GOLFSMITH INTERNATIONAL HOLDINGS INC
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PROSPECTUS

6,000,000 Shares
Common Stock

This is Golfsmith International Holdings, Inc. s initial public offering. We are offering 6,000,000 shares of our common stock.

Prior to this offering, no public market existed for our shares of common stock. Our shares of common stock have been approved for quotation on the Nasdaq National Market under the symbol GOLF.

Investing in shares of our common stock involves risks that are described in the Risk Factors section beginning on page 7 of this prospectus.

	Per Share	Total
Public offering price	$11.50	$69,000,000
Underwriting discount	$.805	$4,830,000
Proceeds, before expenses, to Golfsmith International Holdings, Inc.	$10.695	$64,170,000

The underwriters may also purchase up to an additional 900,000 shares from us at the public offering price, less the underwriting discount, within 30 days from the date of this prospectus to cover overallotments.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about June 20, 2006.

Merrill Lynch & Co. **JPMorgan**

Lazard Capital Markets

The date of this prospectus is June 14, 2006.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with information different from or in addition to that contained in this prospectus. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and are seeking offers to buy, shares of common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the common stock. Our business, financial conditions, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus, but does not contain all the information that is important to you. You should read this entire prospectus carefully, including the section entitled Risk Factors, and our consolidated financial statements and the related notes included elsewhere in this prospectus before making an investment decision.

Golfsmith International Holdings, Inc.

Golfsmith is the nation s largest specialty retailer of golf equipment, apparel and accessories based on sales. Since our founding in 1967, we have established Golfsmith as a leading national brand in the golf retail industry. We operate as an integrated multi-channel retailer, providing our customers, who we refer to as guests, the convenience of shopping in our 58 stores across the nation, including six new stores opened in the second quarter of 2006, through our leading Internet site, *www.golfsmith.com*, and from our comprehensive catalogs. Our stores feature an activity-based shopping environment where our guests can test the performance of golf clubs in our in-store hitting areas. We offer an extensive product selection that features premier national brands as well as our proprietary products and pre-owned clubs. We also offer a number of guest services and customer care initiatives that we believe differentiate us from our competitors, including our SmartFit™ custom club-fitting program, in-store golf lessons, our club trade-in program, our 90-day playability guarantee, our 115% low-price guarantee and our proprietary credit card. Our advanced distribution and fulfillment center and management information systems support and integrate our distribution channels and provide a scalable platform to support our planned expansion.

We began as a clubmaking company, offering custom-made clubs, clubmaking components and club repair services. In 1972, we opened our first retail store, and in 1975, we mailed our first general golf products catalog. Over the next 25 years, we continued to expand our product offerings, opened larger retail stores and expanded our direct-to-consumer business by adding to our catalog titles. In 1997, we launched our Internet site to further expand our direct-to-consumer business. In October 2002, an investment fund managed by First Atlantic Capital, Ltd. acquired us from our original founders, Carl, Barbara and Franklin Paul. Since then, we have invested in our business through capital expenditures totaling $30.9 million and acquisitions totaling $9.9 million and have undertaken a series of significant strategic and operating initiatives, including the following:

- enhancing our guests in-store experience by providing an activity-based shopping environment featuring expanded hitting areas, putting greens and ball launch monitor technology;

- determining that our stores are best suited to a 15,000 to 20,000 square foot concept, which enables us to accommodate key elements of our activity-based environment;

- increasing our store base from 26 stores in December 2002 to 58 stores in June 2006; and

- expanding into the tennis category through our acquisition of six Don Sherwood Golf & Tennis stores in July 2003 and the subsequent introduction of tennis equipment, apparel and accessories in the majority of our stores.

As a result of our strategic and operating initiatives and our significant investment, in 2005 we generated revenues of $323.8 million, operating income of $14.7 million and net income of $3.0 million, and we believe that we are well-positioned to further expand our business. In 2004, we generated revenues of $296.2 million and operating income of $9.7 million, and had a net loss of $4.8 million. Our net loss in 2004 resulted primarily from lower operating income as a percentage of revenues due to increased selling, general and administrative expenses from the opening of new stores, and also from the recording of a full valuation allowance against our net deferred tax assets of $4.3 million. In 2003, we generated revenues of $257.8 million, operating income of $12.7 million and net income of $1.1 million.

For the three months ended April 1, 2006, we generated revenues of $74.8 million and operating income of $1.9 million, and had a net loss of $0.9 million. For the comparable three months ended April 2, 2005, we generated revenues of $64.0 million and operating income of $0.8 million, and had a net loss of $2.0 million.

