

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

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

FIRST REPORT OF THE MONITOR

September 27, 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.

**FIRST 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, *inter alia*, a stay of proceedings against the Applicants until October 14, 2016, (the “**Stay Period**”) 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 will be referred to herein as the “**CCAA Proceedings**”.
2. The purpose of this, the Monitor’s First Report (the “**First Report**”), is to inform the Court on the following:

- (a) The activities of the Golf Town Entities and the Monitor since the commencement of the CCAA Proceedings;
- (b) The status of the Chapter 11 Proceedings initiated by the Golf Town Entities' U.S. affiliate, Golfsmith International Holdings, Inc. ("**GS Holdings**") and its subsidiaries and Golf Town USA, L.L.C. (collectively, the "**Golfsmith Entities**", and together with the Golf Town Entities, the "**Company**") to effect the proposed restructuring of the Golfsmith Entities (the "**Golfsmith Restructuring**") in accordance with the terms of a Support Agreement dated September 13, 2016 among GS Holdings, an affiliate of Fairfax Financial Holdings Limited ("**Fairfax**"), and CI Investments Inc. ("**CI**") on behalf of certain funds managed by it (the "**Support Agreement**");
- (c) The actual receipts and disbursements of the Golf Town Entities for the one-week period for the week ending September 17, 2016 compared to the cash flow forecast presented in the pre-filing report of the proposed monitor (the "**Pre-Filing Report**");
- (d) The Golf Town Entities' revised cash flow forecasts for the 19-week period from the week ending September 24, 2016 to the week ending January 28, 2017 (the "**Operational Cash Flow Forecast**") and the Monitor's comments with respect to the confidential sealing of a version of the Operational Cash Flow Forecast that contains the purchase consideration from the Golf Town Transaction (the "**Transaction Cash Flow Forecast**");
- (e) The opinion on the validity of the security held by the First Lien Agent on behalf of the Company's first lien lenders under a Credit Agreement (the "**First Lien Lenders**") dated July 24, 2012, as amended (the "**Credit Agreement**"), and the Second Lien Agent on behalf of the holders of Secured Notes under a Notes Indenture (the "**Secured Noteholders**") dated July 24, 2012 (the "**Notes Indenture**"), as prepared by the Monitor's independent legal counsel, Osler, Hoskin & Harcourt LLP ("**Osler**");

- (f) The Monitor's comments regarding the Applicants' request for the CCAA Charges to rank in priority to certain Encumbrances in accordance with the terms of a stay extension and priority order (the "**Stay Extension and Priority Order**") and the Monitor's recommendation to the Court with respect to same;
 - (g) The Monitor's comments regarding: (i) the Golf Town Entities' request for the Court's approval of the proposed sale of the Golf Town 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 9918167 Canada Inc. (the "**Purchaser**"), an entity owned by Fairfax and certain investment funds managed by CI, as purchaser, and (ii) the proposed sealing of certain confidential information with respect to the Golf Town Transaction, all in accordance with the terms of a proposed sale approval and vesting order (the "**Approval and Vesting Order**") and the Monitor's recommendation to the Court with respect to the requested approval of the Golf Town Transaction; and
 - (h) The Monitor's comments regarding the Applicants' request for an extension of the Stay Period to January 31, 2017 in accordance with the terms of the Stay Extension and Priority Order and the Monitor's recommendation to the Court with respect to same.
3. In preparing this First 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.
4. 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 First Report or relied on in its preparation. Future oriented financial information reported or relied on in preparing this

First Report is based on Management's assumptions regarding future events; actual results may vary from the forecast and such variations may be material.

5. Unless otherwise stated, all monetary amounts contained herein are expressed in United States Dollars. Capitalized terms not otherwise defined herein have the meanings defined in the Pre-Filing Report, the Initial Order or in the affidavit of Mr. Robert White sworn September 26, 2016 and filed in support of the Applicants' sale motion (the "**White Affidavit**"). Copies of Court orders, the White Affidavit, the second affidavit of Mr. David Roussy sworn September 23, 2016 and filed in support of the Applicants' stay extension motion (the "**Second Roussy Affidavit**"), and other materials in respect of the CCAA Proceedings are available on the Monitor's Website at <http://cfcanada.fticonsulting.com/golftown/>.

A. THE ACTIVITIES OF THE GOLF TOWN ENTITIES AND THE MONITOR

6. To date, the Golf Town Entities and the Company's Management and staff have provided the Monitor with their full co-operation and all necessary access to the Golf Town Entities' premises, books and records. The Monitor has implemented procedures for the monitoring of the Golf Town Entities' operations, receipts and disbursements – including the monitoring of intercompany amounts accruing between the Golf Town Entities and the Golfsmith Entities – and the Company's cash management system. The Monitor is also assisting the Golf Town Entities in their dealings with employees, suppliers, creditors and other interested parties.
7. The Monitor has established a website at <http://cfcanada.fticonsulting.com/golftown/> (the "**Monitor's Website**") on which regular updates on the CCAA Proceedings are being posted, together with all Court materials filed in the CCAA Proceedings. In addition, the Monitor has established contact numbers (416-649-8096 and 1 855-718-5255) and an email address (golftown@fticonsulting.com) to allow stakeholders to communicate directly with the Monitor in order to address any questions or concerns in respect of the CCAA Proceedings.
8. Pursuant to paragraph 58 of the Initial Order, the Monitor:

- (a) on September 17 and September 24, 2016, published an initial notice in English in the Globe and Mail (National Edition), and in French in La Presse;
 - (b) on September 14, 2016, made the Initial Order publicly available by posting it on the Monitor's Website;
 - (c) on September 16, 2016, with the assistance of the Golf Town Entities, sent a notice in the prescribed manner to every known creditor with a claim against the Golf Town Entities of more than CDN\$1,000, and also made this notice available on its website in both English and French; and
 - (d) on September 17, 2016, posted a list of creditors, other than the names or addresses of individuals, on the Monitor's Website.
9. Additionally, pursuant to paragraph 60 of the Initial Order, the Monitor has created a Service List which has been posted to the Monitor's Website and is updated on an ongoing basis.
10. Immediately after the granting of the Initial Order, the Monitor and the Golf Town Entities began contacting certain suppliers of the Golf Town Entities to inform them of the granting of the Initial Order. Suppliers of the Golf Town Entities received a letter from David Roussy dated September 14, 2016 (the "**Supplier Letter**"), informing them of the initiation of the CCAA Proceedings. The Supplier Letter was also posted on the Monitor's Website. Many suppliers were also contacted by telephone by relevant personnel of the Golf Town Entities.
11. Since the commencement of the CCAA Proceedings, the Golf Town Entities and the Monitor have had numerous meetings and discussions with suppliers and other creditors. Although some of the discussions with suppliers have been challenging, Management is working to resolve the issues in a timely manner to sustain and replenish store inventory levels, and has been able to maintain going concern operations since the Filing Date with minimal disruptions. The Golf Town Entities, with the assistance of the Monitor, will continue to work to resolve supplier concerns during this interim period between the Filing Date and the targeted closing of the Golf Town Transaction. The Monitor understands that

certain key suppliers have also been in contact with representatives of the Purchaser since the public announcement of the Golf Town Transaction.

12. In addition, the Monitor has received numerous calls and emails to the Monitor's hotline and mailbox. These enquiries have been primarily from suppliers and landlords requesting additional information with respect to the impact of the CCAA Proceedings on their accounts or to discuss the terms of ongoing supply. Other enquiries have been from certain holders of the Secured Notes, and other parties expressing interest in potentially acquiring assets or participating in the Golfsmith Restructuring.
13. The Golf Town Entities and the Monitor have also endeavoured to ensure that there is open and ongoing communication with employees. Immediately following the granting of the Initial Order, "town hall" meetings were held for employees located at the Golf Town Entities' various retail stores and employees located at the Golf Town Entities' corporate office in Vaughan, Ontario and the Company's head office in Austin, Texas. A "Frequently Asked Questions" document addressing common questions arising in respect of a CCAA proceeding was discussed and provided to employees at each retail store and at the Golf Town Entities' corporate office. As part of these communications, employees were informed of the Monitor's Website, hotline and mailbox so they could obtain additional information on the CCAA Proceedings and contact the Monitor directly with any questions or concerns.
14. The Monitor has had representatives on-site at the Company's head office in Austin, Texas and has worked closely with Management and A&M to deal with issues that have arisen since the Filing Date.
15. The Monitor has also attended, in person and by telephone, meetings with the Purchaser, the Golf Town Entities' management, A&M and their respective counsel to discuss the proposed Transition Services Agreement (as defined below) and the other steps to be taken to ensure that closing of the Golf Town Transaction occurs on a timely basis. The Monitor and its counsel have also communicated regularly and frequently with the Golf Town Entities' counsel and counsel to the Purchaser and are being kept informed on progress towards closing the Golf Town Transaction. The Monitor will continue to monitor such progress, in light of the milestones in the DIP Agreement set out below and inform the

Court thereon and will work with all parties to assist in achieving a closing of the Golf Town Transaction on a timely basis.

Finalization of the DIP Agreement

16. The Initial Order granted by the Court previously authorized the Golf Town Entities to borrow under a DIP Facility pursuant to a DIP Agreement substantially in the form attached to the affidavit of David Roussy filed in support of the Initial Application (the “**First Roussy Affidavit**”). As indicated in the Second Roussy Affidavit, after the Filing Date, the Golf Town Entities and the DIP Agent continued discussions with respect to the finalization of the DIP Agreement. The Monitor or its counsel participated in certain of these discussions, which focussed on milestones that would apply to the CCAA Proceedings and the Chapter 11 Proceedings. The final version of the DIP Agreement, including the final agreed upon milestones set out in Schedule 4.20, was executed on September 19, 2016. A copy of the DIP Agreement (without exhibits or schedules except for schedule 4.20) is attached as an Exhibit to the Second Roussy Affidavit.
17. The first advance to the Golf Town Entities made pursuant to the DIP Agreement was made on September 20, 2016, and the Golf Town Entities’ cash flow is discussed in further detail below.

B. THE CHAPTER 11 PROCEEDINGS

18. On September 14, 2016, the Golfsmith Entities (also referred to in this section as the “**Debtors**”) filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code (the “**Chapter 11 Proceedings**”) in the United States Bankruptcy Court for the District of Delaware (the “**U.S. Bankruptcy Court**”).
19. On September 15, 2016, a “first day hearing” was held in the Chapter 11 Proceedings. The Monitor and its counsel participated in the first day hearing by phone. The U.S. Bankruptcy Court granted the Golfsmith Entities several first day orders including the following:
 - (a) *Order Directing Joint Administration of the Chapter 11 Cases;*
 - (b) *Interim Order Approving Adequate Assurance of Payment for Future Utility Services;*

- (c) *Interim Order Authorizing the Payment of Pre-Petition Taxes and Fees;*
 - (d) *Interim Order Authorizing the Payment of Employee Wages;*
 - (e) *Interim Order Authorizing the Payment of Pre-Petition Shipper Claims;*
 - (f) *Interim Order Authorizing the Maintenance of Pre-Petition Customer Programs;*
and
 - (g) *Interim Order Approving Procedures For Store Closing Sales.*
20. On September 15, 2016, the U.S. Bankruptcy Court also granted an *Interim Order Authorizing the Continuation of the Cash Management System* (the “**U.S. Cash Management Order**”) and an *Interim Order Approving Post-Petition Financing* (the “**U.S. DIP Order**”). Both the U.S. Cash Management Order and the U.S. DIP Order are of importance to the Golf Town Entities’ CCAA Proceedings.
21. The U.S. Cash Management Order provides the Debtors with the authority to: (i) continue using their existing cash management system and bank accounts; and (ii) make intercompany transfers with the Golf Town Entities. Pursuant to paragraph 7 of the U.S. Cash Management Order, all post-petition intercompany claims owing to the Golf Town Entities shall be granted administrative expense status in the Chapter 11 Proceedings. This provision is in effect a reciprocal provision to the Intercompany Charge granted in the Initial Order. Paragraph 2 of the U.S. Cash Management Order further stipulates that transfers from the Golfsmith Entities to the Golf Town Entities shall not exceed \$2 million in the aggregate. Finally, paragraph 13 of the U.S. Cash Management Order states that the Debtors shall provide FTI Consulting, as Monitor in the CCAA Proceedings, with access to records and information that the Monitor requests in connection with its obligation to monitor intercompany claims, transfers, receipts and payments in respect of the DIP Facility, the Credit Agreement and expenses and disbursements pursuant to the global cash management system. To date, the Debtors have provided the Monitor with their full cooperation with respect to the foregoing and have provided the Monitor with all necessary access to such records and information. A copy of the U.S. Cash Management Order is attached as Appendix “A” hereto.

22. The U.S. DIP Order: (i) authorizes the Debtors to obtain the DIP Facility pursuant to the terms of the DIP Agreement; (ii) grants liens and super-priority administrative expense claims to the DIP Agent on the DIP collateral; and (iii) authorizes the Debtors to use cash collateral of the First Lien Lenders and the Secured Noteholders in connection with the Chapter 11 Proceedings, subject to the adequate protection granted to such pre-petition secured creditors. A copy of the U.S. DIP Order is attached as Appendix “B” hereto.
23. On October 13, 2016, the Golfsmith Entities will be seeking the issuance of final orders from the U.S. Bankruptcy Court with respect to the interim orders listed above.
24. On October 5, 2016, the Golfsmith Entities will be seeking the issuance of an *Order Approving Bidding Procedures for the Sale of the Debtors’ Assets* (the “**U.S. Bidding Procedures Order**”) from the U.S. Bankruptcy Court. The U.S. Bidding Procedures Order would, among other things, approve bidding procedures with respect to soliciting bids for the Golfsmith Business and procedures for the assignment and assumption of certain of the Debtors’ contracts.
25. If approved by the U.S. Bankruptcy Court in its current form, the U.S. Bidding Procedures Order would provide for an auction process commencing no later than October 17, 2016 with a sale closing date of October 31, 2016.
26. The Monitor understands that the purpose of the U.S. Bidding Procedures Order is to provide for a dual-track restructuring process in the Chapter 11 Proceedings that is intended to maximize value for the benefit of stakeholders. Pursuant to the terms of the Support Agreement, the Company is advancing the Golfsmith Restructuring with Supporting Noteholders, while simultaneously pursuing an alternative transaction that could provide a superior outcome for the Company and its stakeholders, including the Secured Noteholders. A sale in accordance with the procedure outlined in the U.S. Bidding Procedures Order may result in such an alternative transaction.
27. The Monitor’s Website, <http://cfcanada.fticonsulting.com/GolfTown/>, contains a direct link to the docket for the Chapter 11 Proceedings. Further details pertaining to the U.S. Bidding Procedures Order and other aspects of the Chapter 11 Proceedings are available

through the aforementioned link. The Monitor intends to continue to monitor the Chapter 11 Proceedings and will report further on material development in future reports.

C. RECEIPTS & DISBURSEMENTS FOR THE ONE-WEEK PERIOD FOR THE WEEK ENDING SEPTEMBER 17, 2016

28. The Golf Town Entities’ actual net cash flow on a consolidated basis for the one-week period for the week ending September 17, 2016 was approximately \$3.72 million, compared to a forecast amount of \$(1.06) million as noted in the initial Cash Flow Forecast filed as Appendix “B” to the Pre-Filing Report – representing a positive variance of approximately \$4.77 million as summarized below:

Golf Town Entities

Cash Flow Budget-to-Actual Variance Analysis

(USD, 000s)

	Ref.	Week Ended - September 17, 2016		
		Actual	Budget	Variance
Receipts	A	\$ 3,758	\$ 3,769	\$ (11)
<u>Operating and Non-Operating Disbursements</u>				
Operating Disbursements	B	(2)	(2,525)	2,523
Non-Operating Cash Flows	C	(41)	(2,303)	2,262
Total Disbursements	D=B+C	(43)	(4,828)	4,785
Net Cash Inflows / (Outflows)	A+D	\$ 3,715	\$ (1,059)	\$ 4,774
Book Cash				
Opening Book Cash Balance		\$ 292	\$ 300	\$ (8)
Add: Receipts	A	3,758	3,769	(11)
Less: Adjustment for Stayed Disbursements included in Receipts		(42)	-	(42)
Less: Pre-Petition ABL / FILO (Repayments)		(2,314)	(3,769)	1,455
Less: Unapplied Pre-Petition ABL Paydown		(1,255)	-	(1,255)
Book Cash Available After Pre-Petition ABL / FILO Repayments		439	300	139
Less: Total Disbursements	D	(43)	(4,828)	4,785
Less: Intercompany Transfers (Pre-Filing)		(270)	-	(270)
Net DIP Borrowing Requirement		126	(4,528)	4,654
Add: DIP Borrowings / (Repayments)		-	4,528	(4,528)
Ending Book Cash Balance		\$ 126	\$ -	\$ 126

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

29. Explanations for the key variances in actual receipts and disbursements as compared to the initial Cash Flow Forecast are as follows:
- (a) Receipts were \$3.76 million, compared to a forecast amount of \$3.77 million, which resulted in a negative variance of \$0.01 million due to sales being nominally lower than the forecast.

- (b) Total disbursements were \$0.04 million, compared to a forecast amount of \$4.83 million, which resulted in a positive variance of \$4.79 million. This significant variance represents a timing variance as disbursements expected to be incurred during the week ending September 17, 2016 are now forecasted to be incurred primarily during the weeks ending September 24, 2016 and October 1, 2016. These disbursements were not made during the week ending September 17, 2016 as DIP funding was not available to the Golf Town Entities until the week ending September 24, 2016, thus disbursements could not be paid until this time.
 - (c) An intercompany transfer was initiated from the Golf Town Entities to the Golfsmith Entities in the amount of \$0.27 million, compared to a forecast amount of nil, which resulted in a negative variance of \$0.27 million. The intercompany transfer was made as part of the Company's on-going management of the cash positions of both the Golf Town Entities and the Golfsmith Entities in accordance with their intercompany cash management policies. The Golf Town Entities have recorded an account receivable for this amount and the Golfsmith Entities have recorded the corresponding account payable.
30. On a consolidated basis as summarized below, total liquidity available to the Golf Town Entities and the Golfsmith Entities during the week ending September 17, 2016 was \$10.3 million compared to \$6.8 million as originally forecast and as outlined in paragraph 79 of the Pre-Filing Report. We note that the unapplied pre-petition ABL paydown of \$2.2 million represents amounts that have been disbursed by the Company, but not yet applied to the pre-petition ABL balance as at September 17, 2016.

Consolidated Golfsmith Entities and Golf Town Entities

Liquidity Variance Analysis (based on bank cash balance)

(USD, 000s)

	Week Ended - September 17, 2016		
	Actual	Budget	Variance
Net Borrowing Base	106,300	107,047	(747)
Facility Size	135,000	135,000	-
Maximum Borrowing Availability	\$ 106,300	\$ 107,047	\$ (747)
Less: Pre-Petition ABL Balance (Including LCs)	87,707	82,624	5,083
Less: Unapplied Pre-Petition ABL Paydown	(2,215)	-	(2,215)
Less: Pre-Petition FILO	11,695	11,250	445
Less: DIP ABL Balance (Including LCs)	1,574	6,855	(5,281)
Total ABL Balance	98,761	100,729	(1,968)
Excess Availability / (Over Advance)	7,539	6,318	1,220
Add: Bank Cash	2,737	500	2,237
Total Liquidity	\$ 10,276	\$ 6,818	\$ 3,457

D. REVISED AND EXTENDED 19-WEEK CASH FLOW FORECAST FOR THE WEEKS ENDING FROM SEPTEMBER 24, 2016 TO JANUARY 28, 2017

The Transaction Cash Flow Forecast

31. A Transaction Cash Flow Forecast was developed to provide an overview of the forecast cash flow, funding requirements, and total liquidity for the Company as a whole, and assumes the closing of the Golf Town Transaction on the targeted closing date of October 31, 2016.
32. As indicated in the Second Roussy Affidavit, the Golf Town Entities are seeking the sealing of the Transaction Cash Flow Forecast in Confidential Supplement No. 2 (as defined below) as the Transaction Cash Flow Forecast discloses the purchase price under the Golf Town Transaction. The Golf Town Entities are of the view that disclosure of the purchase price under the Purchase Agreement prior to the closing of the Golf Town Transaction could adversely impact the interests of the Golf Town Entities and their stakeholders. The Monitor agrees with this conclusion and supports the Applicants' requested sealing of the Transaction Cash Flow Forecast.
33. The Transaction Cash Flow Forecast indicates that total liquidity of the Company on a bank cash basis is forecast to fluctuate between a low of \$0.7 million and a high of \$27.6 million during the 19-week period, which suggests that the Company (including the Golf Town Entities) will have sufficient access to financing during the forecast period.

The Operational Cash Flow Forecast

34. For the purposes of the Golf Town Entities, an Operational Cash Flow Forecast was developed to provide additional disclosure, and is summarized below:

Golf Town Entities

Cash Flow and Book Cash Summary

(USD, 000s)

	<u>19-Week Total</u>
Receipts	\$ 13,326
Total Operating Disbursements	(19,864)
Cash Flow From Operations	(6,538)
<u>Non-Operating Disbursements:</u>	
DIP Fees and Interest	(1,240)
Professional Fees	(4,467)
Other	(563)
Total Non-Operating Disbursements	(6,269)
Net Cash Inflows / (Outflows)	\$ (12,808)

Book Cash

Opening Book Cash Balance	\$ 126
Add: Receipts	13,326
Less: Pre-Petition ABL / FILO (Repayments)	(13,326)
Book Cash Available After Pre-Petition ABL / FILO Repayments	126
Less: Total Disbursements	(26,133)
Net DIP Borrowing Requirement	(26,008)
Add: DIP Borrowings / (Repayments)	26,008
Ending Book Cash Balance	\$ -

35. The Operational Cash Flow Forecast shows cash flow from operations of \$(6.5) million, restructuring professional fees of \$4.5 million, net cash outflows of \$12.8 million, and paydown on pre-filing indebtedness of \$13.3 million for the 19-week period for the weeks ending from September 24, 2016 to January 28, 2017. The Operational Cash Flow Forecast is attached as Appendix “D” hereto.
36. Generally, the assumptions used in the initial Cash Flow Forecast have remained the same for this Operational Cash Flow Forecast; however, we note the following:
- (a) The forecast period was extended from the week ending October 29, 2016 to the week ending January 28, 2017.

