

**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 January 25, 2017)**

**GOODMANS LLP**  
Barristers & Solicitors  
Bay Adelaide Centre  
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

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SUPERIOR COURT OF JUSTICE  
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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 January 25, 2017)**

Golf Town Canada Holdings Inc., Golf Town Canada Inc. ("**GT Canada**"), Golf Town GP II Inc., Golf Town Operating Limited Partnership ("**Golf Town LP**") 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 January 25, 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 extending the Stay Period (as defined in the Initial Order) to and including July 31, 2017; 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 pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") pursuant to an Initial Order of this Court dated September 14, 2016;

2. On September 30, 2016, the 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**”) pursuant to a Purchase Agreement dated as of September 14, 2016 between GT Canada and Golf Town LP (together, the “**Vendors**”) and the Purchaser. The Golf Town Transaction closed on October 31, 2016;<sup>1</sup>
3. Following the completion of a post-closing occupancy period during which the Purchaser finalized arrangements with the Vendors’ landlords with respect to the assignment and/or amendment of real property leases, the Purchaser has assumed the real property leases for 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 of the Court dated October 27, 2016;
4. 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. While the Golf Town Transaction is complete, the Company continues to provide transition services in respect of the Golf Town Business pursuant to a Transition Services Agreement between the Purchaser, the Vendors and Golfsmith International. At this time, the Vendors anticipate that transition services will be complete on or around May 2017;
6. The Golfsmith entities, which initiated Chapter 11 proceedings concurrently with the CCAA application, have completed the sale of substantially all of their business and assets and are undertaking wind-down activities and working with their stakeholders to determine the manner and timing of their exit from the Chapter 11 proceedings;

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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 David Roussy sworn January 18, 2017.

7. The Golf Town Entities are seeking an extension of the stay of proceedings while they complete the transition of the Golf Town Business, finalize remaining wind-down activities with the assistance of the Monitor in a cost-effective and efficient manner, and bring the CCAA proceedings to an orderly conclusion;
8. 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;
9. The Golf Town Entities have continued to work diligently and in good faith to transition the Golf Town Business to the Purchaser on a going concern basis and to complete an orderly wind-down of remaining operations;
10. The extension of the stay of proceedings is supported by the Monitor;
11. The provisions of the CCAA and this Court's equitable and statutory jurisdiction thereunder;
12. 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; and
13. 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 David Roussy sworn January 18, 2017;
2. The Monitor's Fifth Report; and
3. Such further and other materials as counsel may advise and this Court may permit.

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Date: January 18, 2017

**GOODMANS LLP**  
Barristers & Solicitors  
Bay Adelaide Centre  
333 Bay Street, Suite 3400  
Toronto, Canada M5H 2S7

Robert J. Chadwick	LSUC#: 35165K
Melaney Wagner	LSUC#: 44063B
Bradley Wiffen	LSUC#: 64279L

Tel: (416) 979-2211

Fax: (416) 979-1234

Lawyers for the Applicants

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  
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TOWN GP II INC.**

Applicants

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF MOTION  
(Motion Returnable January 25, 2017)**

**GOODMANS LLP**

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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

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Lawyers for the Applicants

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

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

<b>THE HONOURABLE</b>	)	<b>WEDNESDAY, THE 25<sup>TH</sup></b>
	)	
<b>JUSTICE NEWBOULD</b>	)	<b>DAY OF JANUARY, 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.**

**STAY EXTENSION ORDER**

THIS MOTION, made by 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**”), 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 January 18, 2017 and the Fifth Report of FTI Consulting Canada Inc., in its capacity as monitor of the Golf Town Entities (the “**Monitor**”) in the within proceedings, and on hearing the submissions of counsel for the Golf Town Entities, the Monitor and such other counsel as were present and wished to be heard:

1. **THIS COURT ORDERS** that the Stay Period, as such term is defined in and used throughout the Order of this Court dated September 14, 2016 (as amended, the “**Initial Order**”), be and is hereby extended to and including 11:59 p.m. on July 31, 2017 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.

2. **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.