According to industry sources, the golf retail market that we target represented approximately $6 billion in sales in the United States in 2005 and is highly-fragmented relative to other retail industries, with no single golf retailer accounting for more than 6% of sales nationally in 2005.

Competitive Strengths

We believe that the following competitive strengths have allowed us to establish and maintain our leadership in the golf specialty retail industry, while positioning us for future growth and expansion.

Nationally recognized golf brand with multi-channel model. We believe our national presence and multi-channel retailing model, consisting of our retail stores, Internet site and catalogs, differentiates us from other specialty golf retailers and gives us a substantial competitive advantage.

Comprehensive product offering. We provide golfers and tennis players of all skill levels and ages a broad product offering and are one of the largest retailers of premier branded golf merchandise. We also offer an extensive assortment of our proprietary branded golf merchandise and pre-owned clubs to appeal to more value-conscious guests.

Differentiated in-store experience. We offer our guests an activity-based shopping environment, featuring hitting areas, putting greens and ball launch technology. In addition, we offer customized golf-related services, such as our on-site club repair services, our SmartFit customized fitting program, Hot Stix® Technology, which analyzes a guest s swing and recommends the clubs and balls best suited to that individual, and in-store golf lessons through GolfTEC Learning Centers.

Superior customer service and innovative customer care initiatives. We offer a variety of customer care initiatives to foster our guests loyalty and promote confidence in their purchases, including our 90/90 Playability Guarantee, our 115% Low Price Guarantee, our ClubVantage Program, our Golfsmith Credit Card and our Player Rewards Loyalty Program. See Business Competitive Strengths Superior Customer Service and Innovative Customer Care Initiatives.

Flexible, established, cost-effective infrastructure. Our advanced distribution and fulfillment center and management information systems provide a scalable platform to support our planned expansion. We believe that other off-course specialty retailers would have to make a sizable investment in time and capital to replicate our infrastructure.

Proven management team. Our senior management team has an average of over 17 years of experience in the retail sector, including substantial multi-channel retailing experience, and an average tenure with us of approximately seven years.

Growth Strategy

We intend to enhance our position as the premier golf and tennis retailer by executing the following strategies:

Expand our store base. Between December 2002 and June 2006 we more than doubled our store base from 26 to 58 stores and intend to open between four and six additional new stores in 2006 and between 14 and 16 new stores in 2007.

Increase store revenues and profitability. Our retail stores are an integral part of our multi-channel strategy. Our strategy to increase store revenues and profitability includes the following elements:

improve store design and enhance our activity-based shopping environment;

increase sales of our higher margin proprietary brands;

- enhance our apparel offering;
- target the underserved female demographic; and
- expand the tennis category.

Grow our direct-to-consumer channel. We believe that we are well-positioned in the golf industry to capitalize on the expected growth of Internet sales due to our best-in-class Internet site functionality, our 39-year history as a direct-to-consumer retailer and our ability to leverage inventory across our supply chain to fill orders.

Risks Affecting Us

Our business is subject to numerous risks as discussed more fully in the section entitled Risk Factors beginning on page 7 of this prospectus. In particular, the risks affecting us include the following:

- we depend on the demand for golf products which is affected by the popularity of golf, the number of golf participants, the number of rounds of golf being played by these participants and the amount of coverage that golf receives in the media;
- our growth strategy depends on our ability to open new stores and operate them profitably;
- our sales may be affected by economic downturns in the metropolitan areas in which our stores are clustered;
- our growth may be harmed by increased competition from other golf specialty retailers;
- our operating results may be adversely affected by unseasonable weather during the peak golf season; and
- if we are not able to access adequate capital, our ability to expand our business may be impaired.

Company Information

Golfsmith International Holdings, Inc. was formed on September 4, 2002 and became the parent company of Golfsmith International, Inc. on October 15, 2002 when it acquired all of the outstanding stock of Golfsmith International, Inc. Golfsmith International Holdings, Inc. is a holding company and has no material assets other than all of the capital stock of Golfsmith International, Inc. In this prospectus, unless the context indicates otherwise, the term Golfsmith refers to Golfsmith International, Inc. and its subsidiaries. The term Golfsmith Holdings refers to Golfsmith International Holdings, Inc. and its subsidiaries. The terms we, us and our refer to Golfsmith prior to its acquisition by Golfsmith Holdings and to Golfsmith Holdings after giving effect to the acquisition of Golfsmith.

