements of the Golf Town Entities’ filing under the CCAA. Since the Post-Transaction Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Post-Transaction Cash Flow Forecast period will vary from the Post-Transaction 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 Monitor, with the assistance of the Company, A&M, and the CRO, has prepared the Post-Transaction Cash Flow Forecast based primarily on historical results and financial information, and Management’s current expectations for operations during the 13-week forecast period. The Post-Transaction Cash Flow Forecast is presented in thousands of Canadian dollars.

Assumptions to Golf Town Entities Cash Flow Forecast:

1. The purpose of the Post-Transaction Cash Flow Forecast is to determine the future disbursements and liquidity position of the Golf Town Entities following the successful completion of the Golf Town Transaction on October 31, 2016 until the expiry of the current Stay Period. Specifically, the Post-Transaction Cash Flow Forecast covers the 13-week period for the weeks ending from November 5, 2016 to January 28, 2017.
2. Sale Proceeds is the total consideration paid by the Purchaser to the Golf Town Entities as part of the Golf Town Transaction.
3. Interest Income and Other Receipts include estimated refunds on deposits, collection of certain accounts receivable not acquired by the Purchaser as part of the Golf Town Transaction, interest income from trust accounts, and any other miscellaneous receipts.
4. Merchandise and Freight includes outstanding amounts owing to vendors for goods received and services rendered up to the date of completion of the Golf Town Transaction on October 31, 2016. Freight includes costs associated with all outbound shipping for e-commerce customers, inbound from all vendors, and other transportation related costs.

5. Employee Costs include all corporate and store related payroll, benefits, employer/employee taxes, and store employee commissions owing up to the date of completion of the Golf Town Transaction on October 31, 2016.
6. Rent and Other Operating Costs include payments to landlords, common area maintenance (CAM), sales tax, utilities, maintenance, advertising, marketing, and other operating costs.
7. Sales Taxes reflect the net PST, HST, and GST amounts remitted (collected) to (from) the provinces and federal governments in lieu of the prior month's activity. Payments are generally made one month in arrears for the prior month's collections.
8. DIP Repayment is the amount paid in settlement of amounts owing by the Company to the First Lien Agent.
9. Professional Fees include fees of consultants, advisors, and lawyers involved in the CCAA Proceedings.
10. KEIP, Transaction Fees, and Other Fees include KEIP Payments, payment of a success fee to Jefferies, fees and expenses of Directors of the Golf Town Entities, and other miscellaneous expenses.
11. Intercompany Transfers represent funds transferred to provide the Golfsmith Entities with sufficient liquidity.
12. Net Working Capital Adjustment is the total estimated amount owing to the Purchaser in accordance with the Golf Town Transaction and is subject to change as the reconciliation of amounts continues.
13. TSA Payments are the amounts to be paid to the Golfsmith Entities to facilitate the provision and subsequent transition of certain shared services required by the Purchaser as a condition precedent to the Golf Town Transaction and as detailed in the TSA.

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

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

**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

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceeding commenced at Toronto

**FOURTH REPORT OF THE MONITOR,
FTI CONSULTING CANADA INC. DATED
NOVEMBER 16, 2016**

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