- (b) Disbursements not incurred in the week ending September 17, 2016 have been shifted forward as they are primarily expected to be incurred during the weeks ending September 24, 2016 and October 1, 2016.
- (c) The Operational Cash Flow Forecast assumes the closing of the Golf Town Transaction as scheduled on October 31, 2016, during the week ending November 5, 2016. As a result, there is nominal cash inflows and outflows expected during the weeks after November 5, 2016.
- (d) The Golf Town Entities will require additional funding for operations totalling approximately \$26.0 million during the period ending January 28, 2017.
- (e) The Operational Cash Flow Forecast should be read in conjunction with the notes to the Operational Cash Flow Forecast as included in Appendix “D”.

E. THE SECURITY OPINIONS

- 37. As set out in the Pre-Filing Report, the Monitor’s counsel, Osler, conducted a security review of the security granted by the Golf Town Entities in its personal property to secure the amounts owing to the First Lien Lenders under the Credit Agreement and the amounts owing to the Secured Noteholders under the Notes Indenture. As such, Osler has prepared a security opinion which comments on the validity, enforceability and perfection of such security under the laws of the Provinces of Ontario, Alberta and British Columbia and a separate security opinion which comments on the validity, enforceability and perfection of such security under the laws of the Province of Quebec (collectively, the “**Osler Security Opinion**”). Additionally, Osler, on behalf of the Monitor, retained local counsel in each of Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Newfoundland and Labrador to provide security opinions under the laws of each of these Provinces on which Osler can rely for the purposes of conducting its review (together with the Osler Security Opinion, the “**Canadian Security Opinions**”).
- 38. The Canadian Security Opinions state that, subject to the assumptions and qualifications contained therein:

- (a) the personal property security granted in favour of the First Lien Agent as agent for the First Lien Lenders under the Credit Agreement is valid and enforceable and creates valid security interests in the personal property of the Golf Town Entities pursuant to the *Personal Property Security Act* (Ontario), *Personal Property Security Act* (Alberta), *Personal Property Security Act* (British Columbia), *Register of Personal and Movable Real Rights* (Québec), *Personal Property Security Act* (Saskatchewan), *Personal Property Security Act* (Manitoba), *Personal Property Security Act* (New Brunswick), *Personal Property Security Act* (Nova Scotia), and the *Personal Property Security Act* (Newfoundland and Labrador) (collectively, the “**Canadian PPSAs**”); and
- (b) the personal property security granted in favour of the Second Lien Agent as agent for the Secured Noteholders under the Notes Indenture is valid and enforceable and creates valid security interests in substantially all of the personal property of the Golf Town Entities pursuant to the Canadian PPSAs.

F. THE PRIORITY OF THE CCAA CHARGES

- 39. The Stay Extension and Priority Order provides that the Charges granted in the CCAA Proceedings rank in priority to all Encumbrances other than any validly perfected security interest evidenced by a registration pursuant to the *Personal Property Security Act* (Ontario) or any other personal property registry system (other than any validly perfected security interest in respect of the Credit Facility and the Secured Notes). As indicated in the Second Roussy Affidavit, the proposed Stay Extension and Priority Order would not alter the relative priorities as between the Charges and the security interests securing the Credit Facility and the Secured Notes as set out in the Initial Order.

The Monitor’s Comments and Recommendations

- 40. The Monitor understands that the enhanced priority afforded to the Charges is consistent with the terms of the DIP Agreement and that the Golf Town Entities are of the view that the enhanced priority of the Charges is necessary and appropriate to ensure that the beneficiaries of the Charges continue their restructuring efforts with respect to the Golf Town Business and consummate the Golf Town Transaction.

41. The Monitor also understands that counsel to the Golf Town Entities served the Motion Record with respect to the Approval and Vesting Order and the Stay Extension and Priority Order on: (i) each party that has requested to be included on the CCAA Service List; (ii) the Canada Revenue Agency and the taxation authorities in each province in which Golf Town operates a retail location; and (iii) each creditor that has registered a PPSA registration in respect of the Golf Town Entities. The Golf Town Entities also notified each landlord in respect of the Golf Town Entities' leased premises of the sale approval motion, referred them to the Monitor's Website and requested an email contact if such landlord wished to be served with the full Motion Record (or be part of the Service List going forward).
42. As such, the Monitor supports the Applicants' requested relief with respect to the enhanced priority of the CCAA Charges and respectfully recommends that the Court approve the Stay Extension and Priority Order in its current form.

G. THE GOLF TOWN TRANSACTION

43. As described in the White Affidavit, GT Canada and Golf Town LP, as Vendors, have entered into the Purchase Agreement with an entity owned by Fairfax and certain investment funds managed by CI, as Purchaser, to provide for the going concern sale of the Golf Town Business.
44. The Monitor understands that the Golf Town Transaction is expected to result in the continued operation of a majority of the Golf Town Entities' existing retail locations, with offers of employment being made to a majority of the employees of the Golf Town Business.
45. Paragraphs 36 – 45 of the Pre-Filing Report describe the Company's restructuring and sale initiatives since 2014 that led to the execution of the Purchase Agreement and the Support Agreement and are not repeated in this First Report.
46. A redacted copy of the Purchase Agreement is contained as an Exhibit to the White Affidavit. The Golf Town Entities are requesting that the unredacted copy of the Purchase Agreement, along with the Transaction Cash Flow Forecast, be sealed by the Court in a

confidential supplement to this First Report (“**Confidential Supplement No. 2**”) until the closing of the Golf Town Transaction.

47. Capitalized terms that are used in this Section and not otherwise defined herein or in the Proposed Monitor’s Pre-Filing Report, the Initial Order or the White Affidavit have the meanings ascribed to them in the Purchase Agreement. The following is a summary only and the terms of the Purchase Agreement govern the Golf Town Transaction.
48. The key terms of the Purchase Agreement are as follows:
 - (a) The Purchaser will acquire certain assets of the Golf Town Business (the “**Purchased Assets**”) in exchange for all-cash consideration consisting of a fixed component and a variable component. Specifically, the Purchase Agreement stipulates that the Vendors are to receive: (i) a Base Purchase Price, plus or minus an adjustment post-Closing based on the level of post-Closing working capital, plus (ii) Prepaid Rent, plus (iii) an amount equal to Cure Costs (other than Seller Cure Costs), plus (iv) if Closing occurs after October 31, 2016, an amount equal to the net operating costs of the Golf Town Business from October 31, 2016 until the Closing Date (collectively, the “**Purchase Price**”). The Purchase Price is unaffected by the number or type of Assumed Real Property Leases and Assumed Contracts (each as defined below) that are assigned to the Purchaser.
 - (b) The Base Purchase Price is inclusive of an amount to be held in escrow by the Monitor pursuant to the terms of an Escrow Agreement (the “**Escrow Funds**”). The Escrow Funds are to be held in escrow by the Monitor pending the calculation of the Final Working Capital amount in accordance with the Purchase Agreement, after which the Monitor shall remit the Escrow Funds (or a portion thereof) to the Vendors or to the Purchaser, as applicable, in accordance with the working capital purchase price adjustment provisions contained in Section 2.8 of the Purchase Agreement (and as described in the White Affidavit). As indicated in the White Affidavit, the Approval and Vesting Order contains provisions to ensure that the Escrow Funds and adequate reserves from the net proceeds of the Golf Town Transaction are available to satisfy the obligations of the parties with respect to the working capital purchase price adjustment provisions in the Purchase Agreement.

The Approval and Vesting Order also authorizes and directs the Monitor to make certain distributions on behalf of the Golf Town Entities to the DIP Agent and the First Lien Agent, subject to the holdback of reasonable reserves, as determined by the Monitor.

- (c) The Purchaser shall remit a deposit to the Vendors' counsel, in trust (the "**Deposit**"), upon the execution of the Purchase Agreement which shall be applied towards the Purchase Price, used or returned, as the case may be, in accordance with the Purchase Agreement. The Monitor understands that the Deposit has been remitted to the Vendors' counsel. The Purchase Agreement further provides that between September 14, 2016 and the Closing Date, the Vendors and the Purchaser may mutually agree on terms relating to the provision of an additional deposit paid by the Purchaser to the Vendors to fund the Golf Town Business' continued operations.
- (d) The Purchased Assets shall be purchased and the Assumed Liabilities shall be assumed on an "as is, where is" basis.
- (e) The Purchased Assets include, *inter alia*:
 - (i) real property leases for certain of the Golf Town Entities' retail stores (the "**Assumed Real Property Leases**"), as determined by the Purchaser prior to October 26, 2016 (the "**Leased Locations**", with such real property leases not being assumed constituting the "**Excluded Locations**"), and certain contracts and agreements of the Golf Town Entities, as determined by the Purchaser prior to October 26, 2016 (collectively, the "**Assumed Contracts**");
 - (ii) all inventory, supplies and other tangible personal property of the Golf Town Business, regardless of whether located at the Leased Locations, Excluded Locations, or otherwise;
 - (iii) the Golf Town Entities' right, interest and benefits in intellectual property used exclusively in the Golf Town Business;

- (iv) certain accounts receivable and customer deposits in respect of the Golf Town Business;
 - (v) cash floats and petty cash located at the Leased Locations at Closing; and
 - (vi) prepaid expenses and deposits in respect of the Purchased Assets.
- (f) The Purchased Assets include certain assets of the Golfsmith Entities that are utilized in the Golf Town Business to be transferred to the Vendors prior to Closing. The Monitor understands that arrangements are being put in place with the Golfsmith Entities, subject to U.S. Bankruptcy Court approval, in this regard.
- (g) The Excluded Assets include, *inter alia*:
- (i) all rights in the Employee Plans and related assets or insurance policies;
 - (ii) any asset otherwise forming part of the Purchased Assets that is disposed of in the ordinary course of business between September 14, 2016 and the Closing Date;
 - (iii) the Excluded Marks and all intellectual property rights relating to the Excluded Marks; and
 - (iv) any other asset as agreed to between the Purchaser and the Vendors in writing prior to Closing.
- (h) The Purchaser will assume certain obligations of the Golf Town Business, including, *inter alia*:
- (i) certain obligations in respect of Assumed Real Property Leases and the Assumed Contracts in respect of the post-Closing period;
 - (ii) gift card obligations;
 - (iii) obligations in respect of employees that accept the Purchaser's offer of employment; and
 - (iv) Golf Town's product and service warranty claims.

- (i) The Purchaser will make employment offers to each of the Vendors' employees at the Leased Locations and may make offers to certain other employees at the Golf Town Entities' corporate office and the Excluded Locations, in each case effective as of the Closing Date and on substantially similar terms and conditions of employment in the aggregate as in effect immediately prior to the Closing.
- (j) Closing of the Golf Town Transaction is subject to certain closing conditions, including, *inter alia*:
 - (i) Court approval of the Golf Town Transaction;
 - (ii) the assignment of Material Contracts, including Assumed Real Property Leases, through third-party consents or an Order of the Court;
 - (iii) the execution of a transition services agreement between the Purchaser, the Vendors and the applicable Golfsmith Entities (the "**Transition Services Agreement**"), which provides for:
 - (1) the provision by the Vendors and the Golfsmith Entities to the Purchaser of shared services and a right to use all software and information technology systems used to operate the Golf Town Business for a one year term following Closing at no additional cost, (which term is subject to certain extensions at the Purchaser's option on pricing terms set out in the Purchase Agreement); and
 - (2) sixty days post-Closing occupancy by the Purchaser (the "**Post-Closing Occupancy Period**") of certain premises used in the Golf Town Business (the "**Occupied Premises**") that are not acquired or assumed by the Purchaser at Closing, provided that the Purchaser shall be responsible for all costs and expenses associated with such occupancy during the Post-Closing Occupancy Period;

- (iv) the approval of the Transition Services Agreement by the U.S. Bankruptcy Court in the Chapter 11 Proceedings; and
 - (v) the receipt of necessary regulatory approvals, including approval pursuant to the *Competition Act* (Canada) (the “**Competition Act**”).
- (k) The Golf Town Transaction is expected to close by October 31, 2016. If the Golf Town Transaction does not close by October 31, 2016, the Purchase Agreement provides for an effective closing date of October 31, 2016 (the “**Effective Closing Date**”) and an increase to the Purchase Price to take into account the net operating costs of the Golf Town Business from and after the Effective Closing Date (as described above).
- (l) The Purchaser shall remove all Purchased Assets from Excluded Locations within 30 days following Closing, provided that the Purchaser shall have until the end of the Post-Closing Occupancy Period to remove Purchased Assets from the Occupied Premises.
49. With respect to Competition Act approval, the Monitor understands that on or before September 21, 2016, in accordance with Section 6.6(a) of the Purchase Agreement, the Purchaser made a submission to the Commissioner of Competition under the Competition Act requesting an advance ruling certificate. The Monitor further understands that the Purchaser and the Vendors agreed that the filing of notifications pursuant to Subsection 114(1) of the Competition Act was advisable and that such notifications were filed on or before September 23, 2016.
50. The following chart contains the combined milestones set out in the Purchase Agreement and the DIP Agreement with respect to the Golf Town Transaction:

Process Step	Key Outside Date
Purchaser to make a submission to the Commissioner of Competition under the Competition Act requesting an advance ruling certificate or no-action letter, as applicable (Purchase Agreement).	September 21, 2016 (completed)

Filing of notifications pursuant to Subsection 114(1) of the <i>Competition Act</i> (Canada), if agreed advisable by the Purchaser and the Vendors (Purchase Agreement).	September 26, 2016 (completed)
Deadline for the Purchase Agreement to be approved by the Court (DIP Agreement)	September 30, 2016
Agreed form of Transition Services Agreement with the Purchaser to be provided to U.S. sale/liquidation bidders in the Chapter 11 Proceedings (DIP Agreement)	October 5, 2016
Third party consents to Assumed Contracts and Assumed Real Property Leases to be obtained, failing which an assignment motion is to be filed with the Court (DIP Agreement)	October 21, 2016
Assumed Contracts and Assumed Real Property Leases Schedule to be finalized (Purchase Agreement)	October 26, 2016
Assignment Hearing (if applicable)	On or before October 28, 2016
Closing of the Golf Town Transaction (DIP Agreement)	October 31, 2016
Combined proceeds of Canadian and U.S. transactions are to be sufficient to repay the DIP obligations and the Prior Lender Obligations (as defined in the DIP Agreement) or the DIP obligations and the Prior Lender Obligations are to have been refinanced in full in cash (DIP Agreement)	October 31, 2016
Termination of the Purchase Agreement if Closing has not yet occurred (Purchase Agreement)	December 1, 2016

The Monitor's Comments and Recommendations

51. The Monitor has considered the process leading to the proposed Golf Town Transaction and the consideration received for the Purchased Assets in light of the requirements set out in Section 36 of the CCAA. As indicated in the Pre-Filing Report, the Monitor is of the view that the Sale Process (a summary of which is contained in the First Roussy Affidavit, the Pre-Filing Report and the White Affidavit) was conducted in a manner which was fair, reasonable and comprehensive taking into account all of the circumstances. The Monitor is satisfied that the consideration to be received for the Purchased Assets represents the results of a thorough canvassing of the market.

52. In connection with the Sale Process, Jefferies prepared a summary of the bids received in Phase II by the Golf Town Entities, which has been provided to the Court in a confidential supplement to this First Report (“**Confidential Supplement No. 1**”). The Monitor has reviewed Confidential Supplement No. 1 and is of the view that the Golf Town Entities have acted in good faith to maximize value for their stakeholders, made satisfactory efforts to obtain the best price for the Purchased Assets and have not acted improvidently.
53. Given the confidential nature of the information contained in Confidential Supplement No. 1, the Monitor supports the Golf Town Entities’ request that the Court seal Confidential Supplement No. 1 until further Order of the Court. Similarly, given the highly confidential nature of the information contained in Confidential Supplement No. 2 (i.e., the unredacted Purchase Agreement and the Transaction Cash Flow Forecast), the Monitor supports the Golf Town Entities’ request that the Court seal Confidential Supplement No. 2 pending the completion of the Golf Town Transaction.
54. The Monitor does not believe that realization on the Purchased Assets under a bankruptcy would be more beneficial to the creditors of the Golf Town Entities.
55. The Monitor notes that on September 16, 2016, with the assistance of the Golf Town Entities, the Monitor sent a notice to every known creditor of the Golf Town Entities with a claim of more than CDN\$1,000. The creditor notice indicated that the Golf Town Entities intended to seek an order of the Court on September 30, 2016 to approve the Golf Town Transaction. The Monitor has not received any communications from the recipients of the creditor notice which indicate that any creditor opposes the Golf Town Transaction.
56. Additionally the Monitor notes that the Golf Town Transaction will secure continued employment for the vast majority of the Golf Town Entities’ employees and will provide for continued occupation of the properties subject to the Assumed Real Property Leases.
57. Accordingly, for the reasons set out above, the Monitor respectfully recommends that the Court approve the Purchase Agreement and the Golf Town Transaction and grant the proposed Approval and Vesting Order.

H. THE GOLF TOWN ENTITIES' REQUEST FOR AN EXTENSION OF THE STAY PERIOD

58. The Stay Period currently expires on October 14, 2016. The Golf Town Entities' have indicated that the continuation of the stay of proceedings is necessary to provide the stability needed during that time in order for the Golf Town Entities to close the Golf Town Transaction and effect store wind-downs at certain Excluded Locations. Accordingly, the Applicants now seek an extension of the Stay Period to January 31, 2017.
59. The Transaction Cash Flow Forecast demonstrates that the Golf Town Entities have sufficient liquidity to fund operations to January 28, 2017. Should any issues with respect to cash on hand or liquidity arise during the proposed extended Stay Period, the Monitor will seek the advice and direction of the Court.

The Monitor's Comments and Recommendations

60. Based on the information currently available, the Monitor believes that creditors would not be materially prejudiced by an extension of the Stay Period to January 31, 2017 and that an extension of the Stay Period to January 31, 2017 is necessary to effect the closing of the Golf Town Transaction and the orderly wind-down of the Excluded Locations.
61. The Monitor is of the view that the Golf Town Entities have made and continue to make progress in the CCAA Proceedings and in implementing a going concern transaction for the Golf Town Business. Going concern operations have continued since the Filing Date, the DIP Agreement has been completed and all milestones have been met. The Monitor intends to closely work with the Golf Town Entities and the Purchaser to complete the Golf Town Transaction within the contemplated timeframe and for the benefit of suppliers, employees, landlords and customers.
62. The Monitor also believes that the Golf Town Entities have acted, and are acting, in good faith and with due diligence and that circumstances exist that make an extension of the Stay Period appropriate.
63. The Monitor therefore respectfully recommends that this Honourable Court grant the Applicants' request for an extension of the Stay Period to January 31, 2017.

The Monitor respectfully submits to the Court this, its First Report.

Dated this 27th day of September, 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.

A handwritten signature in black ink that reads "Paul Bishop". The signature is written in a cursive style and is placed on a light yellow rectangular background.

Paul Bishop
Senior Managing Director

APPENDIX "A"

U.S. CASH MANAGEMENT ORDER

(see attached)

ORIGINAL

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

-----X	
In re	: Chapter 11
	:
GOLFSMITH INTERNATIONAL HOLDINGS, INC., et al.,	: Case No. 16-12033 (CSS)
	:
Debtors. ¹	: Jointly Administered
	:
	: Re: Docket No. 15
-----X	

**INTERIM ORDER
(I) AUTHORIZING DEBTORS TO
(A) CONTINUE EXISTING CASH MANAGEMENT SYSTEM, (B) MAINTAIN EXISTING BUSINESS FORMS AND BANK ACCOUNTS, AND (C) CONTINUE INTERCOMPANY TRANSACTIONS; (II) EXTENDING TIME TO COMPLY WITH SECTION 345(b) OF THE BANKRUPTCY CODE; AND (III) GRANTING RELATED RELIEF**

Upon the motion, dated September 14, 2016 (the "Motion"),² of Golfsmith International Holdings, Inc. and its debtor affiliates, as debtors and debtors in possession (collectively, the "Debtors"), for (i) authority to (a) continue their existing cash management system; (b) continue using their existing Business Forms and Bank Accounts, and (c) continue their Intercompany Transactions; (ii) an extension of time to comply with the requirements of section 345(b) of the Bankruptcy Code; and (iii) related relief pursuant to sections 105(a), 345(b), 363(b)(1), 363(c)(1), 364(b), and 503(b)(1) of the Bankruptcy Code, as more fully set forth in the Motion; and upon consideration of the Cejka Declaration; and the Court having

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Golfsmith International Holdings, Inc. (4847); GMAC Holdings, LLC (3331); Golf Town USA Holdco Limited (5562); Golf Town USA Holdings Inc. (7038); Golf Town USA, LLC (0259); Golfsmith 2 GP, L.L.C. (2218); Golfsmith Europe, L.L.C. (2408); Golfsmith Incentive Services, L.L.C. (2730); Golfsmith International, Inc. (7337); Golfsmith International, L.P. (4257); Golfsmith Licensing, L.L.C. (5499); Golfsmith NU, L.L.C. (2404); and Golfsmith USA, L.L.C. (2405). The Debtors' corporate headquarters is located at 11000 North IH-35, Austin, TX 78753.

