

**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

**MOTION RECORD OF THE APPLICANTS  
(Motion for Stay Extension Order Returnable December 12, 2017)**

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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

**NOTICE OF MOTION  
(Motion for Stay Extension Order Returnable December 12, 2017)**

Golf Town Canada Holdings Inc., Golf Town Canada Inc., Golf Town GP II Inc., Golf Town Operating Limited Partnership and Golfsmith International Holdings LP (collectively, the “**Golf Town Entities**”) will make a motion before a Judge of the Ontario Superior Court of Justice on December 12, 2017 at 10:00 a.m., or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto Ontario.

**PROPOSED METHOD OF HEARING:** The motion is to be heard orally.

**THE MOTION IS FOR:**

1. an Order (the “**Stay Extension Order**”):
  - (a) extending the CCAA stay of proceedings to and including March 30, 2018; and
  - (b) authorizing the Monitor to exercise enhanced powers with respect to the Golf Town Entities to facilitate the administration of their estate and the completion of the CCAA proceedings, and providing certain protections to the Monitor in connection therewith; and
2. such further and other relief as this Court deems just.

**THE GROUNDS FOR THE MOTION ARE:**

1. The Golf Town Entities obtained protection under the *Companies' Creditors Arrangement Act* (the "CCAA") pursuant to an Initial Order of this Court dated September 14, 2016.<sup>1</sup>
2. Concurrently with the CCAA application, certain entities affiliated with the Golf Town Entities that carried on business as "Golfsmith" in the United States (collectively, the "U.S. Debtors") initiated voluntary Chapter 11 proceedings in the United States Bankruptcy Court for the District of Delaware (the "**Bankruptcy Court**").
3. On September 30, 2016, this Court issued an Approval and Vesting Order, *inter alia*, approving the going concern sale (the "**Golf Town Transaction**") of substantially all of the assets of Golf Town to Golf Town Limited (the "**Purchaser**"). The Golf Town Transaction closed on October 31, 2016.
4. Under the Golf Town Transaction, the Purchaser assumed real property leases for Golf Town's former head office and 48 of the 55 retail locations operated by Golf Town at the commencement of the CCAA proceedings. The real property leases that were not assumed by the Purchaser were disclaimed pursuant to the CCAA and operations were discontinued in November 2016. Accordingly, the Golf Town Entities no longer carry on any retail operations.
5. Since the closing of the Golf Town Transaction, the Golf Town Entities have worked diligently to complete remaining wind-down matters and transition the Golf Town Business to the Purchaser pursuant to a one-year transition services agreement that expired on October 31, 2017.
6. The U.S. Debtors and certain of their stakeholders have reached agreement in principle on a consensual global settlement (the "**Global Settlement**") that will resolve a dispute with respect to the payment of certain administrative priority claims and facilitate a

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<sup>1</sup> Capitalized terms used but not otherwise defined herein have the meanings given to them in the affidavit of Brian Cejka sworn December 8, 2017.

dismissal of the Chapter 11 proceedings with the support of key stakeholders of the U.S. Debtors. Once the terms of the Global Settlement are finalized, the U.S. Debtors intend to seek Bankruptcy Court approval of the Global Settlement, including procedures governing the dismissal of the Chapter 11 cases, at a hearing expected in January or February 2018.

7. Under the contemplated Global Settlement, certain proceeds of the U.S. Debtors will be reserved for the payment of certain priority claims of their landlords and suppliers, and their remaining proceeds will be distributed in partial satisfaction of the Company's obligations under the Secured Notes. The Secured Noteholders will suffer a deficiency on the amounts owed to them by Golf Town and Golfsmith and accordingly there is no value for unsecured creditors of the Company.
8. Once the Global Settlement is finalized and considered by the Bankruptcy Court, the Golf Town Entities intend to bring a motion in the CCAA proceedings seeking an order that would, among other things, authorize the Golf Town Entities to distribute their remaining proceeds to the Secured Noteholders and terminate the CCAA proceedings following the completion of remaining wind-down matters.
9. It is currently anticipated that the Company will be in a position to complete wind-down matters and terminate the CCAA and Chapter 11 proceedings on a coordinated basis in the first quarter of 2018.
10. The Stay Period (as defined in the Initial Order) currently expires on December 15, 2017. A brief extension of the stay of proceedings is required while the U.S. Debtors finalize and seek Bankruptcy Court approval of the Global Settlement and the Golf Town Entities, with the assistance of their advisors and the Monitor, complete a limited number of remaining administrative matters.
11. Given their limited financial and personnel resources, the Golf Town Entities are seeking an expansion of the Monitor's powers during the brief period prior to the termination of the CCAA proceedings to ensure that they have the capacity and resources to complete an orderly and efficient wind-down of their estate.