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**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  
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Applicants

<p><b>ONTARIO SUPERIOR COURT OF JUSTICE COMMERCIAL LIST</b> Proceeding commenced at Toronto</p>
<p><b>STAY EXTENSION ORDER</b></p>
<p><b>GOODMANS LLP</b> Barristers &amp; Solicitors 333 Bay Street, Suite 3400 Toronto, Canada M5H 2S7</p> <p>Robert J. Chadwick LSUC#: 35165K rchadwick@goodmans.ca</p> <p>Melaney Wagner LSUC#: 44063B mwagner@goodmans.ca</p> <p>Bradley Wiffen LSUC#: 64279L bwiffen@goodmans.ca</p> <p>Tel: (416) 979-2211 Fax: (416) 979-1234</p> <p>Lawyers for the Applicants</p>

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**AFFIDAVIT OF DAVID ROUSSY  
(sworn January 18, 2017)**

I, David Roussy, of the City of Toronto, in the Province of Ontario, MAKE OATH AND SAY:

1. I am the Chief Executive Officer of Golf Town Canada Inc. ("**GT Canada**") and Golfsmith International Holdings, Inc. ("**Golfsmith International**") 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. On September 14, 2016, Golf Town Canada Holdings Inc., GT Canada and Golf Town GP II Inc. (collectively, the "**Applicants**") sought and obtained an Order of this Court (as

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amended, the “**Initial Order**”) providing creditor protection to the Applicants under the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (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 (the “**Monitor**”) of the Golf Town Entities in the CCAA proceedings.<sup>1</sup> The following chart sets out the key dates 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 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.

3. On September 30, 2016, this Court issued the 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.

4. The Golf Town Transaction closed on October 31, 2016 and the Purchaser exercised its option under the Purchase Agreement to occupy certain of Golf Town’s retail locations during a

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<sup>1</sup> Capitalized terms used and not otherwise defined in this affidavit have the meanings given to them in my affidavit sworn September 13, 2016 (the “**Initial Affidavit**”).

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post-closing occupancy period (the “**Occupancy Period**”) while the Purchaser completed negotiations with Golf Town’s landlords with respect to the assignment and/or amendment of the related real property leases. The Occupancy Period is now complete and the Purchaser has assumed the real property leases for 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. While the Golf Town Transaction is complete, the Company continues to provide transition services in respect of the Golf Town Business pursuant to the TSA (as described further below).

5. Concurrently with the CCAA application, certain Golfsmith entities (the “**U.S. Debtors**”) initiated voluntary Chapter 11 proceedings 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. As described further below, on October 31, 2016, the Bankruptcy Court approved the sale of substantially all of the U.S. Debtors’ assets to Dick’s Sporting Goods (“**DSG**”) and an agent (the “**Agent**” and, together with the Agent, the “**Golfsmith Purchaser**”) formed through a joint venture of three sales agents. The Golfsmith Transaction closed on November 2, 2016. In addition, as described in greater detail below, Golfsmith expects to complete a sale of its head office and adjoining real property in Austin, Texas (the “**Austin Property**”) in the coming days.

6. This affidavit is sworn in support of the Golf Town Entities’ motion for an Order (the “**Stay Extension Order**”) that extends the Stay Period (as defined in the Initial Order) to July 31, 2017. The Golf Town Entities require an extension of the stay of proceedings while

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they complete the transition of the Golf Town Business, finalize remaining wind-down activities with the assistance of the Monitor in a cost-effective and efficient manner, and bring these CCAA proceedings to an orderly conclusion.

#### **I. COMPLETION OF THE GOLF TOWN TRANSACTION**

7. As described in more detail in the Monitor's Fourth Report dated November 16, 2016, the Golf Town Transaction closed on October 31, 2016. In accordance with the Purchase Agreement, the Purchaser gave notice that it would occupy 35 Golf Town premises (the "Occupied Premises") during a 60-day Occupancy Period while it advanced and completed negotiations with the respective landlords regarding the assignment and/or amendment of the related real property leases. While the Purchaser reached agreement with substantially all of the landlords of the Occupied Premises during the 60-day period, the Purchaser indicated in December 2016 that additional time was needed to finalize definitive documentation with a limited number of landlords. Accordingly, the Vendors and the Purchaser, with the consent of the Monitor, entered into an Amendment Agreement dated as of December 15, 2016 to extend the Occupancy Period by an additional 30 days (i.e. to January 31, 2017) to facilitate the finalization of lease arrangements.