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

jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334, and the *Amended Standing Order of Reference from the United States District Court for the District of Delaware* dated February 29, 2012; and consideration of the Motion and the requested relief being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Motion having been given as provided in the Motion, and such notice having been adequate and appropriate under the circumstances; and it appearing that no other or further notice need be provided; and a hearing having been held to consider the relief requested in the Motion; and the Court having found and determined that the legal and factual bases set forth in the Motion establish just cause for the relief granted herein; and it appearing that the relief requested in the Motion is in the best interests of the Debtors and their respective estates and creditors; and upon all of the proceedings had before the Court and after due deliberation and sufficient cause appearing therefor,

IT IS HEREBY ORDERED THAT:

1. The Motion is granted on an interim basis.
2. The Debtors are authorized, pursuant to sections 105(a), 345(b), 363(b)(1), 363(c)(1), 364(b) and 503(b)(1) of the Bankruptcy Code, to continue using the GS Cash Management System, as may be modified by the DIP Orders, Approved Budget, and DIP Documents, and to collect, concentrate, and disburse cash in accordance with the GS Cash Management System, including, without limitation, intercompany funding among Debtor and non-Debtor affiliates and shared expenses, including Golfsmith's provision of centralized management services to Golf Town; provided, that (i) transfers from the GS Main Operating Account to the GT Wells Fargo Account shall not exceed \$2,000,000 in the aggregate and (ii) all

other transfers from Golfsmith to Golf Town shall not exceed \$2,000,000 in the aggregate. For the avoidance of doubt, nothing contained in this Interim Order shall authorize the Debtors to make any changes to the GS Cash Management System to the extent such changes would impact funds constituting cash collateral of the DIP Agent, DIP Lenders, and First Priority Secured Parties (as defined in the DIP Order) in contravention of the DIP Orders, Approved Budget, and DIP Documents.

3. The Debtors are further authorized to implement changes to the GS Cash Management System to the extent permitted by the terms of the DIP Orders, Approved Budget, and DIP Documents, including, without limitation, the opening of any new bank accounts and the closing of any existing Bank Accounts to the extent permitted by the terms of the DIP Order, Approved Budget, and DIP Documents and in consultation with the DIP Agent; provided, however, that in the event the Debtors open or close any bank accounts, such opening or closing shall be timely indicated on the Debtors' monthly operating reports and notice of such opening or closing shall be provided to the U.S. Trustee and any official unsecured creditors' committee within 15 days; (ii) the Debtors shall open such new bank account(s) at banks that have executed a uniform depository agreement with the U.S. Trustee, or at such banks that are willing to immediately execute such an agreement; and (iii) any such new bank account(s) opened by the Debtors shall be subject to the terms of this Interim Order.

4. For banks at which the Debtors hold accounts that are party to a uniform depository agreement with the U.S. Trustee, within fifteen (15) days from the date of entry of this Interim Order the Debtors shall (a) contact each bank, (b) provide the bank with each of the Debtors' employer identification numbers, and (c) identify each of their accounts held at such banks as being held by a debtor in possession. For banks that are not party to a uniform

depository agreement with the U.S. Trustee, the Debtors shall use their good faith efforts to cause the bank to execute a uniform depository agreement in a form prescribed by the U.S. Trustee within thirty (30) days of the date of entry of this Interim Order.

5. The DIP Agent and, after Payment in Full of the DIP Obligations (as defined in the DIP Orders), the First Lien Agent (as defined in the DIP Orders), shall be deemed, without any further action, to have control over all the Debtors' deposit accounts, securities accounts, and commodities accounts within the meaning of such Uniform Commercial Code and other applicable law. To the extent that the First Lien Agent is the secured party under any credit card processor notices or agreements, account control agreements, or securities control agreements, or is the secured party under any of the First Lien Documents (the foregoing collectively, the "**Ancillary Payment Documents**"), the DIP Agent shall also be deemed to be the secured party under such Ancillary Payment Documents, shall have all rights and powers attendant to that position (including rights of enforcement), and shall act in that capacity and distribute any proceeds recovered or received in accordance with the DIP Order and DIP Documents. The First Lien Agent shall serve as agent for the DIP Agent for purposes of perfecting the DIP Agent's liens on all DIP Collateral, or effecting control, that, without giving effect to the Bankruptcy Code and this Interim Order, is of a type such that perfection of a lien or effecting control therein may be accomplished only by possession or control by a secured party.

6. The Debtors are authorized to continue to honor and make payments in respect of prepetition and postpetition intercompany obligations, including the payments for payroll, Payment Processing Obligations, and shared services, to subsidiaries and affiliates, including their non-Debtor Golf Town affiliates, to the extent consistent with the terms of the DIP Orders, Approved Budget, and DIP Documents.

7. Pursuant to section 503(b)(1) and 364(b) of the Bankruptcy Code, all postpetition Intercompany Claims shall be granted administrative expense status.

8. Pursuant to section 364(a) of the Bankruptcy Code, the Debtors are authorized, in connection with the ordinary operation of the GS Cash Management System, to obtain unsecured credit and incur unsecured debt in the ordinary course of business without notice and a hearing.

9. In accordance with this Interim Order (or other order of this Court), Wells Fargo and TD Bank are authorized and directed to (i) receive, process, honor, and pay all checks presented for payment and to honor all fund transfer requests made by the Debtors related thereto, to the extent consistent with the terms of the DIP Orders, Approved Budget, and DIP Documents and to the extent that sufficient funds are on deposit in those accounts and (ii) accept and rely on all representations made by the Debtors with respect to which checks, drafts, wires, or ACH transfers should be honored or dishonored in accordance with this or any other order of this Court, whether such checks, drafts, wires, or transfers are dated prior to, on, or subsequent to the Petition Date, without any duty to inquire otherwise.

10. The Debtors are authorized, but not directed, to issue new postpetition checks, or effect new electronic funds transfers, on account of prepetition Bank Fees not to exceed \$25,000³ in the aggregate, to the extent consistent with the terms of the DIP Orders, Approved Budget, and DIP Documents, and to replace any prepetition checks or electronic fund transfer requests that may be lost or dishonored or rejected as a result of the commencement of the Debtors' chapter 11 cases.

³ All references to dollars (\$) herein are to U.S. dollars unless otherwise noted.

11. Notwithstanding anything to the contrary herein, the Debtors are not authorized to, and shall not engage in, any postpetition Intercompany Transactions with non-Debtor affiliates other than the Golf Town Credit Parties.

12. The Debtors shall maintain accurate records of all transfers and Intercompany Claims within the GS Cash Management System and between the Debtors and the Golf Town Credit Parties such that all postpetition transfers and transactions shall be adequately and promptly documented in, and readily ascertainable from, their books and records.

13. The Debtors shall provide FTI Consulting Canada Inc., in its capacity as Monitor of Golf Town in the CCAA Proceeding (the "**Monitor**"), with access to such records and information as the Monitor may reasonably request in connection with the Monitor's obligation in the CCAA Proceeding to monitor Intercompany Claims and transfers, receipts, and payments in respect of the DIP Facility and the ABL Credit Agreement, and expenses and disbursements pursuant to the Global Cash Management System.

14. The Debtors are authorized to: (i) designate, maintain, and continue to use any or all of their existing Bank Accounts listed on "**Exhibit 1**" attached hereto (subject to amendment, with any such amendments being served on the U.S. Trustee and any official unsecured creditors' committee), in the names and with the account numbers existing immediately before the Petition Date; (ii) deposit funds into and withdraw funds from such accounts by all usual means, including, without limitation, checks, wire transfers, ACH payments, and other debits; (iii) pay any Bank Fees, Processing Obligations, and other charges associated with their bank accounts, whether arising before, on, or after the Petition Date, in each case, solely to the extent consistent with the terms of the DIP Orders, Approved Budget, and DIP Documents, and Wells Fargo and TD Bank may make payments from and debit the Debtors'

bank accounts, in the ordinary course of business, on account of undisputed, outstanding Bank Fees owed to them, and (iv) treat their prepetition Bank Accounts for all purposes as debtor in possession accounts.

15. Wells Fargo is authorized to reserve \$75,000 from the GS Main Operating Account (4422) and apply the Debtors' monthly fee accruals against this amount.

16. The Debtors are authorized to pay Paychex fees up to a cap of \$15,000, to the extent consistent with the terms of the DIP Orders, Approved Budget, and DIP Documents.

17. The Payment Processing Companies are authorized to offset the Processing Obligations that may have arisen before the Petition Date against amounts otherwise payable to the Debtors.

18. The Debtors shall have 30 days (or such additional time as the U.S. Trustee may agree to) from the Petition Date within which to either come into compliance with section 345(b) of the Bankruptcy Code or to make such other arrangements as agreed with the U.S. Trustee, and that such extension is without prejudice to the Debtors' right to request a further extension or waiver of the requirements of section 345(b) of the Bankruptcy Code.

19. The Debtors are authorized to use their existing Business Forms, including check stock; provided, that in the event that the Debtors generate new checks during the pendency of these cases other than from their existing stock, such checks will include a legend referring to the Debtors as "Debtors in Possession." Third-party payroll and benefits administrators and providers are also authorized to prepare and issue checks on behalf of the Debtors, subject to the provisions of this paragraph.

20. Notwithstanding anything contained herein, the Debtors shall calculate their quarterly fees under 28 U.S.C. § 1930(a)(6) based on the disbursements of each Debtor, regardless of which Debtor pays those disbursements.

21. Any payment made or to be made under this Interim Order, and any authorization contained in this Interim Order, shall be subject to the terms of the DIP Orders, Approved Budget, and DIP Documents. In the event of any inconsistency between the terms or conditions of this Interim Order and the terms or conditions of the DIP Orders, the provisions of the DIP Orders shall govern and control.

22. Nothing contained in the Motion or this Interim Order or any payment made pursuant to the authority granted by this Interim Order is intended to be or shall be construed as (i) an admission as to the validity or priority of any lien or claim against the Debtors, (ii) a waiver of the Debtors' or any appropriate party in interest's rights to dispute any lien or claim, or (iii) an approval or assumption of any agreement, contract, program, policy, or lease under section 365 of the Bankruptcy Code.

23. Nothing in the Motion or this Interim Order, nor as a result of any payment made pursuant to this Interim Order, shall be deemed or construed as a waiver of the right of the Debtors, or shall impair the ability of the Debtors, to contest the validity and amount of any payment made pursuant to this Interim Order.

24. Notwithstanding entry of this Interim Order, nothing herein shall create, nor is intended to create, any rights in favor of or enhance the status of any claim held by, any party.

25. The requirements of Bankruptcy Rule 6003(b) have been satisfied.

26. The requirements of Bankruptcy Rule 6004(a) are waived.

27. Notwithstanding the provisions of Bankruptcy Rule 6004(h), this Interim Order shall be immediately effective and enforceable upon its entry.

28. The Debtors are authorized to take all steps necessary or appropriate to carry out this Interim Order.

29. This Court shall retain jurisdiction to hear and determine all matters arising from or related to the implementation, interpretation, or enforcement of this Interim Order.

October 13, 2016
A final hearing to consider the relief requested in the Motion shall be held on October 13, 2016 at 2:30 pm (Eastern Time) and any objections or responses to the Motion shall be filed and served so as to be actually received on or prior to October 5, 2016 at 4:00 p.m. (Eastern Time).

Dated: September 5, 2016
Wilmington, Delaware



THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

Exhibit 1

Bank Accounts

Legal Entity	Bank Name	Account Number (Last 4 Digits)	Account Type	Debtor/Non-Debtor Account
Golfsmith International LP	Wells Fargo	5627	Disbursement Account	Debtor
Golfsmith International LP	Wells Fargo	9468	Disbursement Account	Debtor
Golfsmith International LP	Wells Fargo	5815	Disbursement Account	Debtor
Golfsmith International LP	Wells Fargo	2716	GS Concentration Account	Debtor
Golfsmith International LP	Wells Fargo	4422	GS Main Operating Account	Debtor
Golfsmith International LP	Wells Fargo	1652	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1702	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1678	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1629	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1165	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1637	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3296	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1710	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1694	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1645	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3304	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3312	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1686	Store Account	Debtor
Golfsmith International LP	Wells Fargo	4608	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3320	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1660	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1587	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3338	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1603	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3346	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1595	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3353	Store Account	Debtor

Legal Entity	Bank Name	Account Number (Last 4 Digits)	Account Type	Debtor/Non-Debtor Account
Golfsmith International LP	Wells Fargo	6173	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0730	Store Account	Debtor
Golfsmith International LP	Wells Fargo	6659	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3260	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0748	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1271	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1289	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1297	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1305	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3278	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3286	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0755	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0763	Store Account	Debtor
Golfsmith International LP	Wells Fargo	5591	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8194	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3705	Store Account	Debtor
Golfsmith International LP	Wells Fargo	5609	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3310	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8202	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3328	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8210	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8228	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3336	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3361	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8236	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8428	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0917	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8310	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3344	Store Account	Debtor

Legal Entity	Bank Name	Account Number (Last 4 Digits)	Account Type	Debtor/Non-Debtor Account
Golfsmith International LP	Wells Fargo	0925	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1299	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3379	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1005	Store Account	Debtor
Golfsmith International LP	Wells Fargo	2003	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8244	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7512	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3351	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3258	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3369	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3387	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3377	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3385	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3395	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8251	Store Account	Debtor
Golfsmith International LP	Wells Fargo	2560	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3603	Store Account	Debtor
Golfsmith International LP	Wells Fargo	4959	Store Account	Debtor
Golfsmith International LP	Wells Fargo	4413	Store Account	Debtor
Golfsmith International LP	Wells Fargo	4421	Store Account	Debtor
Golfsmith International LP	Wells Fargo	9866	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0049	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0056	Store Account	Debtor
Golfsmith International LP	Wells Fargo	6177	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8415	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0768	Store Account	Debtor
Golfsmith International LP	Wells Fargo	9896	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3846	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0669	Store Account	Debtor

Legal Entity	Bank Name	Account Number (Last 4 Digits)	Account Type	Debtor/Non-Debtor Account
Golfsmith International LP	Wells Fargo	0677	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0685	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0693	Store Account	Debtor
Golfsmith International LP	Wells Fargo	9904	Store Account	Debtor
Golfsmith International LP	Wells Fargo	9912	Store Account	Debtor
Golfsmith International LP	Wells Fargo	9920	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8224	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8232	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8240	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8257	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8265	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8273	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8281	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3299	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1281	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3307	Store Account	Debtor
Golfsmith International LP	Wells Fargo	6642	Store Account	Debtor
Golfsmith International LP	Wells Fargo	3315	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7976	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1299	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7968	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7984	Store Account	Debtor
Golfsmith International LP	Wells Fargo	1315	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7633	Store Account	Debtor
Golfsmith International LP	Wells Fargo	6050	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0194	Store Account	Debtor
Golfsmith International LP	Wells Fargo	8760	Store Account	Debtor
Golfsmith International LP	Wells Fargo	6068	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0132	Store Account	Debtor

Legal Entity	Bank Name	Account Number (Last 4 Digits)	Account Type	Debtor/Non-Debtor Account
Golfsmith International LP	Wells Fargo	7212	Store Account	Debtor
Golfsmith International LP	Wells Fargo	0809	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7970	Store Account	Debtor
Golfsmith International LP	Wells Fargo	7988	Store Account	Debtor
Golfsmith International LP	Wells Fargo	6711	Utility Deposit Account	Debtor
Golftown Operating Limited Partnership	Wells Fargo	1578	Standalone Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	1976	Currency Conversion/Transfer Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	0158	Depository Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	2659	Disbursement Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	0166	GT Concentration Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	8479	Standalone Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	4193	Standalone Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	0174	Standalone Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	5258	Standalone Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	1984	Standalone Account	Non-Debtor
Golf Town Canada Inc.	TD Bank	3915	Standalone Account	Non-Debtor
Golfsmith International, Inc.	TD Bank	2667	Depository Account – GT e-commerce	Non-Debtor
Golfsmith International, Inc.	TD Bank	2675	Disbursement Account – Canadian vendors	Debtor

APPENDIX "B"
U.S. DIP ORDER
(see attached)

UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE

-----X
: **Chapter 11**
: **Case No. 16-12033 (LSS)**
: **Jointly Administered**
: **Re: Docket No. 16**
-----X

In re	:	Chapter 11
GOLFSMITH INTERNATIONAL HOLDINGS, INC., <i>et al.</i> ,	:	Case No. 16-12033 (LSS)
Debtors. ¹	:	Jointly Administered
	:	Re: Docket No. 16

INTERIM ORDER (I) APPROVING POSTPETITION FINANCING, (II) AUTHORIZING USE OF CASH COLLATERAL, (III) GRANTING LIENS AND PROVIDING SUPERPRIORITY ADMINISTRATIVE EXPENSE STATUS, (IV) GRANTING ADEQUATE PROTECTION, (V) MODIFYING AUTOMATIC STAY, AND (VI) SCHEDULING A FINAL HEARING

Upon the motion, dated September 14, 2016 (the "DIP Motion") of Golf Town USA, L.L.C., Golfsmith International Holdings, Inc., Golf Town USA Holdco Limited (formerly known as Accolade Reaction Promotion Group USA Inc.), Golfsmith Europe, L.L.C., Golfsmith Licensing, L.L.C., Golfsmith Incentive Services, LLC, Golfsmith 2 GP, L.L.C., Golfsmith International, Inc., Golfsmith International, L.P., Golfsmith NU, L.L.C., and Golfsmith USA, L.L.C. (collectively, the "U.S. Borrowers") and Golf Town USA Holdings Inc., and GMAC Holdings, LLC, as guarantors (collectively, the "U.S. Guarantors"), each as a debtor and debtor in possession (collectively, the "Debtors") in the above-captioned chapter 11 cases (the "Cases"), seeking entry of an order (this "Interim Order") pursuant to sections 105, 361, 362, 363, 364(c)(1), 364(c)(2), 364(c)(3), 364(d)(1), 364(e), 507, and 552 of chapter 11 of title 11

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, as applicable, are: Golfsmith International Holdings, Inc. (4847); GMAC Holdings, LLC (3331); Golf Town USA Holdco Limited (5562); Golf Town USA Holdings Inc. (7038); Golf Town USA, L.L.C. (0259); Golfsmith 2 GP, L.L.C. (2218); Golfsmith Europe, L.L.C. (2408); Golfsmith Incentive Services, L.L.C. (2730); Golfsmith International, Inc. (7337); Golfsmith International, L.P. (4257); Golfsmith Licensing, L.L.C. (5499); Golfsmith NU, L.L.C. (2404); and Golfsmith USA, L.L.C. (2405). The Debtors' corporate headquarters is located at 11000 North IH-35, Austin, TX 78753.

of the United States Code (the “**Bankruptcy Code**”), Rules 2002, 4001, 6004, and 9014 of the Federal Rules of Bankruptcy Procedure (the “**Bankruptcy Rules**”) and Rule 4001-2 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the “**Local Rules**”), *inter alia*:

- (i) authorizing the Debtors to obtain senior secured postpetition financing on a superpriority basis pursuant to the terms and conditions of that certain *Senior Secured, Super-Priority Debtor-in-Possession Credit Agreement* (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the “**DIP Credit Agreement**”), by and among the U.S. Borrowers and Golf Town Canada Inc. (“**GT Canada**”), Golf Town GP II Inc. (“**GT GP II**”), and Golf Town Operating Limited Partnership (“**GT Partnership**,” and collectively with GT Canada and GT GP II, the “**Canadian Borrowers**,” and together with the U.S. Borrowers, the “**Borrowers**”), the U.S. Guarantors and Golf Town Canada Holdings, Inc. (“**GT Canada Holdco**,” and together with the U.S. Guarantors, the “**Guarantors**”), and Antares Capital LP as administrative agent (the “**DIP Agent**”) for and on behalf of the lenders party thereto (collectively, the “**DIP Lenders**”), substantially in the form of **Exhibit B**, attached to the DIP Motion;²
- (ii) authorizing the Debtors to execute and deliver the DIP Credit Agreement and any other agreements and documents related thereto (collectively with the DIP Credit Agreement, the “**DIP Documents**”), and to perform such other acts as may be necessary or desirable in connection with the DIP Documents;
- (iii) granting the DIP Facility and all obligations owing thereunder and under the DIP Documents to the DIP Agent and DIP Lenders (collectively, and including all “Obligations” as described in the DIP Credit Agreement, the “**DIP Obligations**”) allowed superpriority administrative expense claim status in each of the Cases and any Successor Cases (as defined herein);
- (iv) granting to the DIP Agent, for the benefit of itself and the DIP Lenders, automatically perfected security interests in and liens on all of the DIP Collateral (as defined herein), including, without limitation, all property constituting “Cash Collateral” as defined in section 363(a) of the Bankruptcy Code, which liens shall be subject to the priorities set forth herein;
- (v) authorizing and directing the Debtors to pay the principal, interest, fees, expenses and other amounts payable under the DIP Documents as such become due, including, without limitation, letter of credit fees (including issuance and other

² Capitalized terms used herein but not otherwise defined shall have the respective meanings given to such terms in the DIP Credit Agreement.

related charges), continuing commitment fees, closing fees, servicing fees, audit fees, structuring fees, administrative agent's fees, the reasonable fees and disbursements of the DIP Agent's attorneys, advisors, accountants and other consultants, all to the extent provided in, and in accordance with, the DIP Documents;

- (vi) (a) authorizing the use of Cash Collateral of the Prepetition Secured Parties (each as defined herein) pursuant to section 363 of the Bankruptcy Code and subject to the "Approved Budget"³, a form of which is attached hereto as **Exhibit A**, and (b) providing adequate protection to the Prepetition Secured Parties for any diminution in value of their respective interests in the Prepetition Collateral (as defined herein), including the Cash Collateral;
- (vii) waiving, upon entry of a Final Order, certain rights of the Debtors to surcharge collateral pursuant to section 506(c) of the Bankruptcy Code;
- (viii) vacating and modifying the automatic stay imposed by section 362 of the Bankruptcy Code to the extent necessary to implement and effectuate the terms and provisions of the DIP Documents and this Interim Order; and
- (ix) scheduling a final hearing (the "**Final Hearing**") for this Court to consider entry of a final order (the "**Final Order**"), which shall be in form and substance satisfactory to the DIP Agent, authorizing and approving on a final basis the relief requested in the DIP Motion.