12. The Monitor continues to hold reserves in amounts necessary to provide the Golf Town Entities with sufficient funding to operate to the end of the requested Stay Period if necessary.
13. The relief requested in the Stay Extension Order is supported by the Monitor.
14. The provisions of the CCAA and this Court's equitable and statutory jurisdiction thereunder.
15. Rules 1.04, 1.05, 2.03, 3.02, 16, and 37 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended.
16. Such further and other grounds as counsel may advise and this Court may permit.

**THE FOLLOWING DOCUMENTARY EVIDENCE** will be used at the hearing of this Motion:

1. The affidavit of Brian Cejka sworn December 8, 2017;
2. The Monitor's Seventh Report; and
3. Such further and other materials as counsel may advise and this Court may permit.

Date: December 8, 2017

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TO: THE SERVICE LIST

**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 AND 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

**NOTICE OF MOTION  
(Motion Returnable December 12, 2017)**

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

<b>THE HONOURABLE</b>	)	<b>TUESDAY, THE 12<sup>TH</sup></b>
	)	
<b>JUSTICE CONWAY</b>	)	<b>DAY OF DECEMBER, 2017</b>

**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

**STAY EXTENSION ORDER**

**THIS MOTION** made by Golf Town Canada Holdings Inc., Golf Town Canada Inc. (“**GT Canada**”), Golf Town GP II Inc., Golfsmith International Holdings LP and Golf Town Operating Limited Partnership (collectively, the “**Golf Town Entities**”), pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the “**CCAA**”), for an Order extending the Stay Period until March 30, 2018 and expanding the powers of the Monitor, was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the affidavit of Brian Cejka sworn December 8, 2017 and the Seventh Report of FTI Consulting Canada Inc. as the Court-appointed Monitor of the Golf Town Entities (the “**Monitor**”) dated December 8, 2017 and on hearing the submissions of counsel for each of the Golf Town Entities, the Monitor and such other counsel as were present and wished to be heard, and on reading the affidavit of service, filed:

**SERVICE**

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

**EXTENSION OF THE STAY OF PROCEEDINGS**

2. **THIS COURT ORDERS** that the Stay Period, as such term is defined in and used throughout the Initial Order of this Court dated September 14, 2016 (as amended, the “**Initial Order**”) is hereby extended to and including 11:59 p.m. on March 30, 2018 and that all other terms of the Initial Order shall remain in full force and effect, unamended, except as may be required to give effect to this paragraph or as otherwise provided in this Order.

**MONITOR POWERS AND PROTECTIONS**

3. **THIS COURT ORDERS** that in addition to its prescribed rights under the CCAA and the powers granted by the Initial Order and any other Order in these proceedings, the Monitor is empowered and authorized, but not obligated, from and after the date of this Order, to take such actions, execute such documents and enter into such agreements and arrangements, in the name and on behalf of the Golf Town Entities, as the Monitor, in consultation with the chief restructuring officer and counsel to the Golf Town Entities, considers necessary or desirable to facilitate the administration and winding up of the Golf Town Entities’ estates and the completion of these proceedings, including, without limitation, to:

- (a) enable the Golf Town Entities to comply with the Initial Order and any other Order granted in these proceedings;
- (b) facilitate or assist the Golf Town Entities with the cash flow, accounting, tax and financial reporting functions of the Golf Town Entities, based solely upon the information provided by the Golf Town Entities and on the basis that the Monitor shall incur no liability or obligation to any person with respect to such reporting functions; and
- (c) claim any and all tax or other refunds, including refunds of harmonized sales taxes, payable to the Golf Town Entities.