8. The Purchaser has now reached agreement with the respective landlords for all of the Occupied Premises and the applicable leases have been assigned by the Vendors to the Purchaser. The Vendors have paid the cure costs for which they are responsible pursuant to the Purchase Agreement in respect of such leases, except in respect of two leases for which Golf Town and the respective landlord are in discussions regarding cure costs. The real property leases that were not assumed by the Purchaser were disclaimed pursuant to the CCAA and

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operations at these locations were discontinued in November 2016. Accordingly, the Golf Town Entities no longer carry on any retail operations.

9. Following the completion of the Golf Town Transaction, the Vendors and the Purchaser reached agreement on the post-closing purchase price adjustment based on the working capital of the Golf Town Business on the closing date. The adjustment was satisfied through the release to the Purchaser in December 2016 of certain of the sale proceeds held in reserve by the Monitor pursuant to the Approval and Vesting Order. I understand that the working capital adjustment and the reserves that continue to be held by the Monitor in respect of the CCAA proceedings and the wind-down of the Golf Town Entities' estate will be described in greater detail in the Monitor's Fifth Report to be filed in connection with the Golf Town Entities' motion for the Stay Extension Order.

10. In connection with the closing of the Golf Town Transaction, the Vendors, the Purchaser and Golfsmith International entered into a Transition Services Agreement (the "TSA") to facilitate the orderly transition of the Golf Town Business. Pursuant to the TSA, Golfsmith International continues to provide transition services to the Purchaser and the costs of such services are paid by the Vendors through the release of escrow amounts held by the Monitor. The term of the TSA extends until October 31, 2017, subject to certain Purchaser extension rights or earlier termination on mutual agreement of the parties. At this time, the Vendors anticipate that transition services will be complete on or around May 2017, in advance of the full term of the TSA.

11. The Golf Town Entities and their advisors continue to have discussions with, and to respond to inquiries from, various stakeholders, including landlords and government agencies,

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regarding the implementation of the Golf Town Transaction, the CCAA proceedings, and other matters.

## **II. THE CHAPTER 11 PROCEEDINGS AND THE GOLFSMITH TRANSACTION**

12. On September 14, 2016, the U.S. Debtors initiated voluntary Chapter 11 proceedings in the Bankruptcy Court. As noted in my earlier affidavits sworn in these proceedings, the U.S. Debtors pursued a dual-track strategy in the Chapter 11 proceedings to advance the Golfsmith Restructuring with the Supporting Noteholders and to explore the potential for other value-maximizing transactions for the Golfsmith Business pursuant to a sale process undertaken in accordance with the terms of the DIP Agreement.

13. As part of this dual-track strategy, the U.S. Debtors conducted an auction of their assets commencing on October 19, 2016, and on October 21, 2016 designated the bid of the Golfsmith Purchaser as the successful bid, to be undertaken by the U.S. Debtors in the event that it was ultimately determined that the Company would pursue a sale transaction rather than the Golfsmith Restructuring. After a thorough review of options and alternatives, the board of directors of Holdings GP, following consultation with the Company's legal and financial advisors, determined that the Golfsmith Transaction was the best available transaction alternative for the Company and its stakeholders.

14. The Bankruptcy Court approved the Golfsmith Transaction on October 31, 2016 and the transaction closed on November 2, 2016. DSG will continue to operate approximately 30 of Golfsmith's retail store locations, which DSG intends to rebrand under its Golf Galaxy Division. The inventory at Golfsmith's other retail store locations was sold by the Agent and operations at these locations were discontinued on or before December 31, 2016.

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15. In addition, the Company is completing a sale of the Austin Property in connection with the wind-down of the Company. On November 22, 2016, certain of the U.S. Debtors entered into a purchase agreement with B.H. Management, Inc. (“**BHM**”) to serve as a stalking horse transaction in connection with an auction for the Austin Property. The Company did not receive any superior bids for the Austin Property and accordingly sought and obtained Bankruptcy Court approval on January 17, 2017 to sell the Austin Property to BHM. The transaction provides for a purchase price of US\$20.5 million and is expected to close on or before January 20, 2017.