The Court having considered the DIP Motion, the *Declaration of Brian Cejka in Support of the Debtors' Chapter 11 Petitions and First Day Relief*, the exhibits attached thereto, the DIP Documents, and the evidence submitted at the interim hearing held on September 15, 2016 (the "**Interim Hearing**"); and notice of the Interim Hearing having been given in accordance with Bankruptcy Rules 2002, 4001(b), (c) and (d), and all applicable Local Rules; and the Interim Hearing having been held and concluded; and all objections, if any, to the interim relief requested in the DIP Motion having been withdrawn, resolved or overruled by the Court; and it appearing that approval of the interim relief requested in the DIP Motion is necessary to avoid immediate and irreparable harm to the Debtors and their estates pending the Final Hearing, and

³ As used herein, "**Approved Budget**" shall mean the budget prepared by the Borrowers and initially furnished to the DIP Agent on the Closing Date and which is approved by, and in form and substance satisfactory to, the DIP Agent in its reasonable discretion, as the same may be updated, modified or supplemented from time to time as provided in the DIP Credit Agreement and subject to the variances permitted therein.

otherwise is fair and reasonable and in the best interests of the Debtors, their estates and all parties-in-interest, and is essential for the continued operation of the Debtors' businesses and the preservation of the value of the Debtors' assets; and it appearing that the Debtors' entry into the DIP Credit Agreement is a sound and prudent exercise of the Debtors' business judgment; and it further appearing that the Debtors are unable to obtain credit on terms more favorable than those of the DIP Facility; and after due deliberation and consideration, and good and sufficient cause appearing therefor;

BASED UPON THE RECORD ESTABLISHED AT THE INTERIM HEARING, THE COURT MAKES THE FOLLOWING FINDINGS OF FACT AND CONCLUSIONS OF LAW:⁴

A. **Petition Date.** On September 14, 2016 (the "**Petition Date**"), each of the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the "**Court**").

B. **Debtors in Possession.** The Debtors have continued in the management and operation of their businesses and properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

C. **Jurisdiction and Venue.** This Court has core jurisdiction over the Cases, the DIP Motion and the parties and property affected hereby pursuant to 28 U.S.C. §§ 157(b) and 1334. Venue for the Cases and proceedings on the DIP Motion is proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

D. **Committee Formation.** As of the date hereof, the United States Trustee for the

⁴ Findings of fact shall be construed as conclusions of law, and conclusions of law shall be construed as findings of fact, as appropriate, pursuant to Bankruptcy Rule 7052.

District of Delaware (the "U.S. Trustee") has not yet appointed an official committee of unsecured creditors in these Cases pursuant to section 1102 of the Bankruptcy Code (a "Creditors' Committee").

E. Debtors' Stipulations. After consultation with their attorneys and financial advisors, and without prejudice to the rights of parties-in-interest as set forth in paragraph L(iii)43 herein, the Debtors admit, stipulate, acknowledge, and agree as follows (paragraphs E(i) through E(xi) below are referred to herein, collectively, as the "Debtors' Stipulations");

- (i) *First Lien Facility*. Pursuant to that certain Credit Agreement dated as of July 24, 2012 (as amended, restated, supplement, or otherwise modified from time to time, the "First Lien Credit Agreement") among (a) the Borrowers, (b) Antares Capital LP (as successor in interest to General Electric Capital Corporation), as agent (the "First Lien Agent") and (c) the lenders party thereto (the "First Lien Lenders," and collectively with the First Lien Agent, the "First Priority Secured Parties"), the First Lien Lenders extended loans and other financial accommodations to, and issued letters of credit for the account of, the Borrowers (the "First Lien Facility"). The First Lien Facility is subject to (a) that certain Notice of Events of Default; Reservation of Rights dated September 6, 2016 (the "First Notice of Default Letter"), (b) that certain Notice of Discretionary Funding dated September 9, 2016 (the "Second Notice of Default Letter"), and (c) that certain Notice of Events of Default; Reservation of Rights dated September 13, 2016 (the "Third Notice of Default Letter," and together with the First Lien Credit Agreement, the First Notice of Default Letter, the Second Notice of Default Letter and any other agreements and documents executed or delivered in connection therewith, each as may be amended, restated, supplemented, or otherwise modified from time to time, the "First Lien Documents").
- (ii) *First Priority Obligations*. The First Lien Facility provided the Borrowers with, among other things (a) \$135,000,000 in aggregate principal amount of revolving commitments, including letters of credit and swingline loan commitments and (b) C\$15,000,000 in a non-revolving first-in, last-out term loan facility. As of the Petition Date, the First Lien Lenders are owed approximately (i) \$89,280,996.73 in revolving loan principal obligations, including reimbursement obligations in the amount of \$1,573,750 in respect of face amount of outstanding letters of credit denominated in U.S. dollars; and (ii) C\$15,000,000 in first-in last-out term loan principal obligations (collectively, together with accrued and unpaid interest, any other reimbursement obligations (contingent or otherwise) in respect of letters of credit, any fees, expenses and disbursements (including, without limitation, attorneys' fees, accountants' fees, appraisers' fees and financial

advisors' fees, and related expenses and disbursements), treasury, cash management and derivative obligations, indemnification obligations, and other charges, amounts and costs of whatever nature owing, whether or not contingent, whenever arising, accrued, accruing, due, owing, or chargeable in respect of any of the Borrowers' and the Guarantors' obligations pursuant to the First Lien Documents, including all "Obligations" as defined in the First Lien Credit Agreement, the "**First Priority Obligations**").

- (iii) *First Priority Liens and First Lien Collateral.* As more fully set forth in the First Lien Documents, prior to the Petition Date, the Borrowers, the Holding Companies (as defined in the First Lien Credit Agreement), and the other guarantors party thereto (the "**First Lien Guarantors**," and together with the Borrowers and the Holding Companies, the "**First Lien Credit Parties**") granted to the First Lien Agent, for the benefit of itself and the First Priority Secured Parties, a first priority security interest in and continuing lien (the "**First Priority Liens**") on substantially all of the First Lien Credit Parties' assets and properties (which, for the avoidance of doubt, includes Cash Collateral) and all proceeds, products, accessions, rents, and profits thereof, in each case whether then owned or existing or thereafter acquired or arising (collectively, the "**First Lien Collateral**"). Each of the Guarantors (and each Borrower as to each other Borrower) has jointly and severally, absolutely, unconditionally and irrevocably guaranteed the First Priority Obligations.
- (iv) *Prepetition Events of Default.* Events of default have occurred and are continuing under the terms of the First Lien Documents as a result of, among other things, the Borrowers' failure to either (i) repay in full in cash all of the First Priority Obligations, or (ii) replace or refinance the First Priority Obligations, in each case by September 6, 2016. Pursuant to the First Notice of Default Letter, the Second Notice of Default Letter and the Third Notice of Default Letter, and in accordance with the terms of the First Lien Credit Agreement, the First Lien Agent exercised its right, prior to the Petition Date, to (i) charge default interest on the outstanding First Priority Obligations, (ii) implement a reserve with respect to potential claims and administrative expenses that might be asserted by the Borrowers' vendors, and (iii) determine, in its sole and absolute discretion, whether to make any further extensions of credit. The First Lien Agent also expressly reserved all of its rights, powers, privileges and remedies under the First Lien Documents and/or applicable law.
- (v) *Second Lien Notes.* Pursuant to that certain Indenture dated as of July 24, 2012 (as amended, restated or otherwise modified from time to time, the "**Indenture**," and collectively with any other agreements and documents executed or delivered in connection therewith, each as may be amended, restated, supplemented or otherwise modified from time to time, the "**Second Lien Documents**," and together with the First Lien Documents, the "**Prepetition Documents**"), among (a) non-Debtor Canadian affiliate GT Canada (the "**Canadian Issuer**") and Golfsmith International Holdings, Inc. (the "**U.S. Issuer**," and together with the Canadian Issuer, the "**Issuers**"); (b) the guarantors party thereto (the "**Second**

Lien Guarantors"); (c) BNY Trust Company of Canada, as Canadian co-trustee (in such capacity, the "**Canadian Co-Trustee**") and as Canadian collateral agent (in such capacity, the "**Canadian Collateral Agent**") and the Bank of New York Mellon as U.S. co-trustee (in such capacity, the "**U.S. Co-Trustee**," and together with the Canadian Co-Trustee, the "**Indenture Trustee**") and as U.S. collateral agent (in such capacity, the "**U.S. Collateral Agent**," and together with the Canadian Collateral Agent, the "**Collateral Agent**"), the Issuers incurred indebtedness to certain holders (collectively, the "**Second Lien Noteholders**," and together with the Indenture Trustee and the Collateral Agent, the "**Second Priority Secured Parties**," and together with the First Priority Secured Parties, the "**Prepetition Secured Parties**") of two series of senior second lien notes (collectively, the "**Second Lien Notes**").

- (vi) *Second Priority Obligations.* Pursuant to the Indenture, the Issuers issued CDN\$125,000,000 in aggregate principal amount of Second Lien Notes. As of the Petition Date, the aggregate principal amount of Second Lien Notes outstanding was CDN\$125,000,000 (collectively, together with accrued and unpaid interest whenever arising, accrued, accruing, due, owing, or chargeable in respect of any of the Issuers' and the Second Lien Guarantors' obligations pursuant to the Second Lien Notes and the Second Lien Documents, the "**Second Priority Obligations**," and together with the First Priority Obligations, the "**Prepetition Obligations**").
- (vii) *Second Priority Liens and Second Lien Collateral.* As more fully set forth in the Indenture, prior to the Petition Date, the Issuers and the Second Lien Guarantors (collectively, the "**Second Priority Credit Parties**" granted to the Collateral Agent, on behalf of itself and the Second Priority Secured Parties, to secure the Second Priority Obligations, a second priority security interest in and continuing lien (the "**Second Priority Liens**,"⁵ and together with the First Priority Liens, the "**Prepetition Liens**") on substantially all of the assets of the Second Priority Credit Parties, in each case whether then owned or existing or thereafter acquired or arising (collectively, the "**Second Lien Collateral**," and together with the First Lien Collateral, the "**Prepetition Collateral**").
- (viii) *Priority of Prepetition Liens; Intercreditor Agreement.* The First Lien Agent, the Indenture Trustee, the Collateral Agent, and others entered into, and each of the borrowers and guarantors under the Prepetition Documents consented and agreed to, that certain Intercreditor Agreement dated as of July 24, 2012 (as amended,

⁵ In May 2015, one of the Canadian Debtors (as defined herein), GT Canada, sold Accolade Promotion Group, its promotional merchandise division. Following the sale, GT Canada changed the name of the related entity from Accolade Reaction Promotion Group USA Inc. to Golf Town USA Holdco Limited ("**Golf Town Holdco**"). The First Lien Agent made the necessary corrective UCC filings to reflect the change in name within the required timeframes and maintains a perfected lien on the assets of Golf Town Holdco. To the Debtors' knowledge, the Collateral Agent did not make a corrective UCC filing to reflect the change in name and, as a result, the Second Priority Secured Parties no longer hold a perfected lien on the assets of Golf Town Holdco (such lapsed lien, the "**Lapsed Second Priority Lien**").

restated, supplemented, or otherwise modified in accordance with its terms, the "**Intercreditor Agreement**") to govern the respective rights, interests, obligations, priority, and positions of the Prepetition Secured Parties with respect to the assets and properties of the Debtors and other obligors and certain other matters. Pursuant to the Intercreditor Agreement (a) the First Priority Liens in respect of the Prepetition Collateral securing the First Priority Obligations are senior and prior in right to any Second Priority Lien in respect of Prepetition Collateral securing the Second Priority Obligations,⁶ and (b) the Second Priority Liens in respect of the Prepetition Collateral securing the Second Priority Obligations are junior and subordinate in all respects to the First Priority Liens in respect of Prepetition Collateral securing the First Priority Obligations.

- (ix) *Validity, Perfection and Priority of Prepetition Liens and Prepetition Obligations.* The Debtors acknowledge and agree that as of the Petition Date (a) the Prepetition Liens on the Prepetition Collateral were, with the exception of the Lapsed Second Priority Lien relating to the Second Priority Obligations, valid, binding, enforceable, non-avoidable and properly perfected and were granted to, or for the benefit of, the Prepetition Secured Parties for fair consideration and reasonably equivalent value; (b) the First Priority Liens were senior in priority over any and all other liens on the Prepetition Collateral, subject only to certain liens otherwise permitted by the First Lien Documents (solely to the extent such permitted liens were valid, properly perfected (before the Petition Date or in accordance with section 546 of the Bankruptcy Code), non-avoidable, and senior in priority as a matter of law to the First Priority Liens, the "**First Lien Permitted Prior Liens**"); (c) the Second Priority Liens were junior and subordinate to the First Priority Liens on the Prepetition Collateral and otherwise, with the exception of the Lapsed Second Priority Lien, had priority over any and all other liens on the Prepetition Collateral, subject only to certain liens otherwise permitted by the Second Lien Documents (solely to the extent such permitted liens were valid, properly perfected (before the Petition Date or in accordance with section 546 of the Bankruptcy Code), non-avoidable, and senior in priority as a matter of law to the Second Priority Liens, the "**Second Lien Permitted Prior Liens**," and together with the First Lien Permitted Prior Liens, the "**Permitted Prior Liens**");⁷ (d) the Prepetition Obligations constitute legal, valid, binding, and non-avoidable obligations of the Debtors enforceable in accordance with the terms of the applicable Prepetition Documents; (e) no offsets, challenges, objections, defenses, claims or counterclaims of any kind or nature to any of the Prepetition Liens or

⁶ As of the Petition Date, there were no "Excluded ABL Claims" within the meaning of the Intercreditor Agreement.

⁷ Nothing herein shall constitute a finding or ruling by this Court that any asserted Permitted Prior Lien is valid, senior, enforceable, prior, perfected or non-avoidable. Moreover, nothing shall prejudice the rights of any party-in-interest, including, but not limited to the Debtors, the Prepetition Secured Parties, or a Creditors' Committee (if appointed), to challenge the validity, priority, enforceability, seniority, non-avoidability, perfection or extent of any alleged Permitted Prior Lien and/or security interests. The right of a seller of goods to reclaim such goods under sections 546(c) or 503(b)(9) of the Bankruptcy Code ("**Reclamation Claims**") are expressly subordinate and subject to the DIP Liens and Prepetition Liens.

Prepetition Obligations exist, with the exception of the Lapsed Second Priority Lien relating to the Second Priority Obligations, and no portion of the Prepetition Liens or Prepetition Obligations (or any payment made in respect of any thereof), with the exception of the Lapsed Second Priority Lien relating to the Second Priority Obligations, is subject to any challenge or defense, including, without limitation, avoidance, disallowance, disgorgement, recharacterization, or subordination (equitable or otherwise) pursuant to the Bankruptcy Code or other applicable law; and (f) the Debtors and their estates have no claims, objections, challenges, causes of action, and/or choses in action, including without limitation, avoidance claims under chapter 5 of the Bankruptcy Code or actions for recovery or disgorgement, against any of the Prepetition Secured Parties, or any of their respective affiliates, or any of the respective agents, attorneys, advisors, professionals, officers, directors and employees of the foregoing, arising out of, based upon or related to their respective obligations to same. For the avoidance of doubt, the Debtors acknowledge and agree that as of the Petition Date, there are no perfection or other issues relating to the First Priority Liens or the First Lien Obligations.

- (x) *Release of Claims.* Subject only to (a) entry of a Final Order and (b) the reservation of rights set forth in paragraph L(iii)43 below, each Debtor shall be deemed to have forever waived, discharged, and released each of the Prepetition Secured Parties, each of their affiliates, assigns or successors and each of the respective directors, members, managers, equity holders, officers, employees, agents, trustees, representatives, attorneys, financial advisors, accountants, collateral auditors, appraisers, consultants and each insurance, environmental, legal, financial and other advisor and other consultants and agents of or to the foregoing (collectively, the “Prepetition Secured Party Releasees”) from any and all “claims” (as defined in the Bankruptcy Code), counterclaims, causes of action (including causes of action in the nature of “lender liability”), defenses, setoff, recoupment, other offset rights and other rights of disgorgement or recovery against any and all of the Prepetition Secured Party Releasees, whether arising at law or in equity, relating to and/or otherwise in connection with the Prepetition Liens, the Prepetition Obligations, the Prepetition Documents, or the debtor-creditor relationship between any of the Prepetition Secured Parties, on the one hand, and any of the Debtors, on the other hand, including, without limitation, (a) any recharacterization, subordination, avoidance, disallowance or other claim arising under or pursuant to section 105 or chapter 5 of the Bankruptcy Code or under any other similar provisions of applicable state law, federal law, municipal law, or foreign law and (b) any right or basis to challenge or object to the amount, validity, or enforceability of the Prepetition Obligations or any payments or other transfers made on account of the Prepetition Obligations, or the validity, enforceability, priority, or non-avoidability of the Prepetition Liens securing the Prepetition Obligations, except with respect to the Lapsed Second Priority Lien relating to the Second Priority Obligations, including any right or basis to seek any disgorgement or recovery of payments of cash or any other distributions or transfers previously received by any of the Prepetition Secured Party Releasees.

(xi) *Sponsor Letter of Credit.* In order to provide additional credit support prior to the Petition Date, OCPI GT SPV Limited (the "**Sponsor Guarantor**"), a non-Debtor affiliate of the Debtors, duly executed and delivered a limited recourse guarantee in favor of the First Lien Agent of the First Priority Obligations secured only by that certain Irrevocable Standby Letter of Credit (as amended, restated, supplemented or otherwise modified, the "**Sponsor LC**"). As support for the postpetition financing to be provided as part of the DIP Facility, the Sponsor Guarantor has agreed to cause to be reissued or amended the Sponsor LC in the original face amount of \$16,533,681.98 for the benefit of the DIP Agent and the First Lien Agent as additional credit support for the DIP Obligations and First Priority Obligations. As of the Petition Date, the full face amount of the Sponsor LC remained undrawn. The issuance or amendment, and the continued availability of, the Sponsor LC is an express condition of the (i) DIP Agent and DIP Lenders' willingness to extend financing under the DIP Facility, and (ii) First Lien Agent's consent to the priming of the Prepetition Obligations and the use of Cash Collateral. The Sponsor and the First Lien Credit Parties have expressly represented to the First Priority Secured Parties that the Sponsor LC would serve as additional credit support for the obligations owing to the DIP Agent, DIP Lenders and First Priority Secured Parties. The First Lien Credit Parties further agree, acknowledge, affirm and reaffirm that, among other things, (a) the First Lien Credit Parties do not have any rights or interests in the Sponsor LC and (B) any right of the Sponsor to exercise rights or remedies against the Debtors in connection with any draw on the Sponsor LC is expressly subordinated to the rights of the DIP Agent, DIP Lenders and First Priority Secured Parties.

(xii) *Cash Collateral.* Subject to certain exclusions set forth in the Prepetition Documents, all of the Debtors' cash, including any cash in deposit accounts of the Debtors, wherever located, constitutes Cash Collateral of the Prepetition Secured Parties.

F. **Intercreditor Agreement.** Pursuant to section 510(a) of the Bankruptcy Code, the Intercreditor Agreement and any other intercreditor agreement or subordination agreement between and/or among any Prepetition Secured Party, any Debtor or affiliate thereof, and any other applicable intercreditor or subordination provisions contained in any of the Prepetition Documents (i) shall remain in full force and effect, (ii) shall continue to govern the relative priorities, rights and remedies of the Prepetition Secured Parties (including the relative priorities, rights and remedies of such parties with respect to the replacement liens and administrative expense claims and superpriority administrative expense claims granted, or amounts payable, by

the Debtors under this Interim Order or otherwise and the modification of the automatic stay), and (iii) shall not be deemed to be amended, altered or modified by the terms of this Interim Order or the DIP Documents.

G. **Findings Regarding Corporate Authority.** Each Debtor has all requisite corporate power and authority to execute and deliver the DIP Documents to which it is a party and to perform its obligations thereunder.

H. **Findings Regarding Postpetition Financing**

(i) *Request for Postpetition Financing.* The Debtors seek authority to (a) enter into the DIP Facility on the terms described herein and in the DIP Documents, and (b) use Cash Collateral on the terms described herein to administer the Cases and fund their operations. Notice of the Final Hearing and Final Order will be provided in accordance with this Interim Order.

(ii) *Priming of the Prepetition Liens.* The priming of the First Priority Liens of the First Priority Secured Parties on the First Lien Collateral and the priming of the Second Priority Liens of the Second Priority Secured Parties on the Second Lien Collateral under section 364(d) of the Bankruptcy Code, as contemplated by the DIP Facility and as further described herein, will enable the Debtors to obtain the DIP Facility and to continue to operate their businesses to the benefit of their estates and creditors. However, the Prepetition Secured Parties are entitled to receive adequate protection as set forth in this Interim Order pursuant to sections 361, 363, and 364 of the Bankruptcy Code, for any diminution in value (the "**Diminution in Value**") of each of their respective interests in the Prepetition Collateral

(including Cash Collateral), until the “Payment in Full”⁸ of the Prepetition Obligations.

(iii) *Need for Postpetition Financing and Use of Cash Collateral.* The Debtors have an immediate and critical need to use Cash Collateral on an interim basis and to obtain credit on an interim basis pursuant to the DIP Facility in order to, among other things, complete the marketing and sale of their assets and to administer and preserve the value of their estates. The ability of the Debtors to finance their operations, maintain business relationships with their vendors, suppliers and customers, to pay their employees and otherwise finance their operations requires the availability of working capital from the DIP Facility and the use of Cash Collateral, the absence of either of which would immediately and irreparably harm the Debtors, their estates, and parties-in-interest, and the Debtors’ ability to complete the marketing and sale process. The Debtors do not have sufficient available sources of working capital and financing to operate their businesses or maintain their properties in the ordinary course of business without the DIP Facility and authorized use of Cash Collateral.

(iv) *No Credit Available on More Favorable Terms.* The Debtors have been and continue to be unable to obtaining financing from sources other than the DIP Lenders on terms more favorable than the DIP Facility and are unable to obtain unsecured credit allowable under section 503(b)(1) of the Bankruptcy Code as an administrative expense. The Debtors have also been unable to obtain credit: (a) having priority over that of administrative expenses of the kind specified in sections 503(b), 507(a) and 507(b) of the Bankruptcy Code; (b) secured by a lien on property of the Debtors and their estates that is not otherwise subject to a

⁸ As used in this Interim Order, “**Payment in Full**” shall mean the indefeasible payment in full in cash of all DIP Obligations (or First Priority Obligations or Second Priority Obligations, as applicable), the cancellation, backing, or cash collateralization of letters of credit under the DIP Facility, and the termination of the DIP Agent’s and DIP Lenders’ obligation to extend credit under the DIP Facility.

lien; or (c) secured solely by a junior lien on property of the Debtors and their estates that is subject to a lien. Financing on a postpetition basis is not otherwise available without granting the DIP Agent, for the benefit of itself and the DIP Lenders: (1) perfected security interests in and liens on (each as provided herein) all of the Debtors' existing and after-acquired assets with the priorities set forth in paragraph 6 hereof, (2) superpriority claims and liens, and (3) the other protections set forth in this Interim Order.