4. **THIS COURT ORDERS** that the Monitor is authorized to engage such persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order or any other Order granted in these proceedings.

5. **THIS COURT ORDERS** that, in addition to the rights and protections afforded to the Monitor under the CCAA, the Initial Order and any other Order made in these CCAA proceedings, the Monitor shall not be liable for any act or omission on the part of the Monitor pertaining to the discharge of its duties under this Order, save and except for any claim or liability arising out of any gross negligence or wilful misconduct on the part of the Monitor. Nothing in this Order shall derogate from the protections afforded to the Monitor by the CCAA, any other federal or provincial applicable law, the Initial Order or any other Order made in these CCAA proceedings.

6. **THIS COURT ORDERS** that the Golf Town Entities shall remain in possession and control of the Property and the Business (each as defined in the Initial Order) and that the Monitor shall not take or be deemed to have taken possession of the Property or Business or any part thereof.

7. **THIS COURT ORDERS** that nothing in this Order shall constitute or be deemed to constitute the Monitor as a receiver, assignee, liquidator, administrator, receiver-manager, agent of the creditors or legal representative of the Golf Town Entities within the meaning of any relevant legislation, including section 159(3) of the *Income Tax Act* (Canada), as amended (the “ITA”), or a person subject to section 150(3) of the ITA and that the Monitor shall have no obligation to prepare or file any tax returns of the Golf Town Entities with any taxing authority.

8. **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 and 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 the Monitor and their respective agents as may be necessary or desirable to give effect to this Order, or to

assist the Golf Town Entities and the Monitor and their respective agents in carrying out the terms of this Order.

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**STAY EXTENSION ORDER  
(December 12, 2017)**

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**AFFIDAVIT OF BRIAN CEJKA**  
(sworn December 8, 2017)

I, Brian Cejka, of the City of Dallas, in the State of Texas, MAKE OATH AND SAY:

1. I am a Managing Director of Alvarez & Marsal North America, LLC (together with its affiliates, "**A&M**") and the Chief Restructuring Officer (the "**CRO**") of the Golf Town and Golfsmith corporate group (collectively, the "**Company**"). Prior to becoming CRO, I was a member of the A&M engagement team that has provided financial advisory services to the Company since June 2014. As such, I have personal knowledge of the Company and the matters to which I depose in this affidavit.
2. On September 14, 2016, Golf Town Canada Holdings Inc., Golf Town Canada Inc. ("**GT Canada**") and Golf Town GP II Inc. (collectively, the "**Applicants**") sought and obtained an Order of this Court (as amended, the "**Initial Order**") providing creditor protection to the

Applicants under the *Companies' Creditors Arrangement Act* (the “**CCAA**”). The protections and authorizations in the Initial Order were also extended to Golfsmith International Holdings LP (“**Holdings LP**”) and Golf Town Operating Limited Partnership (“**Golf Town LP**” and, together with the Applicants and Holdings LP, the “**Golf Town Entities**”). Pursuant to the Initial Order, FTI Consulting Canada Inc. was appointed as monitor of the Golf Town Entities (the “**Monitor**”) in the CCAA proceedings.<sup>1</sup>

3. Concurrently with the CCAA application, certain entities affiliated with the Golf Town Entities that carried on business as “Golfsmith” in the United States (collectively, the “**U.S. Debtors**”) initiated voluntary proceedings 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 the Golfsmith Business while the U.S. Debtors advanced and implemented a sale or restructuring transaction in respect of the Golfsmith Business.

4. On September 30, 2016, this Court granted an Approval and Vesting Order approving the going concern sale of the Golf Town Business (the “**Golf Town Transaction**”) to Golf Town Limited (the “**Purchaser**”) pursuant to a Purchase Agreement dated as of September 14, 2016 (the “**Purchase Agreement**”) between GT Canada and Golf Town LP (together, the “**Vendors**”) and the Purchaser. The Golf Town Transaction closed on October 31, 2016.