16. As a result of the Golfsmith Transaction and the sale of the Austin Property, the U.S. Debtors have sold substantially all of their business and assets. Similar to the Golf Town Transaction, Golfsmith is also providing transition services to DSG under a transition services agreement. Golfsmith is also undertaking other wind-down activities and is in discussions with its stakeholders to determine the manner and timing of its exit from Chapter 11 proceedings.

### **III. LIQUIDITY AND CASH FLOWS**

17. As authorized pursuant to the Approval and Vesting Order, the Monitor, on behalf of the Golf Town Entities, paid to Antares Capital LP, in its capacity as DIP Agent and First Lien Agent, the net proceeds from the Golf Town Transaction after the holdback of certain reserves related to the completion of the transaction and the CCAA proceedings. As a result of the payment of these amounts and certain of the proceeds from the Golfsmith Transaction, the Company has repaid in full the obligations under the DIP Facility and the first-lien Credit Facility.

18. Subject to further Orders from this Court and the Bankruptcy Court, the net proceeds from the sale of the Austin Property, as well as any remaining reserves and other net amounts

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following the wind-down of the Company's estate, will be used to repay amounts owing in respect of the second-lien Secured Notes. As noted in my Initial Affidavit, there is insufficient value to repay in full the obligations under the Secured Notes and accordingly there is no value for unsecured creditors of the Company.

19. As indicated in the cash flow forecast to be attached to the Monitor's Fifth Report, the Golf Town Entities will have sufficient funding to operate to the end of the requested Stay Period. The primary use of funds during this period relates to the payment of amounts to Golfsmith International pursuant to the TSA and expenses incurred in connection with the wind-down of the Golf Town Entities' estates. The Monitor continues to hold necessary reserves, as authorized pursuant to the Approval and Vesting Order, in order to fund these expenditures.

#### **IV. EXTENSION OF THE STAY OF PROCEEDINGS**

20. The current stay of proceedings in respect of the Golf Town Entities is for the period until and including January 31, 2017. In the proposed Stay Extension Order, the Golf Town Entities are seeking an extension of the stay of proceedings until July 31, 2017. During the Stay Period, the Golf Town Entities, with the assistance of their advisors and the Monitor, intend to, among other things:

- (a) support the transition of the Golf Town Business pursuant to the TSA;
- (b) undertake and complete wind-down activities and other remaining matters in consultation with affected stakeholders;
- (c) finalize a process for the distribution of their remaining reserves; and

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- (d) monitor the status of the Chapter 11 proceedings and work with the U.S. Debtors to achieve a coordinated wind-down and exit from creditor protection.

21. The Golf Town Entities intend to bring a final motion before this Court at the appropriate time to terminate the CCAA proceedings and address related matters. The Golf Town Entities hope to be in a position to bring the final motion prior to the expiry of the proposed Stay Period, but are seeking an extension of the Stay Period until July 31, 2017 to ensure that they do not incur the expense of bringing an interim motion prior to the resolution of remaining matters. 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 until July 31, 2017.

## **V. CONCLUSION**

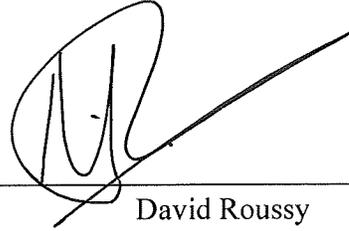
22. The Golf Town Entities have worked diligently and in good faith to complete the Golf Town Transaction and to transition the Golf Town Business to the Purchaser on a going concern basis for the benefit of their stakeholders. The Golf Town Entities require the ongoing benefit of the stay of proceedings while they work, with the assistance of the Monitor, to complete wind-down activities in a cost-effective and efficient manner to bring these CCAA proceedings to an orderly conclusion. In the circumstances, the extension of the stay of proceedings is in the best interests of the Golf Town Entities and their stakeholders.

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

SWORN before me at the City of Toronto, in the Province of Ontario, on January 18, 2017.



A Commissioner for taking affidavits



David Roussy

**Sarah Patricia Stothart, a Commissioner,  
in the Province of Ontario, while a  
Student-at-Law,  
expires April 13, 2018.**

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

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