(v) *Use of Proceeds of the DIP Facility.* The Debtors shall use the proceeds of the DIP Facility and any Cash Collateral solely as follows: (a) on the Closing Date, to pay costs and expenses associated with the closing of the transactions under the DIP Credit Agreement, including those required to be paid pursuant to Section 2.1 of the DIP Credit Agreement, and (b) on or after the Closing Date, to fund the Cases in accordance with the Approved Budget and for the financing of Debtors' ordinary working capital, letters of credit and other general corporate needs including certain fees and expenses of professionals retained by the Debtors, subject to the Carve-Out, and for certain other prepetition and pre-filing expenses that are approved by this Court and permitted by the Approved Budget. The Debtors shall not be permitted to use the proceeds of the DIP Facility or any Cash Collateral in contravention of the provisions of this Order or the Bankruptcy Code, including any restrictions or limitations on the use of proceeds contained therein. For greater certainty, the Debtors shall not use the proceeds of the DIP Facility advanced under the DIP Credit Agreement to repay the Prepetition Obligations; *provided, however,* that nothing in the DIP Credit Agreement, including Section 4.10 thereof, shall prohibit the postpetition payment of Prepetition Obligations, including principal, interest, fees, penalties or recoverable costs, due and payable in connection with the First Lien Credit Agreement with the proceeds of DIP Collateral or Prepetition Collateral.

(vi) *Application of Proceeds of Collateral.* As a condition to entry into the DIP Credit Agreement, the extension of credit under the DIP Facility and authorization to use Cash Collateral, the Debtors, DIP Agent, DIP Lenders and First Priority Secured Parties have agreed that as of and commencing on the date of the Interim Hearing, the Debtors shall apply the proceeds of DIP Collateral solely in accordance with the DIP Documents and the Approved Budget, including, subject to the reservation of rights in paragraph L(iii)43 herein, the application of proceeds to permanently repay the First Priority Obligations until there has been Payment in Full of such obligations.

(vii) *Entry of Orders in Parallel Canadian Proceedings.* Substantially contemporaneously with the filing of the Cases, non-debtors GT Canada Holdco, GT Canada and GT GP II (collectively, the "**Applicants**") made an application pursuant to the Companies' Creditors Arrangement Act, R.S.C. 1985, c. C-36 (the "**CCAA**") before the Ontario Superior Court of Justice (Commercial List) (the "**Canadian Court**"), seeking, among other things, a Stay of Proceedings (the "**CCAA Proceedings**") and the extension of such Stay of Proceedings and other benefits to non-debtor GT Partnership (together with the Applicants, the "**Canadian Debtors**"). Because the Borrowers and the Guarantors are each jointly and severally obligated under the DIP Facility, which operates as a revolving credit facility with a common borrowing base comprised of assets of the Borrowers, Guarantors and Canadian Debtors and provides financing that may be utilized by the Debtors and the Canadian Debtors, the DIP Agent and DIP Lenders have required approval of the DIP Facility by both the Court and the Canadian Court as a condition to providing postpetition financing to the Debtors and the Canadian Debtors.

I. **Adequate Protection.** The First Lien Agent, for the benefit of itself and the First Priority Secured Parties, and the Collateral Agent, for the benefit of itself and the Second Priority

Secured Parties, are each entitled to receive adequate protection to the extent of any Diminution in Value of their respective interests in the Prepetition Collateral, until the Payment in Full of their respective Prepetition Obligations, as provided herein.

J. **Sections 506(c) and 552(b)**. In light of (i) the DIP Agent's and DIP Lenders' agreement to subordinate their liens and superpriority claims to the Carve-Out (as defined herein); (ii) the First Priority Secured Parties' agreement to subordinate their liens and superpriority claims to the Carve-Out, DIP Liens and DIP Superpriority Claims; and (iii) the Second Priority Secured Parties' agreement to subordinate their liens and superpriority claims to the Carve-Out, DIP Liens, DIP Superpriority Claims, First Priority Adequate Protection Liens, and First Priority Adequate Protection Superpriority Claims, (a) subject to entry of a Final Order, the Prepetition Secured Parties are each entitled to a waiver of any "equities of the case" claims under section 552(b) of the Bankruptcy Code, and (b) subject to entry of a Final Order, the DIP Agent, DIP Lenders, and Prepetition Secured Parties are each entitled to a waiver of the provisions of section 506(c) of the Bankruptcy Code.

K. **Good Faith of the DIP Agent and DIP Lenders**.

(i) *Willingness to Provide Financing*. The DIP Lenders have indicated a willingness to provide financing to the Debtors subject to: (a) entry of this Interim Order and the Final Order; (b) approval by the Court of the terms and conditions of the DIP Facility and the DIP Documents; (c) satisfaction of the closing conditions set forth in the DIP Documents; (d) entry of an initial order (the "**CCAA Initial Order**") by the Canadian Court, in a form satisfactory to the DIP Agent, commencing the CCAA Proceedings, and (e) findings by this Court that such financing is essential to the Debtors' estates, that the DIP Agent and DIP Lenders are extending credit to the Debtors pursuant to the DIP Documents in good faith, and that the

DIP Agent's and DIP Lenders' claims, superpriority claims, security interests and liens and other protections granted pursuant to this Interim Order and the DIP Documents will have the protections provided in section 364(e) of the Bankruptcy Code and will not be affected by any subsequent reversal, modification, vacatur, amendment, reargument or reconsideration of this Interim Order or any other order.

(ii) *Business Judgment and Good Faith Pursuant to Section 364(e).*

The terms and conditions of the DIP Facility and the DIP Documents, and the fees paid, and to be paid, thereunder, are fair, reasonable, and the best available to the Debtors under the circumstances, are ordinary and appropriate for secured financing to debtors in possession, reflect the Debtors' exercise of prudent business judgment consistent with their fiduciary duties, and are supported by reasonably equivalent value and consideration. The terms and conditions of the DIP Facility and the use of Cash Collateral were negotiated in good faith and at arms' length among the Debtors, DIP Agent, DIP Lenders, and First Priority Secured Parties, with the assistance and counsel of their respective advisors. Use of Cash Collateral and credit to be extended under the DIP Facility shall be deemed to have been allowed, advanced, made, or extended in good faith by the DIP Agent, DIP Lenders and First Priority Secured Parties within the meaning of section 364(e) of the Bankruptcy Code.

L. **Interim Hearing.** Notice of the Interim Hearing and the relief requested in the DIP Motion has been served by the Debtors on: (i) the U.S. Trustee, (ii) the Debtors' 30 largest unsecured creditors on a consolidated basis, (iii) counsel to the First Lien Agent, (iv) counsel to the DIP Agent, (v) counsel to the U.S. Co-Trustee and U.S. Collateral Agent; (vi) counsel to the Canadian Co-Trustee and Canadian Collateral Agent; and (vii) any other party entitled to notice pursuant to Local Rule 9013-1(m). Under the circumstances, the notice given by the Debtors of

the DIP Motion, the relief requested therein and the Interim Hearing constitutes due and sufficient notice thereof and complies with Bankruptcy Rules 4001(b) and (c), and no further notice of the relief sought at the Interim Hearing is necessary or required.

Based upon the foregoing findings and conclusions, the DIP Motion and the record before the Court with respect to the DIP Motion, and good and sufficient cause appearing therefor,

IT IS HEREBY ORDERED that:

1. Interim Financing Approved. The DIP Motion is granted, the Interim Financing (as defined herein) is authorized and approved, and the use of Cash Collateral on an interim basis is authorized, in each case subject to the terms and conditions set forth in this Interim Order. All objections to this Interim Order to the extent not withdrawn, waived, settled or resolved are hereby denied and overruled.

DIP Facility Authorization

2. Authorization of the DIP Financing. The Debtors are expressly and immediately authorized and empowered to execute and deliver the DIP Documents, and to incur and to perform the DIP Obligations in accordance with, and subject to, the terms of this Interim Order and the DIP Documents, and to deliver all instruments and documents which may be required or necessary for the performance by the Debtors under the DIP Facility and the creation and perfection of the DIP Liens (as defined herein) described in and provided for by this Interim Order and the DIP Documents. The Debtors are hereby authorized and directed to pay, in accordance with this Interim Order, the principal, interest, fees, expenses and other amounts described in the DIP Documents and all other documents comprising the DIP Facility as such

become due and without need to obtain further Court approval, including, without limitation, closing fees, letter of credit fees (including issuance, fronting, and other related charges), unused facility fees, continuing commitment fees, servicing fees, audit fees, structuring fees, administrative agent's fees, the reasonable fees and disbursements of the DIP Agent's attorneys, advisors, accountants, and other consultants, whether or not the transactions contemplated hereby are consummated, to implement all applicable reserves and to take any other actions that may be necessary or appropriate, all to the extent provided in the DIP Documents. All collections and proceeds, whether from ordinary course collections, asset sales (including a GC Sale, a Permitted Store Closing Sale or a Store Liquidation, each as defined in the DIP Credit Agreement), debt or equity issuances, insurance recoveries, condemnations or otherwise, will be deposited and applied as required by this Interim Order and the DIP Documents. Upon execution and delivery, the DIP Documents shall represent valid and binding obligations of the Debtors, enforceable against each of the Debtors and their estates in accordance with their terms.

3. Authorization to Borrow. In order to prevent immediate and irreparable harm to the Debtors' estates, from the entry of this Interim Order through and including the earliest to occur of (i) entry of the Final Order or (ii) the Termination Declaration (as defined herein), and subject to the terms, conditions, limitations on availability and reserves set forth in the DIP Documents and this Interim Order, the Debtors are hereby authorized to request and obtain extensions of credit (in the form of loans and letters of credit) up to an aggregate outstanding principal amount of \$135,000,000 at any one time outstanding, including: (a) a sublimit for letters of credit denominated in U.S. dollars up to \$10,000,000, (b) a sublimit for letters of credit denominated in Canadian dollars up to \$10,000,000, (c) a sublimit of \$5,000,000 aggregate principal amount of Swing Loans denominated in U.S. dollars, and (d) a sublimit of the U.S.

dollar equivalent of \$5,000,000 aggregate principal amount of Swing Loans denominated in Canadian dollars under the DIP Facility (the “Interim Financing”).

4. DIP Obligations. The DIP Documents and this Interim Order shall constitute and evidence the validity and binding effect of the Debtors’ DIP Obligations, which DIP Obligations shall be enforceable against the Debtors, their estates and any successors thereto, including without limitation, any trustee appointed in the Cases, or in any case under chapter 7 of the Bankruptcy Code upon the conversion of any of the Cases, or in any other proceedings superseding or related to any of the foregoing (collectively, the “Successor Cases”). Upon entry of this Interim Order, the DIP Obligations will include all loans, letter of credit reimbursement obligations, and any other indebtedness or obligations, contingent or absolute, which may now or from time to time be owing by any of the Debtors to the DIP Agent or any of the DIP Lenders, under the DIP Documents or this Interim Order, including, without limitation, all principal, accrued interest, costs, fees, expenses and other amounts under the DIP Documents.

5. DIP Liens. In order to secure the DIP Obligations, effective immediately upon entry of this Interim Order, pursuant to sections 361, 362, 364(c)(2), 364(c)(3), and 364(d) of the Bankruptcy Code, the DIP Agent, for the benefit of itself and the DIP Lenders, is hereby granted, against each of the Debtors on a joint and several basis, continuing, valid, binding, enforceable, non-avoidable, and automatically and properly perfected postpetition security interests in and liens (collectively, the “DIP Liens”) on all real and personal property, whether now existing or hereafter arising, tangible or intangible, of each of the Debtors (the “DIP Collateral”), including without limitation: (a) all monies, cash, cash equivalents, deposit accounts, lockbox accounts, securities accounts, commodities accounts, or other accounts owned by any Debtor, other receivables, accounts, chattel paper (whether tangible or electronic), contract rights, inventory

(wherever located), instruments (including promissory notes), documents (as defined in the Uniform Commercial Code and including, if applicable, electronic documents), securities (whether or not marketable) and investment property (including, without limitation, all of the issued and outstanding capital stock of each of its subsidiaries), goods, inventory (including, without limitation, all inventory in transit), furniture, fixtures, equipment and any accessions thereto, franchise rights, trade names, trademarks, servicemarks, copyrights, patents, intellectual property, general intangibles, payment intangibles, rights to the payment of money (including, without limitation, tax refunds and any other extraordinary payments), supporting obligations, guarantees, letter of credit rights (whether or not evidenced by a writing), commercial tort claims, claims and causes of action and all substitutions, real and personal property and fixture property, leases and leaseholds; provided, however, with respect to the Debtors' non-residential real property leases, no liens or encumbrances shall be granted or extend to such leases themselves under this Interim Order, except as permitted in the applicable lease or pursuant to applicable law, but rather any liens granted shall extend only to the proceeds realized upon the sale, assignment, termination, or other disposition of such leases, books and records related to the foregoing, accessions and proceeds of the foregoing, wherever located, including insurance or other proceeds, and (b) all owned real property interests and the economic value of all leased real property (including the proceeds realized upon the sale, assignment or other transfer thereof and all other proceeds and products thereof). The DIP Liens shall not extend to avoidance actions brought under chapter 5 of the Bankruptcy Code other than actions brought under section 549 to recover any post-petition transfer of DIP Collateral.

6. DIP Lien Priority. The DIP Liens securing the DIP Obligations are valid, automatically perfected, non-avoidable, senior in priority and superior to any security, mortgage,

collateral interest, lien, claim or interest to or on any of the DIP Collateral, except that the DIP Liens shall be junior only to: (a) the First Lien Permitted Prior Liens and (b) the Carve-Out. Other than as set forth herein, the DIP Liens shall not be made subject to, or *pari passu* with, any lien or security interest heretofore or hereinafter granted in the Cases or any Successor Cases, and shall be valid and enforceable against any trustee appointed in the Cases or any Successor Cases, upon the conversion of any of the Cases to a case under chapter 7 of the Bankruptcy Code (or in any other Successor Case), and/or upon the dismissal of any of the Cases or Successor Cases. The DIP Liens securing the DIP Obligations are expressly senior to all Reclamation Claims. The DIP Liens shall not be subject to section 510, 549 or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the estate pursuant to section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the DIP Liens.

7. Superpriority Claims. Upon entry of this Interim Order, the DIP Agent and DIP Lenders are hereby granted, against each of the Debtors on a joint and several basis, pursuant to Section 364(c)(1) and 364(d) of the Bankruptcy Code, an allowed, senior secured, superpriority administrative expense claim in each of the Cases and any Successor Cases (collectively, the "DIP Superpriority Claim") for all DIP Obligations that shall: (a) be payable from and have recourse to all prepetition and postpetition property of the Debtors and all proceeds thereof; (b) subject only to the Carve-Out, have priority over any and all administrative expense claims and unsecured claims against the Debtors or their estates in any of the Cases and any Successor Cases, at any time existing or arising, of any kind or nature whatsoever, including, without limitation, costs, claims and expenses of the kinds specified in or ordered pursuant to Bankruptcy Code sections 105, 326, 328, 330, 331, 365 (subject to entry of a Final Order), 503(a), 503(b), 506(c) (subject to entry of a Final Order), 507(a), 507(b), 546(c), 546(d), 726, 1113 and 1114, or

any other provision of the Bankruptcy Code or otherwise, as provided under Section 364(c)(1) of the Bankruptcy Code; and (C) at all times be senior to the rights of the Debtors and their estates, and any successor trustee or other estate representative in the Cases or any Successor Case.

8. No Obligation to Extend Credit. The DIP Agent and DIP Lenders shall have no obligation to make any loan or advance, or to issue, amend, renew or extend any letters of credit under the DIP Documents, unless all of the conditions precedent to the making of such extension of credit or the issuance, amendment, renewal or extension of such letter of credit under the DIP Documents and this Interim Order have been satisfied in full or waived in accordance with the DIP Documents.

9. Use of DIP Facility Proceeds. From and after the Petition Date, the Debtors shall use advances of credit under the DIP Facility only for the purposes specifically set forth in this Interim Order, as permitted by the DIP Documents and in compliance with the Approved Budget.

Authorization to Use Cash Collateral

10. Authorization to Use Cash Collateral. The Debtors are authorized to use Cash Collateral subject to the terms and conditions of this Interim Order, the DIP Facility and the DIP Documents and in accordance with the Approved Budget. Nothing in this Interim Order shall authorize the disposition of any assets of the Debtors or their estates outside the ordinary course of business, or any Debtor's use of any Cash Collateral or other proceeds resulting therefrom, except as permitted in this Interim Order, the DIP Facility, the DIP Documents, and in accordance with the Approved Budget.

11. Adequate Protection Liens.

(i) *First Priority Adequate Protection Liens.* Pursuant to Sections 361, 363(e) and 364(d) of the Bankruptcy Code, as adequate protection of the interests of the First Priority Secured Parties in the First Lien Collateral against any Diminution in Value of such interests in the First Lien Collateral, the Debtors hereby grant to the First Lien Agent, for the benefit of itself and the First Priority Secured Parties, continuing valid, binding, enforceable and perfected postpetition security interests in and liens on all of the Debtors' assets (the "**First Priority Adequate Protection Liens**").

(b) *Second Priority Adequate Protection Liens.* Pursuant to Sections 361, 363(e) and 364(d) of the Bankruptcy Code, as adequate protection of the interests of the Second Priority Secured Parties in the Second Lien Collateral against any Diminution in Value of such interests in the Second Lien Collateral, the Debtors hereby grant to the Collateral Agent, for the benefit of itself and the Second Priority Secured Parties, continuing valid, binding, enforceable and perfected postpetition security interests in and liens on all of the Debtors' assets (the "**Second Priority Adequate Protection Liens**," and together with the First Priority Adequate Protection Liens, the "**Adequate Protection Liens**").

12. **Priority of Adequate Protection Liens.**

(i) The First Priority Adequate Protection Liens shall be junior only to: (A) Permitted Prior Liens; (B) the Carve-Out; (C) the DIP Liens and (D) the First Priority Liens. The First Priority Adequate Protection Liens shall be senior to all other security interests in, liens on, or claims against any of the Debtors' assets; *provided, however*, that seniority with respect to liens on claims arising under section 506(c) of the Bankruptcy Code shall be subject to entry of a Final Order.

(ii) The Second Priority Adequate Protection Liens shall be junior only to: (A) Permitted Prior Liens; (B) the Carve-Out; (C) the DIP Liens; (D) the First Priority Liens; (E) the First Priority Adequate Protection Liens; and (F) the Second Priority Liens. The Second Priority Adequate Protection Liens shall be senior to all other security interests in, liens on, or claims against any of the Debtors' assets; *provided, however*, that seniority with respect to liens on claims arising under section 506(c) of the Bankruptcy Code shall be subject to entry of a Final Order.

(iii) Except as provided herein, the Adequate Protection Liens shall not be made subject to or *pari passu* with any lien or security interest heretofore or hereinafter in the Cases or any Successor Cases, and shall be valid and enforceable against any trustee appointed in any of the Cases or any Successor Cases, or upon the dismissal of any of the Cases or Successor Cases. The Adequate Protection Liens shall not be subject to (i) section 510 of the Bankruptcy Code with respect to the Prepetition Obligations (except as provided in the Intercreditor Agreement), or (ii) sections 549 or 550 of the Bankruptcy Code. No lien or interest avoided and preserved for the benefit of the estate pursuant to section 551 of the Bankruptcy Code shall be *pari passu* with or senior to the Prepetition Liens or the Adequate Protection Liens.

13. Adequate Protection Superpriority Claims.

(i) *First Priority Superpriority Claim.* As further adequate protection of the interests of the First Priority Secured Parties in the First Lien Collateral against any Diminution in Value of such interests in the First Lien Collateral, the First Lien Agent, on behalf of itself and the First Priority Secured Parties, is hereby granted, as and to the extent provided by section 507(b) of the Bankruptcy Code an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (the "First Priority Superpriority Claim").

(c) *Second Priority Superpriority Claim.* As further adequate protection of the interests of the Second Priority Secured Parties in the Second Lien Collateral against any Diminution in Value of such interests in the Second Lien Collateral, the Collateral Agent, on behalf of itself and the Second Priority Secured Parties, is hereby granted as and to the extent provided by section 507(b) or the Bankruptcy Code an allowed superpriority administrative expense claim in each of the Cases and any Successor Cases (the “Second Priority Superpriority Claim,” and together with the First Priority Superpriority Claim, the “Adequate Protection Superpriority Claims”).

14. Priority of the Adequate Protection Superpriority Claims. Except as set forth herein, the Adequate Protection Superpriority Claims shall have priority over all administrative expense claims and unsecured claims against the Debtors or their estates, now existing or hereafter arising, of any kind or nature whatsoever, including, without limitation, administrative expenses of the kinds specified in or ordered pursuant to Sections 105, 326, 328, 330, 331, 365, 503(a), 503(b), 507(a), 507(b), 546(c), 546(d), 726, 1113 and 1114 of the Bankruptcy Code; *provided, however*, that: (i) the First Priority Superpriority Claim shall be junior to the Carve-Out and DIP Superpriority Claim and (ii) the Second Priority Superpriority Claim shall be junior to the First Priority Obligations, the Carve-Out, the DIP Superpriority Claim, and the First Priority Superpriority Claim.