5. Since the closing of the Golf Town Transaction, the Golf Town Entities and their advisors, with the assistance and oversight of the Monitor, have been working diligently to

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<sup>1</sup> Capitalized terms used and not otherwise defined in this affidavit have the meanings given to them in the affidavit of David Roussy sworn September 13, 2016.

complete an orderly transition of the Golf Town Business to the Purchaser, wind-down their remaining activities and estate, and achieve a coordinated exit from creditor protection with the U.S. Debtors. The assistance that the Company was providing to the Purchaser pursuant to transition services arrangements ended on October 31, 2017 and the transition of the Golf Town Business is now complete.

6. Following an extended period of discussions and negotiations, the U.S. Debtors and certain of their stakeholders have reached agreement in principle on a consensual global settlement (the “**Global Settlement**”) that will resolve a dispute with respect to the payment of certain administrative priority claims and facilitate a dismissal of the Chapter 11 proceedings with the support of key stakeholders of the U.S. Debtors. Under the contemplated Global Settlement, certain proceeds of the U.S. Debtors will be reserved for the payment of certain priority claims of their landlords and suppliers. The U.S. Debtors’ remaining proceeds will be distributed to the Secured Noteholders (in an initial and final distribution) in partial satisfaction of the Company’s obligations under the second-lien Secured Notes. The Company’s expected proceeds upon completion of the CCAA and Chapter 11 proceedings will be insufficient to repay in full the obligations of Golfsmith and Golf Town under the Secured Notes, and accordingly there is no value remaining for unsecured creditors of the Company.

7. The U.S. Debtors are in discussions with the unsecured creditors committee of the U.S. Debtors (the “**UCC**”) and the U.S. co-trustee of the Notes Indenture (the “**U.S. Indenture Trustee**”) to finalize the terms of the Global Settlement. Once the terms are finalized, the U.S. Debtors intend to seek Bankruptcy Court approval of the Global Settlement, which includes approval of procedures governing the dismissal of the Chapter 11 cases, at a hearing that is

expected to be held in January or February 2018. If the requested relief is approved, the U.S. Debtors expect to be in a position to complete wind-down matters and terminate the Chapter 11 proceedings by the end of March 2018.

8. The dismissal process in the Chapter 11 proceedings will also facilitate the completion of the CCAA proceedings in an efficient and coordinated manner. Once the Global Settlement is finalized and considered by the Bankruptcy Court, the Golf Town Entities intend to bring a motion in the CCAA proceedings seeking an order that would, among other things, authorize the Golf Town Entities to distribute the remaining proceeds generated from the Golf Town Transaction (which are currently being held by the Monitor in reserve accounts) to the Secured Noteholders and discharge the Monitor and terminate the CCAA proceedings following the completion of remaining wind-down matters. Subject to obtaining necessary approvals from this Court and the Bankruptcy Court, it is currently anticipated that the Company will be in a position to complete wind-down matters and achieve a coordinated exit from creditor protection in the first quarter of 2018.

9. The CCAA stay of proceedings currently expires on December 15, 2017. This affidavit is sworn in support of the Golf Town Entities' motion for an Order (the "**Stay Extension Order**") that:

- (a) extends the CCAA stay of proceedings to and including March 30, 2018; and
- (b) authorizes the Monitor to exercise certain enhanced powers with respect to the Golf Town Entities to facilitate the administration of their estate and the

completion of the CCAA proceedings, and provides certain protections to the Monitor in connection therewith.

10. The requested relief will enable the Golf Town Entities to finalize remaining wind-down activities with the assistance of the Monitor and advance towards the conclusion of the CCAA proceedings in a cost-effective and efficient manner.

## I. OVERVIEW OF DEVELOPMENTS IN THE CCAA AND CHAPTER 11 PROCEEDINGS

### A. CCAA Proceedings

11. The background to the Golf Town Entities' CCAA filing is described in detail in the affidavit of David Roussy sworn September 13, 2016 (the "**Initial Affidavit**") in support of the Initial Order and in the other affidavits filed by the Golf Town Entities during these proceedings.