Our principal executive office is located at 11000 N. IH-35, Austin, Texas 78753-3195, and our telephone number is (512) 837-8810. Our Internet site address is *www.golfsmith.com.* The information on, or accessible through, our Internet site is not part of this prospectus.

The names Golfsmith, ASI, Black Cat, Crystal Cat, GearForGolf, GiftsForGolf, Killer Bee, Lynx, Predator, Snake Eyes, Tigress and Zevo, and our logo are trademarks, service marks or trade names owned by us. A trademarks, trade names or service marks appearing in this prospectus are owned by their respective holders.

The Offering

Common stock offered by us	6,000,000 shares.
Common stock to be outstanding after this offering	15,472,676 shares.
Use of proceeds	We estimate that the net proceeds from the offering will be $61.2 million, after deducting the underwriting discount and estimated offering expenses payable by us. We intend to use the net proceeds, together with borrowings under our new senior secured credit facility, as follows: to retire $93.75 million aggregate principal amount at maturity of our 8.375% secured notes due 2009, which had an accreted book value of $83.6 million as of May 27, 2006; and to pay fees and expenses of approximately $1.0 million related to our new senior secured credit facility and to pay a one-time $3.0 million fee to terminate our management consulting agreement with First Atlantic Capital, Ltd. upon completion of this offering. This agreement currently obligates us to pay approximately $600,000 per year, plus expenses, to First Atlantic Capital, Ltd. until 2012.
Nasdaq National Market symbol	GOLF

The number of shares of common stock to be outstanding after this offering is based on 9,472,676 shares outstanding as of April 28, 2006 and excludes:

- 2,670,237 shares reserved for issuance under our 2002 Incentive Stock Plan and 2006 Incentive Compensation Plan, of which options to purchase 870,237 shares at a weighted average exercise price of $7.38 per share had been granted and were outstanding as of April 28, 2006; and
- 331,569 shares of common stock issuable immediately following the closing of this offering upon the conversion, for no additional consideration, of equity units held by certain of our existing and former officers and employees.

Unless otherwise indicated, all information in this prospectus:

- assumes an initial public offering price of $11.50 per share of common stock;
- assumes that the underwriters do not exercise their option to purchase 900,000 shares from us to cover overallotments; and
- reflects a 1-to-100 stock split of our common stock that was effected in 2002 and a 1-for-2.2798 stock split that was effected on May 25, 2006.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

You should read the following summary consolidated financial and other data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and the related notes included elsewhere in this prospectus. The summary consolidated financial data as of and for the fiscal years ended January 3, 2004, January 1, 2005 and December 31, 2005 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our fiscal year ends on the Saturday closest to December 31 of such year. All fiscal years presented include 52 weeks of operations, except 2003, which includes 53 weeks, where week 53 occurred in the fourth quarter of fiscal 2003. The summary consolidated financial data as of and for the three months ended April 2, 2005 and April 1, 2006 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus and, in our opinion, reflect all adjustments, consisting of normal accruals, necessary for a fair presentation of the data for those periods. Our results of operation for the three months ended April 1, 2006 may not be indicative of results that may be expected for the full year. The three-month periods ended April 2, 2005 and April 1, 2006 both consisted of 13 weeks.

The pro forma consolidated balance sheet data as of April 1, 2006 gives effect to (i) this offering and our receipt of estimated net proceeds of approximately $61.2 million, after deducting the underwriting discount and estimated offering expenses payable by us and based on an initial public offering price of $11.50 per share of common stock, and (ii) the application of such net proceeds, together with borrowings under our new senior secured credit facility, as described under Use of Proceeds, as if such transactions had occurred on April 1, 2006.

	Fiscal Year Ended			**Three Months Ended**	
	January 3, 2004	**January 1, 2005**	**December 31, 2005**	**April 2, 2005**	**April 1, 2006**
				(unaudited)	
	(dollars in thousands, except share and per share data)				
Statement of Operations Data:					
Net revenues	$ 257,745	$ 296,202	$ 323,794	$ 63,958	$ 74,810
Cost of products sold	171,083	195,014	208,044	41,195	49,008
Gross profit	86,662	101,188	115,750	22,763	25,802
Selling, general and administrative	73,400	90,763	99,310	21,400	23,702
Store pre-opening/closing expenses	600	743	1,765	517	200
Total operating expenses	74,000	91,506	101,075	21,917	23,902
Operating income	12,662	9,682	14,675	846	1,900
Interest expense	(11,157)	(11,241)	(11,744)	(2,862)	(3,059)
Interest income	40	64	73	17	11
Other income, net	164	1,162	354	(1)	279
Income (loss) from operations before income taxes	1,709	(333)	3,358	(2,000)	(869)
Income tax benefit (expense)	(645)	(4,423)	(400)		