15. Adequate Protection Payments and Protections. As further adequate protection, the Debtors are authorized and directed to provide, adequate protection to the First Priority Secured Parties in the form of current payment of (a) fees, costs, charges and expenses (including without limitation, legal and other professionals’ fees and expenses of the First Lien Agent) to the extent, and at the times, payable under the First Lien Documents, including any

unpaid fees, costs and expenses accrued prior to the Petition Date, (b) interest accruing on the First Priority Obligations at the applicable rate set forth in the First Lien Documents, which shall be paid on the last calendar day of each month commencing after the Closing Date; and (c) principal due under the First Lien Documents, subject to the rights preserved in paragraph (iii)43 below.

16. Section 507(b) Reservation. Nothing herein shall impair or modify the application of section 507(b) of the Bankruptcy Code in the event that the adequate protection provided to the Prepetition Secured Parties hereunder is insufficient to compensate for any Diminution in Value of their respective interests in the Prepetition Collateral during the Cases or any Successor Cases.

**Provisions Common to DIP Financing
and Use of Cash Collateral**

17. Amendment of the DIP Documents. The DIP Documents may from time to time be amended, modified or supplemented by the parties thereto without further order of the Court if: (a) the amendment, modification, or supplement (i) is in accordance with the DIP Documents, and (ii) is based upon the Debtors' business judgment; (b) a copy (which may be provided through electronic mail or facsimile) of the amendment, modification or supplement is provided to counsel for the U.S. Co-Trustee and U.S. Collateral Agent, counsel to the Canadian Co-Trustee and the Canadian Collateral Agent, counsel to a Creditors' Committee (if appointed), and the U.S. Trustee (collectively, the "Notice Parties"); and (c) the amendment, modification or supplement is filed with the Court; *provided, however*, that neither consent of the Notice Parties nor approval of the Court will be necessary to effectuate any such amendment, modification or supplement and provided further that such amendment, modification or

supplement shall be without prejudice to the right of any party in interest to be heard; provided further that any material amendment, modifications and supplements shall be subject to further Court approval.

18. Budget Maintenance. The use of borrowings and other extensions of credit by the Borrowers under the DIP Credit Agreement and the other DIP Documents shall be limited in accordance with the Approved Budget. The initial Approved Budget shall depict, on a weekly basis, cash revenues, receipts, expenses and disbursements and other information for the first 7 week period from the Closing Date and such initial Approved Budget shall be approved by, and in form and substance satisfactory to, the DIP Agent in its discretion. The Approved Budget shall be updated, modified or supplemented (with the written consent and/or at the request of the DIP Agent) from time to time, but in any event not less than on a monthly basis (with delivery to the DIP Agent on or before 5:00 p.m. (CST) on the first Thursday of each calendar month), and each such updated, modified or supplemented budget shall be approved in writing by, and shall be in form and substance reasonably satisfactory to, the DIP Agent in its discretion and no such updated, modified or supplemented budget shall be effective until approved by the DIP Agent, and once so approved shall be deemed an Approved Budget; provided, however, that in the event the DIP Agent, on the one hand, and the Borrowers, on the other hand, cannot agree as to an updated, modified or supplemented budget, such disagreement shall give rise to an Event of Default once the period covered by the prior Approved Budget has terminated. The Approved Budget shall be updated, modified or supplemented at the request of the DIP Agent prior to the effectiveness of any Sale Transactions or any other transaction consented to by the DIP Agent under the DIP Credit Agreement and each such updated, modified or supplemented budget shall be approved in writing by, and shall be in form and substance reasonably satisfactory to, the DIP

Agent in its discretion and no such updated, modified or supplemented budget shall be effective until approved by the DIP Agent, and once so approved shall be deemed an Approved Budget; *provided, however*, that in the event the DIP Agent, on the one hand, and the Borrowers, on the other hand, cannot agree as to an updated, modified or supplemented budget, such disagreement shall give rise to an Event of Default. Each budget delivered to the DIP Agent shall be accompanied by such supporting documentation as reasonably requested by the DIP Agent. Each Approved Budget shall be prepared in good faith based upon assumptions which the Borrowers believe to be reasonable. A copy of any Approved Budget (or updated budget) shall be delivered to counsel for the U.S. Co-Trustee and U.S. Collateral Agent, Canadian Co-Trustee and Canadian Collateral Agent, a Creditors' Committee (if appointed) and the U.S. Trustee after it has been approved by the DIP Agent.

19. Budget Compliance. The Debtors shall not pay any expenses or other disbursements other than those set forth in the Approved Budget or otherwise permitted by the DIP Documents; *provided, however*, that in the case of the fees, costs and expenses of the DIP Agent and First Lien Agent, the Debtors shall pay such fees, costs and expenses in accordance with the DIP Documents and this Interim Order *without being limited by the Approved Budget*. The Debtors shall deliver to the DIP Agent by 12:00 p.m. (EST), on Thursday of each week all documents and reports required under the DIP Credit Agreement.

20. Modification of Automatic Stay. The automatic stay imposed under section 362(a) of the Bankruptcy Code is hereby modified as necessary to effectuate all of the terms and provisions of this Interim Order, including, without limitation, to: (a) permit the Debtors to grant the DIP Liens, Adequate Protection Liens, DIP Superpriority Claim, and Adequate Protection Superpriority Claims; (b) permit the Debtors to perform such acts as the DIP Agent, DIP

Lenders, First Lien Agent, or Collateral Agent each may request in its sole discretion to assure the perfection and priority of the liens granted herein; (c) permit the DIP Agent, First Lien Agent and Collateral Agent, to file, as it in its sole discretion deems necessary or advisable, such financing statements, mortgages, notices of liens and other similar documents to perfect in accordance with applicable non-bankruptcy law or to otherwise evidence the DIP Liens and Adequate Protection Liens; (d) permit the Debtors to incur all liabilities and obligations to the DIP Agent, DIP Lenders, and Prepetition Secured Parties under the DIP Documents, the DIP Facility and this Interim Order; (e) authorize the Debtors to pay, and the DIP Agent, the DIP Lenders and the First Priority Secured Parties to retain and apply, payments made in accordance with the terms of this Interim Order; and (f) permit the Debtors and DIP Agent to take any other actions necessary and appropriate to implement the terms of the DIP Documents, including, without limitation, the implementation of applicable reserves.

21. Sponsor LC. The automatic stay imposed under section 362 of the Bankruptcy Code does not and shall not apply to the Sponsor LC or to any action taken by the DIP Agent (or First Lien Agent, as applicable) to draw the Sponsor LC following the occurrence of an LC Draw Event at any time during these Cases or any Successor Cases.

22. Perfection of DIP Liens and Adequate Protection Liens. This Interim Order shall be sufficient and conclusive evidence of the validity, perfection, and priority of all liens granted herein, including the DIP Liens and the Adequate Protection Liens, without the necessity of (a) filing or recording any financing statement, deed of trust, mortgage, or other instrument or document that may otherwise be required under the law of any jurisdiction, (b) obtaining "control" (as defined in any applicable Uniform Commercial Code or other law) over any DIP Collateral (and the DIP Agent shall be deemed, without any further action, to have control over

all the Debtors' deposit accounts, securities accounts and commodities accounts within the meaning of such Uniform Commercial Code and other law) or (c) taking any other action to validate or perfect the DIP Liens and Adequate Protection Liens or to entitle the DIP Liens and Adequate Protection Liens to the priorities granted herein. Notwithstanding the foregoing, the DIP Agent, First Lien Agent and Collateral Agent each are authorized to file, as it in its sole discretion deems necessary or advisable, such financing statements, mortgages, notices of liens and other similar documents to perfect in accordance with applicable non-bankruptcy law or to otherwise evidence the DIP Liens and Adequate Protection Liens, and all such financing statements, mortgages, notices and other documents shall be deemed to have been filed or recorded as of the Petition Date; provided, however, that no such filing or recordation shall be necessary or required in order to create or perfect the DIP Liens or Adequate Protection Liens. The Debtors are authorized and directed to execute and deliver promptly upon demand to the DIP Agent, First Lien Agent and Collateral Agent all such financing statements, mortgages, notices and other documents as the DIP Agent, First Lien Agent, or Collateral Agent may reasonably request. The DIP Agent, First Lien Agent and Collateral Agent, each in its discretion, may file a photocopy of this Interim Order as a financing statement, notice of lien or similar instrument with any filing or recording office or with any registry of deeds or similar office, in addition to or in lieu of such financing statements, notices of lien or similar instrument. To the extent that the First Lien Agent is the secured party under any security agreement, guaranty, pledge agreement, deed, mortgage, leasehold mortgage, landlord waiver, credit card processor notices or agreements, bailee letters, custom broker agreements, transfer power, financing statement, fixture filing, account control agreements or securities control agreements, listed as loss payee or additional insured under any of the Debtors' insurance policies, or is the

secured party under any of the First Lien Documents (the foregoing collectively, the “Ancillary Collateral Documents”), the DIP Agent shall also be deemed to be the secured party under such Ancillary Collateral Documents, shall have all rights and powers attendant to that position (including rights of enforcement), and shall act in that capacity and distribute any proceeds recovered or received in accordance with the DIP Documents. The DIP Liens securing the DIP Obligations shall be subrogated in all respects to the rights, interests, validity and priority of the First Priority Liens and the First Lien Documents, including any Ancillary Collateral Documents. The First Lien Agent shall serve as agent for the DIP Agent for purposes of perfecting the DIP Agent’s liens on all DIP Collateral, or effecting control, that, without giving effect to the Bankruptcy Code and this Interim Order, is of a type such that perfection of a lien or effecting control therein may be accomplished only by possession or control by a secured party.

23. Application of Proceeds of Collateral. As a condition to the entry of the DIP Documents, the extension of credit under the DIP Facility and the authorization to use Cash Collateral, the Debtors have agreed that as of and commencing on the date of the Interim Hearing, the Debtors shall apply all proceeds of DIP Collateral in accordance with the DIP Credit Agreement. The application of proceeds to permanently repay the First Priority Obligations is subject to the preservation of rights provided in paragraph (iii)43 herein.

24. Protections of Rights of DIP Agent, DIP Lenders and First Priority Secured Parties. The Debtors (and/or their legal and financial advisors in the case of clauses (ii) through (iv) below) will, whether or not the DIP Agent and DIP Lenders have received Payment in Full of all DIP Obligations, (i) maintain books, records, and accounts to the extent and as required by the DIP Documents, (ii) reasonably cooperate with, consult with, and provide to the DIP Agent and First Lien Agent all such information and documents that any or all of the Debtors are

obligated (including upon request by any of the DIP Agent or First Lien Agent) to provide under the DIP Documents, First Lien Documents, or the provisions of this Interim Order, (iii) permit consultants, advisors and other representatives (including third party representatives) of each of the DIP Agent and First Lien Agent to visit and inspect any of the Debtors' respective properties, to examine and make abstracts or copies from any of their respective books and records, to tour the Debtors' business premises and other properties, and to discuss, and provide advice with respect to, their respective affairs, finances, properties, business operations, and accounts with their respective officers, employees, independent public accountants and other professional advisors (other than legal counsel) as and to the extent required by the DIP Documents and/or the First Lien Documents, (iv) permit the DIP Agent and First Lien Agent, and their respective consultants, advisors and other representatives to consult with the Debtors' management and advisors on matters concerning the Debtors' businesses, financial condition, operations and assets, and (v) permit the DIP Agent and First Lien Agent to conduct, at their discretion and at the Debtors' cost and expense, field audits, collateral examinations and inventory appraisals at reasonable times in respect of any or all of the DIP Collateral and First Lien Collateral.

25. Proceeds of Subsequent Financing. If the Debtors, any trustee, any examiner with enlarged powers, or any responsible officer subsequently appointed in these Cases or any Successor Cases, shall obtain credit or incur debt pursuant to Bankruptcy Code sections 364(b), 364(c) or 364(d) in violation of the DIP Documents at any time prior to the Payment in Full of all DIP Obligations and First Priority Obligations, including subsequent to the confirmation of any plan with respect to any or all of the Debtors and the Debtors' estates, and such facilities are secured by any DIP Collateral, then all the cash proceeds derived from such credit or debt shall immediately be turned over to the DIP Agent to be applied in accordance with this Interim Order

and the DIP Documents.

26. Cash Collection and Cash Management. From and after the date of the entry of this Interim Order, all collections and cash proceeds of any DIP Collateral, Prepetition Collateral, accounts, checks and other items of payment or services provided by any Debtor and all Cash Collateral that shall at any time come into the possession, custody, or control of any Debtor, or to which any Debtor is now or shall become entitled at any time, shall be handled in accordance with the DIP Credit Agreement. Upon the direction of the DIP Agent, at any time after the occurrence of the DIP Termination Date and subject to the provisions of paragraph 32, all cash proceeds shall be remitted to the DIP Agent for application in accordance with the DIP Documents and this Interim Order. Each of the Debtors shall establish and maintain cash management arrangements and procedures in accordance with the DIP Documents and any cash management order entered by the Court (the "Cash Management Order"), which shall be in form and substance acceptable to the DIP Agent. Unless otherwise agreed to in writing by the DIP Agent and First Lien Agent, the Debtors shall maintain no accounts except those identified in the Cash Management Order. The Debtors and the financial institutions where the Debtors' accounts are maintained (including those accounts identified in any Cash Management Order), are authorized and directed to remit, without offset or deduction, funds in such accounts upon receipt of any direction to that effect from the DIP Agent or First Lien Agent, subject to the provisions of paragraph 31 of this Interim Order.

27. Maintenance of DIP Collateral. Until the Payment in Full of the DIP Obligations and First Priority Obligations, the Debtors shall: (a) insure the DIP Collateral as required under the DIP Facility or the Prepetition Documents, as applicable, and (b) cause the Sponsor LC to be issued to the DIP Agent, DIP Lenders and/or First Priority Secured Parties, as applicable.

28. Disposition of DIP Collateral. Until the Payment in Full of the DIP Obligations and First Priority Obligations, the Debtors shall not sell, transfer, lease, encumber or otherwise dispose of any portion of the DIP Collateral or First Lien Collateral other than in the ordinary course of business without the prior written consent of the DIP Agent and First Lien Agent (and no such consent shall be implied, from any other action, inaction or acquiescence by the DIP Agent, DIP Lenders, or First Priority Secured Parties, or from any order of this Court), except as otherwise provided for in the DIP Documents.

29. Credit Bid.

(i) Subject to entry of a Final Order, the First Lien Agent (or one or more of its designees, affiliates or assignees) shall have the right to credit bid up to the full amount of any First Priority Obligations in any sale (whether public or private) of the First Lien Collateral (or any DIP Collateral subject to any First Priority Adequate Protection Liens) under or pursuant to (a) section 363 of the Bankruptcy Code, (b) any plan of reorganization or plan of liquidation under section 1129 of the Bankruptcy Code to the extent any sale contemplated thereunder does not result in the Payment in Full of all of the DIP Obligations and First Priority Obligations on the effective date of such plan, or (c) section 725 of the Bankruptcy Code. The Debtors, on behalf of themselves and their estates, stipulate and agree that any sale of all or part of the First Lien Collateral (or any DIP Collateral subject to any First Priority Adequate Protection Liens) that does not include an right to credit bid up to the full amount of the First Priority Obligations would mean that the First Lien Agent and the other First Priority Secured Parties will not receive the indubitable equivalent of their claims and interests.

(ii) Subject to entry of a Final Order, the DIP Agent (or one or more of its designees, affiliates or assignees) shall have the unqualified right to credit bid any or all of the

DIP Obligations under or pursuant to (a) section 363 of the Bankruptcy Code, (b) any plan of reorganization or plan of liquidation under section 1129 of the Bankruptcy Code, or (c) section 725 of the Bankruptcy Code.

(iii) Subject to entry of a Final Order, if the DIP Agent or First Lien Agent or their respective designees, affiliates or assignees make a credit bid in connection with any auction or other sale process relating to the sale or other disposition of any DIP Collateral or First Lien Collateral, then for purposes of such auction or sale process or any applicable order of this Court, the DIP Agent and/or First Lien Agent shall be automatically deemed to be a qualified bidder and its bid shall be automatically deemed to constitute a qualified bid, regardless of whether the qualified bidder or qualified bid requirements are satisfied.

30. Events of Default. The occurrence of any of the following events, unless waived in writing in accordance with the DIP Documents, shall constitute an event of default (collectively, the "Events of Default"): (a) the failure of the Debtors to perform, in any respect, any of the terms, provisions, conditions, covenants, or obligations under this Interim Order or the CCAA Initial Order, (b) the entry of an order in any of these Cases or any Successor Cases (including any order confirming any plan of reorganization or liquidation) that authorizes the return of goods pursuant to section 546(h) of the Bankruptcy Code (or other return of goods on account of any prepetition indebtedness) to any creditor of any Debtor or any creditor's taking any setoff against any of its prepetition indebtedness based upon any such return pursuant to section 553 of the Bankruptcy Code or otherwise; or (c) the occurrence of an "Event of Default" under the DIP Credit Agreement.

31. Rights and Remedies Upon Event of Default. Immediately upon the occurrence and during the continuation of an Event of Default, notwithstanding the provisions of section 362

of the Bankruptcy Code, without any application, motion or notice to, hearing before, or order from the Bankruptcy Court, but subject to the terms of this Interim Order, (a) the DIP Agent, in its sole discretion, may declare (i) all DIP Obligations owing under the DIP Documents to be immediately due and payable, (ii) the termination, reduction or restriction of any further commitment to extend credit to the Debtors to the extent any such commitment remains, (iii) termination of the DIP Facility and the DIP Documents as to any future liability or obligation of the DIP Agent and the DIP Lenders, but without affecting any of the DIP Liens or the DIP Obligations, (iv) that the Carve-Out has been triggered through the delivery of the Carve-Out Trigger Notice, and (v) the termination, reduction or restriction on the ability of the Debtors to use Cash Collateral; and (b) the DIP Agent, in its sole discretion or at the direction of the Required Lenders, may declare the imposition of the default rate of interest set forth in the DIP Credit Agreement (any of the foregoing, a "**Termination Declaration**"). The Termination Declaration shall be given by electronic mail or facsimile (or other electronic means) to counsel to the Debtors and the Canadian Debtors, counsel to a Creditors' Committee (if appointed), and the U.S. Trustee (the earliest date any such Termination Declaration is made shall be referred to herein as the "**Termination Declaration Date**"). Any automatic stay otherwise applicable to the DIP Agent, DIP Lenders, and First Priority Secured Parties is hereby modified so that three (3) business days after the Termination Declaration Date (the "**Remedies Notice Period**"): the DIP Agent: (a) shall be entitled to exercise its rights and remedies in accordance with the DIP Documents and this Interim Order and shall be permitted to satisfy the DIP Obligations, DIP Superpriority Claim and DIP Liens, subject to the Carve-Out; and (b) may, unless otherwise provided in any separate agreement by and between the applicable landlord or licensor and the DIP Agent (the terms of which shall be reasonably acceptable to the parties thereto), enter upon

any leased or licensed premises of the Debtors for the purpose of exercising any remedy with respect to any DIP Collateral located thereon, provided, however, notwithstanding anything to the contrary in this Interim Order or the DIP Documents, the rights of the DIP Agent and/or the DIP Lenders to enter onto the Debtors' leased premises shall be limited to (i) any such rights agreed to in writing by the applicable landlord in favor of the DIP Agent, DIP Lenders or their designees (including, without limitation, in the governing lease agreement itself or in any landlord waiver or similar agreement), (ii) any rights that the DIP Agent or the DIP Lenders have under applicable non-bankruptcy law, if any, or (iii) such rights as may be granted by the Court on a separate motion with notice to the applicable landlords of the leased premises and an opportunity for such landlords to respond and be heard; provided, further that nothing herein shall require the Debtors, the DIP Agent, or the DIP Lenders to assume any lease, license or other contract under Bankruptcy Code section 365(a) as a precondition to the rights afforded to the DIP Agent and the DIP Lenders in this paragraph 32. During the Remedies Notice Period (a) the Debtors may use Cash Collateral solely to pay payroll and other expenses critical to keep the business of the Debtors operating in accordance with the Approved Budget, and (b) the Debtors shall be entitled to seek an emergency hearing within the Remedies Notice Period with the Court for the sole purpose of contesting whether an Event of Default has occurred and/or is not continuing and such other matters the Court may wish to consider. Unless the Court determines otherwise during the Remedies Notice Period, the automatic stay, as to the DIP Agent, shall automatically be terminated at the end of the Remedies Notice Period without further notice or order. Upon expiration of the Remedies Notice Period, the DIP Agent shall be permitted to exercise all remedies set forth herein, in the DIP Documents, the First Lien Documents, and as

otherwise available at law without further order of or application or motion to the Court.⁹

32. DIP Termination Date. Upon the earlier of (a) the expiration of the Remedies Notice Period or (b) the termination of the DIP Credit Agreement in accordance with the terms of this Interim Order or the DIP Documents (whether by acceleration or otherwise), the Debtors' authority to borrow and obtain other credit accommodations from the DIP Agent and DIP Lenders pursuant to the terms of this Interim Order and the DIP Documents shall terminate (unless the DIP Agent, in its sole discretion, provides written consent to the extension of such authority, which consent shall not be implied) and: (y) all DIP Obligations shall be immediately due and payable, all commitments to extend credit under the DIP Facility will terminate, and the Debtors shall deliver to the DIP Agent an amount of cash equal to 105% of all Letter of Credit Obligations as additional security for the DIP Obligations (such cash on account of Letter of Credit Obligations shall not be subject to or subordinate to the Carve-Out), and (z) the DIP Agent, in its sole discretion, may declare that the Debtors' authority to use Cash Collateral has ceased.

33. Good Faith Under Section 364(e) of the Bankruptcy Code; No Modification or Stay of this Interim Order. The DIP Agent, DIP Lenders and the Prepetition Secured Parties have acted in good faith in connection with this Interim Order and are entitled to rely upon the protections granted herein and by section 364(e) of the Bankruptcy Code. Based on the findings set forth in this Interim Order and the record made during the Interim Hearing, and in accordance with section 364(e) of the Bankruptcy Code, in the event any or all of the provisions of this Interim Order are hereafter reargued, reconsidered, reversed, modified, amended or vacated by a

⁹ The exercise of any remedies with respect to the Canadian Debtors shall be governed by the CCAA Initial Order entered by the Canadian Court in connection with the CCAA Proceedings.

subsequent order of this Court or any other court, the DIP Agent, the DIP Lenders and the Prepetition Secured Parties are entitled to the protections provided in section 364(e) of the Bankruptcy Code to the maximum extent set forth therein.