The following chart sets out the key dates and developments in the CCAA proceedings:

<b>Date</b>	<b>Development</b>
Sept. 14, 2016	Initial Order granted.
Sept. 30, 2016	Approval and Vesting Order granted approving the Golf Town Transaction. Stay Period extended to January 31, 2017.
Oct. 27, 2016	Assignment Order granted in respect of 11 Golf Town real property leases.
Oct. 31, 2016	Closing of the Golf Town Transaction. Commencement of the one-year transition services period in respect of the Golf Town Business pursuant to the TSA.
Jan. 31, 2017	Stay Period extended to July 31, 2017.
July 28, 2017	Stay Period extended to December 15, 2017.
Oct. 31, 2017	End of the transition services period in respect of the Golf Town Business pursuant to the TSA.

12. The Golf Town Entities obtained CCAA protection on September 14, 2016 to provide the Golf Town Entities with breathing space while they sought to complete the going concern transition of the Golf Town Business to the Purchaser. Under the Golf Town Transaction, the Purchaser assumed the real property leases for Golf Town's former head office and 48 of the 55 retail locations operated by Golf Town at the commencement of the CCAA proceedings, including the 11 leases assigned to the Purchaser pursuant to the Assignment Order. The real property leases that were not assumed by the Purchaser were disclaimed pursuant to the CCAA and operations at these locations were discontinued in November 2016. The Golf Town Entities no longer carry on any retail or business operations.

13. In connection with the closing of the Golf Town Transaction, the Vendors, the Purchaser and Golfsmith International Holdings, Inc. ("**Golfsmith International**")<sup>2</sup> entered into a Transition Services Agreement (the "**TSA**") to facilitate the transition of the Golf Town Business. Pursuant to the TSA, Golfsmith International provided transition services to the Purchaser in respect of the Golf Town Business for a one-year period after closing and the costs of such services were paid by the Vendors through the release of escrow amounts held by the Monitor. The TSA expired on October 31, 2017 and neither Golf Town nor Golfsmith has any further transition obligations with respect to the Golf Town Business. The wind-down of the Golf Town Entities is now substantially complete and there are a limited number of remaining administrative matters to be completed prior to the termination of the CCAA proceedings.

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<sup>2</sup> Golfsmith International is a U.S. Debtor subject to the Chapter 11 proceedings.

**B. Chapter 11 Proceedings**

14. In connection with the Chapter 11 proceedings, the U.S. Debtors sold substantially all of their assets to Dick's Sporting Goods and a joint venture of three sales agents pursuant to a transaction (the "**Golfsmith Transaction**") that closed on November 2, 2016. In addition, the U.S. Debtors completed a sale of their head office and adjoining real property in Austin, Texas in January 2017.

15. Since the completion of the Golfsmith Transaction and related transition support services, the U.S. Debtors have been undertaking wind-down activities and working to finalize arrangements to facilitate their exit from the Chapter 11 proceedings in an efficient manner. To that end, the U.S. Debtors, the UCC and the U.S. Indenture Trustee have reached agreement in principle on a Global Settlement that would address the payment of claims asserted against the U.S. Debtors in respect of stub period rent and goods supplied to the U.S. Debtors in the 20 days prior to their Chapter 11 filing for which priority is asserted pursuant to Section 503(b)(9) of the Bankruptcy Code (the "**503(b)(9) Claims**").

16. Under the contemplated Global Settlement, the U.S. Debtors would pay stub period rent claims in full and reserve a pool of funds (in an amount which remains subject to discussion) for the *pro rata* payment of allowed 503(b)(9) Claims. Stub period rent is rent for the period from the Chapter 11 petition date to the next scheduled rent payment for a particular leased location. Rent for the corresponding post-filing period was previously paid to landlords of the Golf Town Business pursuant to the terms of the Initial Order.

17. An initial distribution will be made to Secured Noteholders upon approval of the Global Settlement and the remaining proceeds of the U.S. Debtors, following the payment of other wind-down costs, will also be distributed to Secured Noteholders. It is anticipated that the Global Settlement will include a mutual release of all claims between the parties subject to the Global Settlement, including the U.S. Debtors and their affiliates (including the Golf Town Entities), together with their respective directors, officers and other related persons.