Net income (loss)	$ 1,064	$ (4,756)	$ 2,958	$ (2,000)	$ (869)
Basic and diluted income (loss) per share of common stock[1]	$ 0.11	$ (0.49)	$ 0.30	$ (0.20)	$ (0.09)
Weighted average number of shares outstanding used in basic income (loss) per share calculation[1]	9,441,148	9,803,712	9,803,712	9,803,712	9,803,712
Weighted average number of shares outstanding used in diluted income (loss) per share calculation[1]	9,441,148	9,803,712	9,943,443	9,803,712	9,803,712
Other Financial Data:					
Gross profit as a percentage of net revenues	33.6%	34.2%	35.7%	35.6%	34.5%

	Fiscal Year Ended			Three Months Ended	
	January 3, 2004	January 1, 2005	December 31, 2005	April 2, 2005	April 1, 2006
				(unaudited)	
Store Data (not in thousands):					
Comparable store sales increase (decrease)[2]	7.4%	0.7%	2.6%	(8.1)%	12.3%
Number of stores at period end	38	46	52	46	52
Gross square feet at period end	759,981	849,677	905,827	825,107	905,827
Net sales per selling square foot for stores open at beginning and end of period[3]	$ 302	$ 333	$ 353	$ 104	$ 119

	April 1, 2006	
	Actual	Pro Forma
	(in thousands) (unaudited)	
Balance Sheet Data:		
Inventories	$ 81,535	$ 81,535
Working capital[4]	21,943	(13,134)
Cash and cash equivalents	3,664	3,664
Total assets	217,616	214,166
Total debt	88,667	41,244
Total stockholders equity	56,279	100,909

(1) Includes 331,569 shares of common stock issuable immediately following the closing of this offering upon the conversion, for no additional consideration, of equity units held by certain of our existing and former officers and employees.

(2) We consider sales by a new store to be comparable commencing in the fourteenth month after the store was opened or acquired. We consider sales by a relocated store to be comparable if the relocated store is expected to serve a comparable customer base and there is not more than a 30-day period during which neither the original store nor the relocated store is closed for business. We consider sales by stores with modified layouts to be comparable. We consider sales by stores that are closed to be comparable in the period leading up to closure if they met the qualifications of a comparable store and do not meet the qualifications to be classified as discontinued operations under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment of Long-Lived Assets. Comparable store results for a 53-week fiscal year are presented on a 52/52 week basis by omitting the last week of the 53-week period.

(3) Calculated using net sales of all stores open at both the beginning and the end of the period and the selling square footage for such stores. Selling square feet includes all retail space including but not limited to hitting areas, putting greens and check-out areas. It does not include back-room and receiving space, management offices, employee breakrooms, restrooms, vacant space or area occupied by GolfTEC Learning Centers.

(4) Defined as total current assets minus total current liabilities.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the following risks, together with the financial and other information contained in this prospectus before deciding whether to invest in our common stock. If any of the following risks actually occurs, our business, financial condition and results of operations would suffer. In that event, the trading price of our shares of common stock would likely decline and you might lose all or part of your investment.

Risks Relating to Our Business

A reduction in the number of rounds of golf played and the popularity of golf may adversely affect our sales of golf products.

We generate substantially all of our net revenues from the sale of golf equipment, apparel and accessories. The demand for golf products is directly related to the popularity of golf, the number of golf participants and the number of rounds of golf being played by these participants. According to the National Golf Foundation, the number of rounds played annually in the United States declined from 518.4 million in 2000 to 499.6 million in 2005. This decline is attributable to a number of factors, including the state of the nation s economy. If golf participation and the number of rounds of golf played decreases, sales of our products may be adversely affected. We cannot assure you that the overall dollar volume of the market for golf-related products will grow, or that it will not decline, in the future.

The demand for golf products is also directly related to the popularity of magazines, cable channels and other media dedicated to golf, television coverage of golf tournaments and attendance at golf events. We depend on the exposure of the products we sell, especially the premier branded golf merchandise, through advertising and the media or at golf tournaments and events. Any significant reduction in television coverage of, or attendance at, golf tournaments and events or any significant reduction in the popularity of golf magazines or golf channels, may reduce the visibility of the brands that we sell and could adversely affect our sales of golf products.