34. DIP and Other Expenses. The Debtors are authorized and directed to pay all reasonable out-of-pocket expenses of the DIP Agent in connection with the DIP Facility, as provided in the DIP Documents, whether or not the transactions contemplated hereby are consummated, including without limitation, legal, accounting, collateral examination, monitoring and appraisal fees, financial advisory fees, fees and expenses of other consultants, fees and expenses of the First Lien Agent, and indemnification and reimbursement of fees and expenses. Payment of all such fees and expenses shall not be subject to allowance by the Court. Professionals for the DIP Agent and First Lien Agent shall not be required to comply with the U.S. Trustee fee guidelines, however any time that such professionals seek payment of fees and expenses from the Debtors, each professional shall provide copies of invoices (redacted for privilege) to the U.S. Trustee and counsel for a Creditors' Committee (if appointed) contemporaneously with the delivery of such invoices to the Debtors. To the extent that the U.S. Trustee or Creditors' Committee (if appointed) has an objection to the reasonableness of the fees and expenses of any such professional, and cannot resolve the objection within ten (10) days of receipt of the invoice, then the U.S. Trustee or Creditors' Committee (if appointed) shall file with this Court and serve on such Professionals an objection (the "**Fee Objection**") limited to the issue of the reasonableness of the Professionals' fees and expenses, and any failure by the U.S. Trustee or Creditors' Committee to file a Fee Objection within the ten (10) day period shall constitute a waiver of any right of such party to object to the applicable invoice. Any objection to, and any hearing on an objection to, payment of any fees, costs, and expenses set forth in an

invoice for Professionals for the DIP Agent and First Lien Agent shall be limited to the reasonableness of the particular items or categories of the fees, costs, and expenses that are the subject of such objection. The Debtors shall timely pay in accordance with the terms and conditions of this Interim Order (a) the undisputed fees, costs, and expenses reflected on any invoice to which a Fee Objection has been timely filed and (b) all fees, costs and expenses on any invoice to which no Fee Objection has been timely filed. All unpaid fees, costs, expenses, and charges of the DIP Agent and First Lien Agent that have not been disallowed by this Court on the basis of an objection filed by the U.S. Trustee, Creditors' Committee (if appointed) or any subsequent trustee of the Debtors' estates in accordance with the terms hereof shall constitute DIP Obligations (or First Priority Obligations, as applicable) and shall be secured by the DIP Collateral as specified in this Interim Order. Any and all fees, commissions, costs, and expenses paid prior to the Petition Date by any Debtor to the DIP Agent or DIP Lenders in connection with or with respect to the DIP Facility or DIP Documents are hereby approved in full and non-refundable and shall not otherwise be subject to any challenge.

35. Indemnification. The Debtors shall indemnify and hold harmless the DIP Agent, the DIP Lenders in accordance with the terms and conditions of the DIP Credit Agreement.

36. Proofs of Claim. The DIP Agent, the DIP Lenders and Prepetition Secured Parties will not be required to file proofs of claim in any of the Cases or Successor Cases for any claim allowed herein. Notwithstanding any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases to the contrary, each of (a) the First Lien Agent on behalf of itself and the First Priority Secured Parties and (b) the Collateral Agent on behalf of itself and the Second Priority Secured Parties is hereby authorized and entitled, in its sole discretion, but not required, to file (and amend and/or supplement, as it sees

fit) a proof of claim and/or aggregate proofs of claim in each of the Cases or Successor Cases for any claim allowed herein. Any proof of claim filed by the First Lien Agent or Collateral Agent shall be deemed to be in addition to and not in lieu of any other proof of claim that may be filed by any of the First Priority Secured Parties or Second Priority Secured Parties, respectively. Any order entered by the Court in relation to the establishment of a bar date in any of the Cases or Successor Cases shall not apply to the DIP Agent, DIP Lenders and Prepetition Secured Parties.

37. Rights of Access and Information. Without limiting the rights of access and information afforded the DIP Agent and DIP Lenders under the DIP Documents or paragraph 24 of this Interim Order, the Debtors shall be, and hereby are, required to afford, in accordance with the DIP Documents and Prepetition Documents, as applicable, representatives, agents and/or employees of the DIP Agent and First Lien Agent reasonable access to the Debtors' premises, including the ability to visit and inspect any of the Debtors' respective properties, and their books and records, including the ability to examine and make abstracts or copies from any of their respective books and records, and shall reasonably cooperate, consult with, and provide to such persons all such information as may be reasonably requested. In addition, the Debtors authorize their independent certified public accountants, financial advisors, investment bankers and consultants, including (i) Alvarez & Marsal North America LLC and Alvarez & Marsal Canada ULC and (ii) Jefferies LLC to cooperate, consult with, and provide to the DIP Agent (and so long as an Event of Default has occurred and is continuing, each DIP Lender) and the First Lien Agent all such information as may be reasonably requested with respect to the business, results of operations and financial condition of any of the Borrowers or Guarantors (as defined in the DIP Documents).

38. Consent to Priming and Adequate Protection. The First Lien Agent, on behalf of

the First Priority Secured Parties, consents to the Adequate Protection Liens and Adequate Protection Superpriority Claims and the priming provided for herein; *provided, however*, that the consent of the First Lien Agent to the priming of the Prepetition Obligations and the use of Cash Collateral is expressly conditioned upon the entry of this Interim Order, and such consent shall not be deemed to extend to any other Cash Collateral usage or other replacement financing or debtor-in-possession financing other than the DIP Facility provided under the DIP Loan Documents; and *provided, further*, that such consent shall be of no force and effect in the event this Interim Order is not entered or is entered and subsequently reversed, modified, stayed, or amended (unless such reversal, modification, stay, or amendment is acceptable to the First Lien Agent) or the DIP Loan Documents and DIP Facility as set forth herein are not approved.

39. Right to Seek Additional Adequate Protection. The Court finds that the adequate protection provided herein is reasonable to protect the interests of the Prepetition Secured Parties. However, the First Lien Agent, on behalf of the First Priority Secured Parties, and the Collateral Agent, on behalf of the Second Priority Secured Parties (subject to and in accordance with the Intercreditor Agreement), may request Court approval for additional or alternative adequate protection, without prejudice to any objection of the Debtors or any other party in interest to the grant of any additional or alternative adequate protection (except as provided in the Intercreditor Agreement); *provided* that any additional or alternative adequate protection shall at all times be subordinate and junior to the claims and liens of the DIP Agent and DIP Lenders granted under this Interim Order and the DIP Documents. The consent of the First Priority Secured Parties to the priming of the Prepetition Liens by the DIP Liens and the Debtors' use of Cash Collateral on the terms set forth herein does not constitute, and shall not be construed as constituting, an acknowledgment or stipulation by the First Priority Secured Parties

that their respective interests in the Prepetition Collateral are adequately protected pursuant to this Interim Order or otherwise.

40. Carve-Out.

(i) *Carve-Out.* As used in this Interim Order, the “Carve-Out” means, after delivery of a written notice by the DIP Agent to the Borrowers, the U.S. Trustee and counsel to a Creditors’ Committee (if appointed) following the occurrence and during the continuation of an Event of Default, expressly stating that the Wind-Down Carve-Out Amount (as defined herein) is invoked (the “Carve-Out Trigger Notice”), the following expenses, subject, in each case, to application of any retainers that may be held by the applicable professionals as well as any proceeds from available unencumbered assets: (a) without duplication, the payment of allowed and unpaid professional fees and disbursements incurred in connection with the Cases by the Debtors and any statutory committees appointed pursuant to section 327 and 1103 of the Bankruptcy Code (the “Case Professionals”) in an aggregate amount not in excess of \$500,000 (the “Wind-Down Carve-Out Amount”), plus all unpaid professional fees and disbursements incurred prior to the delivery of the Carve-Out Trigger Notice to the extent allowed by the Court at any time, but solely to the extent the same are incurred in accordance with the Approved Budget and are reflected as estimated professional fees and disbursements in the most recent Borrowing Base Certificate delivered to the DIP Agent by the Borrowers prior to the delivery of a Carve-Out Trigger Notice (the “Allowed Professional Fees”), and (b) the payment of fees pursuant to 28 U.S.C. § 1930 for allowed administrative expenses. Notwithstanding the foregoing, so long as no Carve-Out Trigger Notice has been issued by the DIP Agent, the Debtors shall be permitted to pay compensation and reimbursement of expenses allowed and payable under sections 330 and 331 of the Bankruptcy

Code, but solely to the extent the same are incurred in accordance with the Approved Budget and are reflected as estimates in the most-recent Borrowing Base Certificate delivered to the DIP Agent by the Borrowers prior to the delivery of the Carve-Out Trigger Notice, as the same may be due and payable and otherwise allowed and payable by final order of the Court, and the same shall not reduce the Wind-Down Carve-Out Amount. The Carve-Out shall not be deemed increased if actual fees are higher in fact than the estimates provided on a Borrowing Base Certificate. No portion of the Carve-Out may be used in contravention of the restrictions or the limitations on the use of the Carve-Out set forth in this Interim Order.

(ii) *Canadian Carve-Out.* The payment of professionals appointed by the Canadian Court, and all other charges and expenses imposed in the CCAA Proceedings shall not be governed by this Interim Order but shall be subject to the CCAA Initial Order entered by the Canadian Court.

(iii) *No Direct Obligation to Pay Professional Fees.* Neither the DIP Agent, DIP Lenders nor the Prepetition Secured Parties shall be responsible for the direct payment or reimbursement of any fees or disbursements of any Case Professionals incurred in connection with the Cases or any Successor Cases under any chapter of the Bankruptcy Code. Nothing in this Interim Order or otherwise shall be construed to obligate the DIP Agent, DIP Lenders or Prepetition Secured Parties, in any way to pay compensation to or to reimburse expenses of any Case Professionals, or to guarantee that the Debtors have sufficient funds to pay such compensation or reimbursement.

(iv) *Payment of Carve-Out After Carve-Out Trigger Notice.* Any payment or reimbursement made on or after the date of the delivery of the Carve-Out Trigger Notice in respect of any Allowed Professional Fees shall permanently reduce the Wind-Down

Carve-Out Amount on a dollar-for-dollar basis. Any funding of the Carve-Out shall be added to and made a part of the DIP Obligations and secured by the DIP Collateral and otherwise entitled to the protections granted under this Interim Order, the DIP Documents, the Bankruptcy Code and applicable law.

41. Limitations on Use of DIP Proceeds, Cash Collateral and Carve-Out. No loans and/or proceeds from the DIP Facility, DIP Collateral, Cash Collateral (including any retainer held by any professionals for the below-referenced parties), Prepetition Collateral, or any portion of the Carve-Out may be used by any Debtor, a Creditors' Committee (if appointed) or trustee or other estate representative appointed in the Cases or any Successor Cases, or any other person, party, or entity (including any of the Debtors' professionals, a Creditors' Committee's professionals or the individual members of a Creditors' Committee) to: (a) investigate (except as set forth below) or prosecute any challenge (including any litigation or other action) in connection with the value of the Prepetition Collateral or DIP Collateral (or to pay any professional fees and disbursements incurred in connection therewith) at any time; (b) request authorization to obtain postpetition loans or other financial accommodations pursuant to section 364(c) or (d) of the Bankruptcy Code, or otherwise, other than from the DIP Agent and DIP Lenders, or to seek any modification to this Interim Order not approved by the DIP Agent and, to the extent such modification would affect the rights of any of the First Priority Secured Parties, the First Lien Agent (or to pay any professional fees and disbursements incurred in connection therewith); (c) investigate (except as set forth below), assert, join, commence, support, or prosecute any action for any claim, counter-claim, action, proceeding, application, motion, objection, defense, or other contested matter seeking any order, judgment, determination, or similar relief against, or adverse to the interests of, in any capacity, any or all of the DIP Agent,

DIP Lenders or Prepetition Secured Parties, their respective affiliates, assigns or successors and the respective officers, directors, employees, agents, attorneys, representatives and other advisors of the foregoing, with respect to any transaction, occurrence, omission, action, or other matter (including formal or informal discovery proceedings in anticipation thereof), including (i) any challenges and any avoidance actions or other actions arising under chapter 5 of the Bankruptcy Code; (ii) any action with respect to the validity, enforceability, priority, extent or amount of the DIP Obligations and/or the Prepetition Obligations, or the validity, extent, and/or priority of the DIP Liens, the Prepetition Liens, or the Adequate Protection Liens; (iii) any action seeking to invalidate, set aside, avoid, or subordinate, in whole or in part, the DIP Liens, the Prepetition Liens, the Adequate Protection Liens or the other adequate protection provided to the Prepetition Secured Parties pursuant to the terms of this Interim Order; (iv) except to contest in good faith the occurrence or continuance of any Event of Default as permitted in paragraph 31, any action seeking, or having the effect of, preventing, hindering, or otherwise delaying the DIP Agent's assertion, enforcement, or realization on the Cash Collateral, DIP Collateral or the Prepetition Collateral in accordance with the DIP Documents or the First Lien Documents, as applicable, or this Interim Order; and/or (v) any action seeking to modify any of the rights, remedies, priorities, privileges, protections, and benefits granted to any or all of the DIP Agent, DIP Lenders and First Priority Secured Parties hereunder or under the DIP Loan Documents or the First Lien Documents, as applicable, or any payments made thereunder or in respect thereof; provided, however, up to \$50,000 in the aggregate of the Carve-Out, any DIP Collateral, any Prepetition Collateral, any Cash Collateral and proceeds of the DIP Facility may be used by a Creditors' Committee (if appointed) to investigate (but not to draft, file or prosecute claims or challenges relating to) the claims and/or liens of the Prepetition Secured Parties under the Prepetition

Documents (but not the claims and/or liens of the DIP Agent and DIP Lenders) so long as such investigation occurs within the Challenge Period (as defined herein); (iii) pay any fees or similar amounts to any person (other than the First Priority Secured Parties) who has proposed or may propose to purchase interests in any of the Debtors without the prior written consent of the DIP Agent and First Lien Agent; or (iv) use or seek to use Cash Collateral or sell or otherwise dispose of DIP Collateral or Prepetition Collateral, unless otherwise permitted hereby, without the prior written consent of the DIP Agent and the First Lien Agent.

42. Payment of Compensation. Nothing herein shall be construed as a consent to the allowance of any professional fees or expenses of any Case Professionals or shall affect the right of the DIP Agent, the DIP Lenders, or the Prepetition Secured Parties to object to the allowance and payment of such fees and expenses.

43. Reservation of Certain Third Party Rights and Bar of Challenges and Claims. The Debtors' Stipulations shall be binding upon the Debtors in all circumstances upon entry of this Interim Order. Nothing in this Interim Order or the DIP Documents shall prejudice the rights of a Creditors' Committee (if appointed), a successor trustee and any other party in interest with requisite standing other than the Debtors, to seek to object to or to challenge the findings or Debtors' Stipulations, including, but not limited to those in relation to: (a) the validity, extent, priority, or perfection of the mortgage, security interests, and liens of the First Lien Agent with respect to the First Lien Collateral, or the Collateral Agent with respect to the Second Lien Collateral; or (b) the validity, allowability and priority of the Prepetition Obligations, subject to the terms of this paragraph 43. A party, including a Creditors' Committee (if appointed) must commence, as appropriate, a contested matter or adversary proceeding raising such objection or challenge, including, without limitation, any claim against the Prepetition Secured Parties in the

nature of a setoff, counterclaim or defense to the Prepetition Obligations, respectively, or must file a motion seeking standing within the earlier of: (i) with respect to a Creditors' Committee (if appointed) or sixty (60) calendar days from the selection of counsel to a Creditors' Committee, and (ii) solely if no Creditors' Committee is appointed, with respect to other parties-in-interest with requisite standing other than the Debtors or a Creditors' Committee (if appointed) seventy-five (75) calendar days from the entry of this Interim Order (the "**Challenge Period**"). Only those claims expressly raised in the motion and/or draft complaint shall be preserved. The applicable Challenge Period may only be extended with the written consent of the (x) Debtors and (y) First Lien Agent or Collateral Agent, as applicable. Nothing in this Interim Order shall, or shall be construed to, grant standing on any party-in-interest, including a Creditors' Committee (if appointed) to bring any challenge on behalf of the Debtors' estates. The failure of any party in interest, including a Creditors' Committee (if appointed), to obtain an order of this Court during the Challenge Period granting standing to bring any challenge on behalf of the Debtors' estates shall not be a defense to failing to commence a challenge during the Challenge Period as required under this paragraph 43 or to require or permit an extension of the Challenge Period. Upon the expiration of such applicable Challenge Period: (A) any and all such challenges and objections by any party (including, without limitation, any Creditors' Committee (if appointed), any chapter 11 trustee, and/or any examiner appointed in these Cases, and any chapter 7 trustee and/or examiner appointed in any Successor Case) to any of the Debtors' Stipulations shall be deemed to be forever waived and barred; (B) all of the Debtors' Stipulations (including all waivers, releases, affirmations and other stipulations as to the priority, extent, and validity of the Prepetition Secured Parties' claims, liens, and interests, of any nature, under the Prepetition Documents, or otherwise incorporated or set forth in this Interim Order and the

representations by the Debtors that they have no claims or causes of action against the Prepetition Secured Parties), shall be of full force and effect and forever binding upon the Debtors, the Debtors' bankruptcy estates and all creditors, interest holders, and other parties-in-interest in these Cases and any Successor Cases; and (C) without further order of the Court, the First Priority Obligations shall be allowed as fully secured claims within the meaning of section 506 of the Bankruptcy Code for all purposes in connection with these Cases and any Successor Cases. For the avoidance of doubt, any trustee appointed or elected in these chapter 11 cases shall, until the expiration of the Challenge Period for asserting challenges, and thereafter for the duration of any adversary proceeding or contested matter commenced pursuant to this paragraph (whether commenced by such trustee or commenced by any other party in interest on behalf of the Debtors' estates), be deemed to be a party other than the Debtors and shall not, for purposes of such adversary proceeding or contested matter, be bound by the acknowledgements, admissions, confirmations and stipulations of the Debtors in this Interim Order.

44. No Third Party Rights. Except as explicitly provided for herein, this Interim Order does not create any rights for the benefit of any third party, creditor, equity holder or any direct, indirect, or incidental beneficiary.

45. Parties Including Trustees; Bankruptcy Court Proceedings. The DIP Liens, DIP Superpriority Claim, Adequate Protection Liens, Adequate Protection Superpriority Claims and all other rights and privileges created by or pursuant to this Interim Order or the DIP Documents shall be binding upon each of the Debtors and their estates, a Creditors' Committee (if appointed) and any trustee, other estate representative or any successor in interest of the Debtors in the Cases or any Subsequent Cases. This Interim Order and the DIP Documents shall be binding upon, and inure to the benefit of, the successors of the DIP Agent and DIP Lenders and

their respective assigns, transferees and endorsees. The DIP Liens and Adequate Protection Liens shall be and remain valid and perfected in the event of the substantive consolidation or conversion of the Cases or any Successor Case to a case under chapter 7 of the Bankruptcy Code or in the event of dismissal of the Cases or the release of any DIP Collateral from the jurisdiction of the Bankruptcy Court for any reason, without the necessity that the DIP Agent, First Lien Agent or Collateral Agent file financing statements or otherwise perfect its liens under applicable law. No Debtor may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the DIP Documents without the prior express written consent of the DIP Agent and DIP Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Debtor without the prior express written consent of the DIP Agent and DIP Lenders shall be void.

46. Section 506(c) Claims. Subject to entry of a Final Order, no costs or expenses of administration which have been or may be incurred in the Cases at any time shall be charged against the DIP Agent, DIP Lenders or Prepetition Secured Parties, or any of their respective claims, the DIP Collateral, or the Prepetition Collateral pursuant to sections 105 or 506(c) of the Bankruptcy Code, or otherwise, without the prior written consent, as applicable, of the DIP Agent, DIP Lenders or Prepetition Secured Parties, and no such consent shall be implied from any other action, inaction, or acquiescence by any such agents or lenders.

47. No Marshaling/Applications of Proceeds. Subject to entry of a Final Order, the DIP Agent, DIP Lenders and Prepetition Secured Parties shall not be subject to the equitable doctrine of “marshaling” or any other similar doctrine with respect to any of the DIP Collateral or the Prepetition Collateral, as the case may be, and proceeds shall be received and applied pursuant to this Interim Order and the DIP Documents notwithstanding any other agreement or

provision to the contrary.

48. Section 552(b). Subject to entry of a Final Order, the Prepetition Secured Parties shall each be entitled to all of the rights and benefits of section 552 of the Bankruptcy Code, and the “equities of the case” exception under section 552(b) of the Bankruptcy Code shall not apply to the Prepetition Secured Parties, with respect to proceeds, product, offspring or profits of any of the Prepetition Collateral.

49. No Discharge; Survival of Claims. The DIP Obligations and Prepetition Obligations shall not be discharged by the entry of an order confirming a plan of reorganization, compromise or arrangement in any of the Cases (notwithstanding the provisions of section 1141(d)(4) of the Bankruptcy Code) or any Successor Case or any order converting any of the Cases to a case under chapter 7 of the Bankruptcy Code, or dismissing any of the Cases, or withdrawing the reference in any of the Cases or any Successor Case, or terminating the joint administration of the Cases or any Successor Cases, or by any other act or omission. The DIP Superpriority Claim granted to the DIP Agent and DIP Lenders and the Adequate Protection Liens granted to the Prepetition Secured Parties pursuant to this Interim Order shall not be affected in any manner by the entry of an order confirming a plan of reorganization in the Cases or any Successor Case.

50. Waiver of any Priming Rights. Upon the Closing Date, and on behalf of itself and its estate, and for so long as any DIP Obligations and/or the First Priority Obligations shall be outstanding, each of the Debtors hereby irrevocably waives any right, pursuant to sections 364(c) or 364(d) of the Bankruptcy Code or otherwise, to grant any lien of equal or greater priority than the liens securing the DIP Obligations and First Priority Obligations, or to approve a claim of equal or greater priority than the DIP Obligations and First Priority Obligations (other than the

Carve-Out).