18. Once the terms of the Global Settlement are finalized, the U.S. Debtors expect to schedule a Bankruptcy Court hearing in January or February 2018 at which they will seek approval of the Global Settlement in the form of orders (i) authorizing and approving procedures for the allowance, settlement and *pro rata* payment of 503(b)(9) Claims, and (ii) authorizing the dismissal of the Chapter 11 proceedings and granting related relief,

19. The contemplated Global Settlement would achieve a consensual resolution of claims against the U.S. Debtors and facilitate the completion of the Chapter 11 proceedings through a dismissal process with the support of the key stakeholder groups of the U.S. Debtors. It is contemplated that the dismissal, if approved by the Bankruptcy Court, would authorize the U.S. Debtors to terminate the Chapter 11 proceedings following the completion of certain wind-down activities, which the U.S. Debtors currently expect to complete in the first quarter of 2018.

20. Once the Global Settlement motions have been finalized and heard by the Bankruptcy Court, the Golf Town Entities expect to bring a final motion in the CCAA proceedings seeking an order that would, among other things, authorize the Golf Town Entities to distribute their remaining proceeds for the benefit of Secured Noteholders; approve certain releases in favour of the Golf Town Entities and their directors and officers; and authorize the termination of the

CCAA proceedings and the discharge of the Monitor upon the delivery of a Monitor's certificate. The Golf Town Entities believe that this approach will enable Golf Town and Golfsmith to conclude remaining matters in an efficient manner and to exit creditor protection on a coordinated basis in the first quarter of 2018.

## **II. CASH FLOWS AND ESTATE VALUE**

21. As authorized pursuant to previous orders of this Court and the Bankruptcy Court, the Company has used certain of the proceeds from business operations and the completed sale transactions to repay in full the obligations under the DIP Facility and the first-lien pre-filing Credit Facility.

22. The remaining proceeds of the Golf Town Entities' estate are held by the Monitor. I understand that the cash flow forecast to be attached to the Monitor's Seventh Report will indicate that the Golf Town Entities have sufficient cash resources to operate to the end of the CCAA proceedings. Pursuant to the Approval and Vesting Order, the Monitor continues to maintain its reserves from the transaction proceeds to ensure the availability of funding in connection with the CCAA proceedings and the administration and wind-down of the Golf Town Entities' estate.

23. Based on current estimates, the U.S. Debtors are expected to have approximately US\$7 million of proceeds to distribute to Secured Noteholders following the payment of administrative claims and the completion of remaining wind-down activities in the Chapter 11 proceedings.

24. As described in greater detail in the Initial Affidavit, the Secured Notes have an aggregate principal amount of C\$125 million and were issued by GT Canada, as Canadian issuer, and Golfsmith International, as U.S. issuer. The obligations under the Notes Indenture are guaranteed by all material entities in the Golf Town and Golfsmith corporate group, including Golf Town Canada Holdings Inc., Golf Town GP II Inc. and Golf Town LP, each of which is subject to the CCAA proceedings. The Secured Notes are secured by a security interest in substantially all of the assets and property of Golf Town and Golfsmith.

25. Having regard to the Company's expected cash-on-hand upon completion of the CCAA and Chapter 11 proceedings, there will be insufficient value to repay in full the Company's obligations under the Notes Indenture. Accordingly, except with respect to certain administrative and priority claims, there is no value for unsecured creditors of the Company, including unsecured creditors of the Golf Town Entities.

### **III. THE STAY EXTENSION ORDER**

#### **A. Extension of the CCAA Stay of Proceedings**

26. The current stay of proceedings in respect of the Golf Town Entities expires on December 15, 2017. The Stay Extension Order provides for the extension of the Stay Period to March 30, 2018.

27. The Golf Town Entities continue to act diligently and in good faith to advance the wind-down of the Golf Town estate and the completion of these CCAA proceedings. A brief extension of the stay of proceedings is required while the U.S. Debtors finalize and seek Bankruptcy Court approval of the contemplated Global Settlement and the Golf Town Entities,

with the assistance of their advisors and the Monitor, complete a limited number of remaining administrative matters. Once the Global Settlement has been finalized and the process and timeline for completion of the Chapter 11 proceedings has been approved, the Golf Town Entities intend to bring a final motion in the CCAA proceedings to obtain approval for the distribution of the Golf Town Entities' remaining estate and the termination of the CCAA proceedings. As estate distribution matters will be addressed in the CCAA proceedings, the Golf Town Entities do not anticipate making assignments in bankruptcy.