A reduction in discretionary consumer spending could adversely affect our sales of golf products.

Golf products are recreational in nature and are therefore discretionary purchases for consumers. Consumers are generally more willing to make discretionary golf product purchases during favorable economic conditions. Discretionary spending is affected by many factors, including general business conditions, interest rates, the availability of consumer credit, taxation and consumer confidence in future economic conditions. Purchases of our products could decline during periods when disposable income is lower, or during periods of actual or perceived unfavorable economic conditions. Any significant decline in general economic conditions or uncertainties regarding future economic prospects that adversely affect discretionary consumer spending, whether in the United States generally or in a particular geographic area in which our stores are located, could lead to reduced sales of our products.

Our sales and profits may be adversely affected if we or our suppliers fail to develop and introduce new and innovative products that appeal to our customers.

Our future success depends, in part, upon our and our suppliers continued ability to develop and introduce new and innovative products. This is particularly true with respect to golf clubs, which accounted for approximately 45% of our net revenues in fiscal 2005 and 47% of our net revenues for the three months ended April 1, 2006. We believe our guests desire to test the performance of the latest golf equipment drives traffic into our stores and increases sales. This is particularly true when significant technological advancements in golf clubs and other equipment occur, although such advances generally only occur every few years. Furthermore, the success of new products depends not only upon their performance, but also upon the subjective preferences of golfers, including how a club looks, sounds and feels, and the level of popularity that a golf club enjoys among professional and recreational golfers. Our success depends, in large part, on our and our suppliers ability to identify and anticipate the changing preferences of our customers and our ability to stock our stores with a wide selection of quality merchandise that appeals to customer preferences. If we or our suppliers fail to successfully develop and introduce on a timely basis new and innovative products that appeal to our customers, our revenues and profitability may suffer.

On the other hand, if our suppliers introduce new golf clubs too rapidly, it could result in closeouts of existing inventories. Closeouts can result in reduced margins on the sale of older products, as well as reduced sales of new products given the availability of older products at lower prices. These reduced margins and sales may adversely affect our results of operations.

Competition from new and existing competitors could have an adverse effect on our sales and profitability.

Our principal competitors are currently other off-course specialty retailers, franchise and independent golf retailers, on-course pro shops, conventional sporting goods retailers, mass merchants and warehouse clubs, and online retailers of golf equipment. These businesses compete with us in one or more product categories. In addition, traditional sports retailers and specialty golf retailers are expanding more aggressively in marketing and supplying brand-name golf equipment, thereby competing directly with us for products, customers and locations. Some of these potential competitors have greater financial or marketing resources than we do and may be able to devote greater resources to sourcing, promoting and selling their products. We may also face increased competition due to the entry of new competitors, including current suppliers that decide to sell their products directly. As a result of this competition, we may experience lower sales or greater operating costs, such as marketing costs, which would have an adverse effect on our margins and our results of operations in general.

Our growth will be adversely affected if we are unable to open new stores and operate them profitably.

Our growth strategy involves opening additional stores in new and existing markets. We are in the early stages of our store expansion. At June 14, 2006, we had 58 stores, more than half of which we opened or acquired during the last three years. We plan to open between four and six additional new stores in 2006 and between 14 and 16 new stores in 2007. In addition to capital requirements, our ability to open new stores on a timely and profitable basis is subject to various contingencies, including but not limited to, our ability to successfully:

identify suitable store locations that meet our target demographics;

negotiate and enter into long-term leases upon acceptable terms;

build-out or refurbish sites on a timely and cost-effective basis;

hire, train and retain skilled managers and personnel; and

integrate new stores into existing operations.

After identifying a new store site, we typically try to negotiate a long-term lease, generally between 10 and 20 years. Long-term leases typically result in long-term financial obligations that we are obligated to pay regardless of whether the store generates sufficient traffic and sales. There can be no assurance that new stores will generate sales levels necessary to achieve store-level profitability or profitability comparable to that of existing stores. New stores may also have lower sales volumes or profits compared to previously opened stores or they may have losses. In the past, we have experienced delays and cost-overruns in obtaining proper permitting, building and refurbishing stores. We cannot assure you that we will not experience these problems again in the future.

Furthermore, our expansion into new and existing markets may present competitive, distribution, and merchandising challenges that differ from our current challenges, including competition among our stores clustered in a single market, diminished novelty of our activity-based store design and concept, added strain on our distribution and fulfillment center and management information systems, and diversion of management attention from existing operations.