51. Joint and Several Liability. Nothing in this Interim Order shall be construed to constitute a substantive consolidation of any of the Debtors' estates, it being understood, however, that the Debtors shall be jointly and severally liable for the obligations hereunder and in accordance with the terms of the DIP Facility and the DIP Documents.

52. Rights Preserved. Notwithstanding anything herein to the contrary, the entry of this Interim Order is without prejudice to, and does not constitute a waiver of, expressly or implicitly, the DIP Agent's, DIP Lenders' and Prepetition Secured Parties' respective rights, subject to and in accordance with the Intercreditor Agreement: (a) to seek any other or supplemental relief in respect of the Debtors; (b) under the Bankruptcy Code or under non-bankruptcy law, including, without limitation, the right to (i) request modification of the automatic stay of section 362 of the Bankruptcy Code, (ii) request dismissal of any of the Cases or Successor Cases, conversion of any of the Cases to cases under chapter 7, or appointment of a chapter 11 trustee or examiner with expanded powers, or (iii) propose, subject to the provisions of section 1121 of the Bankruptcy Code, a chapter 11 plan or plans; or (c) any other rights, claims or privileges (whether legal, equitable or otherwise). Entry of this Order is without prejudice to any and all rights of any party in interest with respect to the terms and approval of the Final Order and any other position which any party in interest deems appropriate to raise in the Cases.

53. No Waiver by Failure to Seek Relief. The failure of the DIP Agent, DIP Lenders or Prepetition Secured Parties to seek relief or otherwise exercise their rights and remedies under this Interim Order, the DIP Documents, the Prepetition Documents, or applicable law, as the case may be, shall not constitute a waiver of any of the rights hereunder, thereunder, or otherwise of

the DIP Agent, DIP Lenders, Prepetition Secured Parties, Creditors' Committee (if appointed) or any party in interest.

54. Binding Effect of Interim Order. Immediately upon execution by this Court, the terms and provisions of this Interim Order shall become valid and binding upon and inure to the benefit of the Debtors, DIP Agent, DIP Lenders, Prepetition Secured Parties, all other creditors of any of the Debtors, any Creditors' Committee (or any other court appointed committee) appointed in the Cases, and all other parties-in-interest and their respective successors and assigns, including any trustee or other fiduciary hereafter appointed in any of the Cases, any Successor Cases, or upon dismissal of any Case or Successor Case.

55. Debtors' Waivers With Respect to Modification of Interim Order. Until and unless there has been Payment in Full of the DIP Obligations and the First Priority Obligations (such payment being without prejudice to any terms or provisions contained in the DIP Facility which survive such discharge by their terms), the Debtors irrevocably waive the right to seek and shall not seek or consent to, directly or indirectly: (a) without the prior written consent of the DIP Agent and First Lien Agent, (i) any reconsideration, modification, stay, vacatur or amendment to this Interim Order; or (ii) a priority claim for any administrative expense or unsecured claim against the Debtors (now existing or hereafter arising of any kind or nature whatsoever, including, without limitation any administrative expense of the kind specified in sections 503(b), 506(c), 507(a) or 507(b) of the Bankruptcy Code) in any of the Cases or Successor Cases, equal or superior to the DIP Superpriority Claim or Adequate Protection Superpriority Claims, other than the Carve-Out; (b) without the prior written consent of the DIP Agent and First Lien Agent for any order allowing use of Cash Collateral (other than as permitted during the Remedies Notice Period) derived from DIP Collateral or Prepetition Collateral; (c) without the prior written

consent of the DIP Agent, any lien on any of the DIP Collateral with priority equal or superior to the DIP Liens, except as specifically provided in the DIP Documents; or (d) without the prior written consent of the First Lien Agent, any lien on any of the DIP Collateral with priority equal or superior to the Prepetition Liens or Adequate Protection Liens. The Debtors irrevocably waive any right to seek any amendment, modification or extension of this Interim Order without the prior written consent, as provided in the foregoing, of the DIP Agent or First Lien Agent and no such consent shall be implied by any other action, inaction or acquiescence of the DIP Agent or First Lien Agent.

56. Continuing Effect of Intercreditor Agreement. The Intercreditor Agreement shall be subject to section 510 of the Bankruptcy Code.

57. Interim Order Controls. In the event of any inconsistency between the terms and conditions of the DIP Documents and of this Interim Order, the provisions of this Interim Order shall govern and control.

58. Survival. The provisions of this Interim Order and any actions taken pursuant hereto shall survive entry of any order which may be entered: (a) confirming any plan of reorganization in any of the Cases; (b) converting any of the Cases to a case under chapter 7 of the Bankruptcy Code; (c) dismissing any of the Cases or any Successor Cases; or (d) pursuant to which this Court abstains from hearing any of the Cases or Successor Cases. The terms and provisions of this Interim Order, including the claims, liens, security interests and other protections granted to the DIP Agent, DIP Lenders and Prepetition Priority Secured Parties granted pursuant to this Interim Order and/or the DIP Documents, notwithstanding the entry of any such order, shall continue in the Cases, in any Successor Cases, or following dismissal of the Cases or any Successor Cases, and shall maintain their priority as provided by this Interim Order

until: (i) in respect of the DIP Facility, there has been Payment in Full of all the DIP Obligations, pursuant to the DIP Documents and this Interim Order (such payment being without prejudice to any terms or provisions contained in the DIP Facility which survive such discharge by their terms); (ii) in respect of the First Lien Facility, there has been Payment in Full of all of the First Priority Obligations pursuant to the First Lien Documents and this Interim Order; and (iii) in respect of the Indenture, there has been Payment in Full of all of the Second Priority Obligations pursuant to the Second Lien Documents and this Interim Order. The terms and provisions concerning the indemnification of the DIP Agent and DIP Lenders shall continue in the Cases, in any Successor Cases, following dismissal of the Cases or any Successor Cases, following termination of the DIP Documents and/or Payment in Full of the DIP Obligations. In addition, the terms and provisions of this Interim Order shall continue in full force and effect for the benefit of the Second Priority Secured Parties notwithstanding the Payment in Full of the DIP Obligations or First Priority Obligations.

59. Final Hearing. The Final Hearing to consider entry of the Final Order and final approval of the DIP Facility is scheduled for **October 13, 2016** at 2:30 p.m. (ET) before the Honorable Laurie Selber Silverstein, United States Bankruptcy Judge, in Courtroom 2 at the United States Bankruptcy Court for the District of Delaware. Within forty-eight (48) hours of the entry of this Interim Order, the Debtors shall serve, by United States mail, first-class postage prepaid, notice of the entry of this Interim Order and of the Final Hearing (the "**Final Hearing Notice**"), together with copies of this Interim Order, the proposed Final Order and the DIP Motion, on: (a) the parties having been given notice of the Interim Hearing; (b) any party which has filed prior to such date a request for notices with this Court; (c) counsel for a Creditors' Committee (if appointed); (d) the Securities and Exchange Commission; and (e) the Internal

Revenue Service. The Final Hearing Notice shall state that any party in interest objecting to the entry of the proposed Final Order shall file written objections with the Clerk of the Court no later than **October 5, 2016** at 4:00 p.m. (ET), which objections shall be served so as to be received on or before such date by: (i) counsel to the Debtors, Attn: Michael Walsh, Esq., Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, NY 10153, and Mark D. Collins, Esq., Richards, Layton & Finger, P.A., 920 North King Street, Wilmington, Delaware 19801; (ii) counsel to the DIP Agent and First Lien Agent, Attn: Sandra J. Vrejan, Esq., and Julia Frost-Davies, Esq., Morgan, Lewis & Bockius LLP, One Federal Street, Boston, Massachusetts 02110, and Attn: Kurt F. Gwynne, Esq., Reed Smith LLP, 1201 Market Street, Suite 1500, Wilmington, Delaware 19801; (iii) counsel to the Indenture Trustee and Collateral Agent, Attn: James Gadsden, Esq., Carter Ledyard & Milburn LLP, 2 Wall Street, New York, NY 10005; (iv) counsel to the Canadian Debtors, Attn: Goodmans LLP, 333 Bay Street, Suite 3400, Toronto, Ontario M5H 2S7 (Attn: Robert J. Chadwick and Melaney Wagner); and (v) counsel to a Creditors' Committee (if appointed).

60. Nunc Pro Tunc Effect of this Interim Order. This Interim Order shall constitute findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052 and shall take effect and be enforceable *nunc pro tunc* to the Petition Date immediately upon execution thereof.

61. Retention of Jurisdiction. The Court has and will retain jurisdiction to enforce this Interim Order according to its terms.

Dated: Sept. 16, 2016
Wilmington, Delaware


THE HONORABLE LAURIE SELBER SILVERSTEIN
UNITED STATES BANKRUPTCY JUDGE

Exhibit A
Approved Budget

Approved Budget

(USD, 000s)

	Week #: Week Ending:	2016-37 9/17	2016-38 9/24	2016-39 10/1	2016-40 10/8	2016-41 10/15	2016-42 10/22	2016-43 10/29	7 Week Total
Receipts		\$ 11,129	\$ 11,690	\$ 10,729	\$ 10,156	\$ 10,440	\$ 8,914	\$ 8,412	\$ 71,470
Cash Disbursements									
Operating Disbursements		(4,414)	(8,646)	(10,740)	(5,347)	(5,521)	(8,070)	(6,723)	(49,460)
Financing Disbursements		(2,551)	(106)	(99)	(95)	(88)	(81)	(77)	(3,096)
Professional Fees		(720)	-	-	(1,059)	-	(1,006)	-	(2,785)
Other Bankruptcy Disbursements		(943)	-	-	-	-	-	-	(943)
Total Cash Disbursements		\$ (8,627)	\$ (8,752)	\$ (10,840)	\$ (6,501)	\$ (5,609)	\$ (9,156)	\$ (6,800)	\$ (56,285)
Net Cash Flow Before ABL		\$ 2,502	\$ 2,938	\$ (110)	\$ 3,654	\$ 4,831	\$ (242)	\$ 1,612	\$ 15,185
Pre-Petition ABL / FILO (Repayments)		(11,129)	(11,690)	(10,729)	(10,156)	(10,440)	(8,914)	(8,412)	(71,470)
DIP Borrowings / (Repayments)		8,127	8,752	10,840	6,501	5,609	9,156	6,800	55,785
Net Borrowing / (Repayments)		\$ (3,002)	\$ (2,938)	\$ 110	\$ (3,654)	\$ (4,831)	\$ 242	\$ (1,612)	\$ (15,685)
Net Cash Flow		\$ (500)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (500)
Beginning 1st Lien Debt Balance (Book Basis)		106,778	103,776	100,838	100,948	97,294	92,462	92,704	106,778
Net Borrowing / (Repayments) Including Pre-Petition Debt		(3,002)	(2,938)	110	(3,654)	(4,831)	242	(1,612)	(15,685)
Ending 1st Lien Debt Balance (Book Basis)		\$ 103,776	\$ 100,838	\$ 100,948	\$ 97,294	\$ 92,462	\$ 92,704	\$ 91,092	\$ 91,092
Less Outstanding Checks		3,047	3,689	7,573	4,847	3,918	5,506	5,534	5,534
Total ABL Balance (Bank Basis)		\$ 100,729	\$ 97,149	\$ 93,375	\$ 92,446	\$ 88,544	\$ 87,199	\$ 85,559	\$ 85,559

APPENDIX "C"

DETAILED BUDGET TO ACTUAL ANALYSIS

Golf Town Entities

Detailed Cash Flow Budget-to-Actual Variance Analysis

(USD, 000s)

	Ref.	Week Ended - September 17, 2016		
		Actual	Budget	Variance
Receipts	A	\$ 3,758	\$ 3,769	\$ (11)
Operating Disbursements				
Merchandise and Freight		-	(662)	662
Employee Costs		-	-	-
Rent and Other Operating Costs		(2)	(1,415)	1,413
Sales Taxes		-	(443)	443
Capex and Maintenance		-	(5)	5
Total Operating Disbursements	B	\$ (2)	\$ (2,525)	\$ 2,523
Non-Operating Cash Flows				
DIP Fees and Interest		-	(1,020)	1,020
Third Party Deposits		-	(563)	563
Professional Fees		(41)	(720)	679
KEIP		-	-	-
Total Non-Operating Cash Flows	C	\$ (41)	\$ (2,303)	\$ 2,262
Total Disbursements	D=B+C	\$ (43)	\$ (4,828)	\$ 4,785
Net Cash Inflows / (Outflows)	A + D	\$ 3,715	\$ (1,059)	\$ 4,774
Book Cash				
Opening Book Cash Balance		\$ 292	\$ 300	\$ (8)
Add: Receipts	A	3,758	3,769	(11)
Less: Adjustment for stayed disbursements included in receipts		(42)	-	(42)
Less: Pre-Petition ABL / FILO (Repayments)		(2,314)	(3,769)	1,455
Less: Unapplied Funds (Banks Frozen)		(1,255)	-	(1,255)
Book Cash Available After Pre-Petition ABL / FILO Repayments		439	300	139
Less: Total Disbursements	D	(43)	(4,828)	4,785
Less: Intercompany Transfers (Pre-Filing)		(270)	-	(270)
Net DIP Borrowing Requirement		126	(4,528)	4,654
Add: DIP Borrowings / (Repayments)		-	4,528	(4,528)
Ending Book Cash Balance		\$ 126	\$ -	\$ 126

APPENDIX "D"

OPERATIONAL CASH FLOW FORECAST

Golf Town Entities

Cash Flow Forecast
(USD, 000s)

	Week #:	2016-38	2016-39	2016-40	2016-41	2016-42	2016-43	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	19 Week	
	Week Ending:	9/24	10/1	10/8	10/15	10/22	10/29	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	
Receipts	2	A	\$ 2,949	\$ 2,517	\$ 2,302	\$ 2,031	\$ 1,774	\$ 1,753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,326
Operating Disbursements																						
Merchandise and Freight	3		(1,183)	(734)	(440)	(1,079)	(1,034)	(1,016)	-	-	-	-	-	-	-	-	-	-	-	-	-	(5,487)
Employee Costs	4		-	(893)	-	(832)	-	(832)	-	(416)	-	-	-	-	-	-	-	-	-	-	-	(2,972)
Rent and Other Operating Costs	5		(1,489)	(1,135)	(47)	(1,203)	(147)	(1,203)	(887)	(2,509)	-	-	-	(100)	-	-	-	(100)	-	-	-	(8,819)
Sales Tax	6		(1,725)	(200)	-	(213)	(213)	-	-	(200)	-	-	-	-	-	-	-	-	-	-	-	(2,551)
Capex and Maintenance	7		(5)	(5)	(6)	(6)	(6)	(6)	-	-	-	-	-	-	-	-	-	-	-	-	-	(35)
Total Operating Disbursements		B	\$ (4,403)	\$ (2,967)	\$ (493)	\$ (3,332)	\$ (1,400)	\$ (3,057)	\$ (887)	\$ (2,924)	\$ (200)	\$ -	\$ -	\$ (100)	\$ -	\$ -	\$ -	\$ (100)	\$ -	\$ -	\$ -	\$ (19,864)
Non-Operating Disbursements																						
DIP Fees and Interest	8		(1,062)	(40)	(38)	(36)	(33)	(31)	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,240)
Third-Party Deposits	9		(563)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(563)
Professional Fees	10		(620)	-	(646)	-	(665)	-	(477)	(97)	(429)	-	(351)	(153)	(268)	-	(193)	(59)	(253)	-	(255)	(4,467)
KEIP	11		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-Operating Disbursements		C	\$ (2,245)	\$ (40)	\$ (685)	\$ (36)	\$ (698)	\$ (31)	\$ (477)	\$ (97)	\$ (429)	\$ -	\$ (351)	\$ (153)	\$ (268)	\$ -	\$ (193)	\$ (59)	\$ (253)	\$ -	\$ (255)	\$ (6,269)
Total Disbursements		D=B+C	\$ (6,648)	\$ (3,007)	\$ (1,178)	\$ (3,368)	\$ (2,098)	\$ (3,088)	\$ (1,365)	\$ (3,021)	\$ (629)	\$ -	\$ (351)	\$ (153)	\$ (368)	\$ -	\$ (193)	\$ (59)	\$ (353)	\$ -	\$ (255)	\$ (26,133)
Net Cash Inflows / (Outflows)		A + D	\$ (3,699)	\$ (490)	\$ 1,124	\$ (1,337)	\$ (324)	\$ (1,335)	\$ (1,365)	\$ (3,021)	\$ (629)	\$ -	\$ (351)	\$ (153)	\$ (368)	\$ -	\$ (193)	\$ (59)	\$ (353)	\$ -	\$ (255)	\$ (12,808)
Book Cash																						
Opening Book Cash Balance			126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126
Add: Receipts		A	2,949	2,517	2,302	2,031	1,774	1,753	-	-	-	-	-	-	-	-	-	-	-	-	-	13,326
Less: Pre-Petition ABL / FILO (Repayments)	12		(2,949)	(2,517)	(2,302)	(2,031)	(1,774)	(1,753)	-	-	-	-	-	-	-	-	-	-	-	-	-	(13,326)
Book Cash Available After Pre-Petition ABL / FILO Repayments			126	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	126
Less: Total Disbursements	D		(6,648)	(3,007)	(1,178)	(3,368)	(2,098)	(3,088)	(1,365)	(3,021)	(629)	-	(351)	(153)	(368)	-	(193)	(59)	(353)	-	(255)	(26,133)
Net DIP Borrowing Requirement			(6,522)	(3,007)	(1,178)	(3,368)	(2,098)	(3,088)	(1,365)	(3,021)	(629)	-	(351)	(153)	(368)	-	(193)	(59)	(353)	-	(255)	(26,008)
Add: DIP Borrowings / (Repayments)	13		6,522	3,007	1,178	3,368	2,098	3,088	1,365	3,021	629	-	351	153	368	-	193	59	353	-	255	26,008
Ending Book Cash Balance			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

GOLF TOWN ENTITIES CASH FLOW FORECAST NOTES AND SUMMARY OF ASSUMPTIONS

In the Matter of the CCAA Proceedings of Golf Town Canada Holdings Inc., Golf Town Canada Inc., and Golf Town GP II Inc. (collectively, the “Applicants” or “Golf Town Entities”).

Disclaimer

In preparing this cash flow forecast (the “**Cash Flow Forecast**”), the Company has relied upon unaudited financial information and has not attempted to further verify the accuracy or completeness of such information. The Cash Flow Forecast includes assumptions discussed below with respect to the requirements and impact of a filing under the Companies’ Creditors Arrangement Act (“CCAA”). Since the Cash Flow Forecast is based on assumptions about future events and conditions that are not ascertainable, the actual results achieved during the Cash Flow Forecast period will vary from the Cash Flow Forecast, even if the assumptions materialize, and such variations may be material. There is no representation, warranty or other assurance that any of the estimates, forecasts or projections will be realized.

Overview

The Company, with the assistance of A&M, the CRO, and the Monitor, has prepared the Cash Flow Forecast based primarily on historical results and Management’s current expectations for operations during the 19-week forecast period. The Cash Flow Forecast is presented in thousands of US dollars.

Assumptions to Golf Town Entities Cash Flow Forecast:

1. The purpose of this cash flow forecast is to determine the liquidity requirements of the Golf Town Entities during the 19-week period for the weeks ending from September 24, 2016 to January 28, 2017.
2. Receipts include product sales net of credit card and processing fees, and include sales tax collections. Product sales include sales from all in-store and e-commerce sales of merchandise and gift cards, net of returns and discounts. Forecast product sales amounts are based on historical sales patterns on a weekly basis, accounting for seasonal cyclicality in the Canadian market. Sales tax collections are based on a blended average sales tax rate for all in-store sales and all e-commerce sales across Canada. Payments for sales tax are forecast to be made one month in arrears for the prior month’s collections. Credit card and processing fees are forecast at 1.5% of all credit in-store sales, and 2.3% of all e-commerce sales.
3. Merchandise and Freight include payments to vendors based on forecast purchasing requirements, and amounts include sales taxes paid. Freight includes costs associated with all outbound shipping for e-commerce customers, inbound from all vendors, and other transportation related costs.
4. Employee Costs include all corporate and store related payroll, benefits, employer/employee taxes, and store employee commissions (paid quarterly).

5. Rent and Other Operating Costs includes payments to landlords, common area maintenance (CAM), sales tax, utilities, maintenance, advertising, marketing, and other operating costs.
6. Sales Taxes reflects the net PST, HST, and GST amounts remitted (collected) to (from) the provinces and federal governments in lieu of prior month's activity. Payments are generally made one month in arrears for the prior month's collections.
7. Capex and Maintenance is an estimate for capital spending required to maintain the stores in the normal course.
8. DIP Fees and Interest include all payments regarding the Golf Town Entities borrowings during the forecast period including a commitment fee, an unused commitment fee, a letter of credit fee, and an administration fee.
9. Third-Party Deposits, if required, are payable to utility providers in relation to the supply of services at the stores and corporate offices.
10. Professional Fees include fees of consultants, advisors, and lawyers involved in the CCAA Proceedings.
11. KEIP Payments are not expected to be paid within the forecast period.
12. Pre-Petition ABL / FILO (Repayments) represent the forecast repayment amount based on receipts in accordance with the terms of the DIP Facility. Even though receipts deposited into the GTW Bank Account are excluded from the required pre-filing ABL / FILO repayments as noted in the Pre-Filing Report, Management has assumed for the purposes of this Cash Flow Forecast that receipts collected by the GTW Bank Account will be applied against the pre-petition ABL / FILO repayments. Alternatively and at Management's discretion, these funds could also be used to pay post-filing operating expenses of the Golf Town Entities, thereby reducing the amount of DIP borrowings.
13. DIP Borrowings / (Repayments) are calculated based on the cash balance requirements from post-filing operating disbursements. Since all cash receipts are to be applied against the pre-petition ABL / FILO repayments, all disbursements will be funded using DIP borrowings.

**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

**FIRST REPORT OF THE MONITOR, FTI
CONSULTING CANADA INC. DATED
SEPTEMBER 27, 2016**

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