28. Given the Golf Town Entities' existing circumstances, I do not believe that any creditor will suffer any material prejudice as a result of the extension of the Stay Period. I understand that the Monitor supports the proposed extension of the Stay Period.

**B. Expansion of Monitor's Powers**

29. Following the completion of the Golf Town Transaction and the transition of the Golf Town Business to the Purchaser, the Golf Town Entities have no remaining operations or employees. Given the limited financial and personnel resources of the Golf Town Entities, the Golf Town Entities are seeking an expansion of the Monitor's powers during the brief period prior to the termination of the CCAA proceedings to ensure that the Golf Town Entities have the capacity and resources to complete an orderly and efficient wind-down of their estate.

30. The proposed Stay Extension Order provides that the Monitor is authorized, but not obligated, to take such actions, execute such documents and enter into such arrangements, in the name and on behalf of the Golf Town Entities, as the Monitor, in consultation with counsel to the Golf Town Entities and the CRO, considers necessary or desirable to facilitate the administration

and winding up of the Golf Town Entities' estate and the completion of the CCAA proceedings. The Order provides that the Monitor shall continue to have the rights, protections and priorities afforded to the Monitor by the CCAA and the Initial Order and that the Monitor shall not be liable for any act or omission on the part of the Monitor in carrying out the provisions of the Order, save and except for any gross negligence or wilful misconduct on its part.

31. By virtue of its involvement since the outset of the CCAA proceedings, the Monitor has a high degree of familiarity with the Golf Town Entities and their current circumstances. The Golf Town Entities have a limited scope of remaining activity over the course of the coming months and the Monitor has the capacity and resources to assist the Golf Town Entities in the completion of those activities. It is expected that the Monitor will assist the Golf Town Entities in connection with, among other things, cash flow and sales tax reporting functions, obtaining sales tax refunds, and executing ancillary documents on behalf of the Golf Town Entities.

32. Since the Monitor will have continued involvement with the Golf Town Entities in its capacity as CCAA monitor, the expansion of the Monitor's powers to take actions in the name and on behalf of the Golf Town Entities is an efficient arrangement that avoids duplication of costs or the expenditure of additional resources. In the circumstances, the Golf Town Entities believe that the granting of enhanced powers to the Monitor is in the best interests of the Golf Town Entities and their stakeholders and will facilitate the completion of remaining matters in an efficient and orderly manner.

33. The Golf Town Entities and their counsel consulted with the Monitor and its counsel in connection with this motion and the contemplated expansion of the Monitor's powers. I

understand that the Monitor is prepared to accept an expansion of its powers on the terms contemplated and subject to the protections set forth in the proposed Stay Extension Order.

**IV. CONCLUSION**

34. In connection with the CCAA proceedings, the Golf Town Entities have completed a sale of substantially all of their business and assets and transitioned the Golf Town Business to the Purchaser on a going concern basis for the benefit of its stakeholders. The Golf Town Entities are now in the final stages of completing remaining wind-down matters and working with the U.S. Debtors to achieve a coordinated exit from CCAA and Chapter 11 protection. The relief requested in the Stay Extension Order will enable the Golf Town Entities, with the oversight and assistance of the Monitor, to complete remaining matters and bring the CCAA proceedings to a conclusion in the near term.

35. Accordingly, I swear this affidavit in support of the Stay Extension Order and for no improper purpose.

SWORN before me at the City of Dallas, in the State of Texas, on December 8, 2017.

A Commissioner for taking affidavits



Brian Cejka



**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.**

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

Applicants

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

**AFFIDAVIT OF BRIAN CEJKA  
(Sworn December 8, 2017)**

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**ONTARIO  
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**MOTION RECORD OF THE APPLICANTS  
(Motion Returnable December 12, 2017)**

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