We cannot assure you that we will be successful in meeting the challenges described above or that any of our new stores will be a profitable deployment of our capital resources. If we fail to open additional stores successfully or if any of our new stores are not profitable, we may not be able to grow our revenues and our results of operations and financial position may be adversely affected.

If our key suppliers limit the amount or variety of products they sell to us or if they fail to deliver products to us in a timely manner and upon customary pricing terms, our sales and profitability may be reduced.

We rely on a limited number of suppliers for a significant portion of our product sales. During fiscal 2004 and 2005, three of our suppliers each accounted for approximately 10% of our purchases. We depend on access to the latest golf equipment, apparel and accessories from the premier national brands in order to drive traffic into our stores and through our direct-to-consumer channel. We do not have any long-term supply contracts with our suppliers providing for continued supply, pricing, allowances or other terms. In addition, certain of our vendors have established minimum advertised pricing requirements, which, if violated, could result in our inability to obtain certain products. If our suppliers refuse to distribute their products to us, limit the amount or variety of products they make available to us, or fail to deliver such products on a timely basis and upon customary pricing terms, our sales and profitability may be reduced.

In addition, some of our proprietary products require specially developed manufacturing molds, techniques or processes which make it difficult to identify and utilize alternative suppliers quickly. Any significant production delay or the inability of our current suppliers to deliver products on a timely basis, including clubheads and shafts in sufficient quantities, or the transition to alternate suppliers, could have a material adverse effect on our results of operations.

Our sales could decline if we are unable to process increased traffic or prevent security breaches on our Internet site and our network infrastructure.

A key element of our strategy is to generate high-volume traffic on, and increase sales through, our Internet site. Accordingly, the satisfactory performance, reliability and availability of our Internet site, transaction processing systems and network infrastructure are critical to our reputation and our ability to attract and retain guests. Our Internet revenues will depend on the number of visitors who shop on our Internet site and the volume of orders we can fill on a timely basis. Problems with our Internet site or order fulfillment performance would reduce the volume of goods sold and could damage our reputation. We may experience system interruptions from time to time. If there is a substantial increase in the volume of traffic on our Internet site or the number of orders placed by customers, we may be required to expand and further upgrade our technology, transaction processing systems and network infrastructure. We cannot assure you that we will be able to accurately project the rate or timing of increases, if any, in the use of our Internet site, or that we will be able to successfully and seamlessly expand and upgrade our systems and infrastructure to accommodate such increases on a timely and cost-effective basis.

The success of our Internet site depends on the secure transmission of confidential information over network and the Internet and on the secure storage of data. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure transmission and storage of confidential information, such as customer credit card information. In addition, we maintain an extensive confidential database of customer profiles and transaction information. We cannot assure you that advances in computer capabilities, new discoveries in the field of cryptography, or other events or developments will not result in a compromise or breach of the security we use to protect customer transaction and personal data contained in our customer database. In addition, other companies in the retail sector have from time to time experienced breaches as a result of actions by their employees. If any compromise of our security were to occur, it could have a material adverse effect on our reputation, business, operating results and financial condition, and could result in a loss of customers. A party who is able to circumvent our security measures could damage our reputation, cause interruptions in our operations and/or misappropriate proprietary information which, in turn, could cause us to incur liability for any resulting losses. We may be required to expend significant capital and other resources to protect against security breaches or to alleviate problems caused by breaches.

We may be unable to expand our business if adequate capital is not available.

Our ability to open new stores depends on the availability of adequate capital, which in turn depends in large part on our cash flow from operations and the availability of equity and debt financing. We currently anticipate spending approximately $1.8 million to open each additional store, which includes pre-opening expenses, capital expenditures and inventory costs. We cannot assure you that our cash flow from operations will be sufficient or that we will be able to obtain equity or debt financing on acceptable terms or at all to implement our growth strategy. The new senior secured credit facility that we plan to enter into upon the closing of this offering may contain provisions which restrict our ability to incur additional indebtedness, make capital expenditures, or make substantial asset sales which might otherwise be used to finance our expansion. Our obligations under the new senior secured facility may be secured by substantially all of our assets, which may further limit our access to capital or lending sources. As a result, we cannot assure you that adequate capital will be available to finance our current expansion plans.

We lease almost all of our store locations. If we are unable to maintain those leases or locate alternative sites for our stores in our target markets and on terms that are acceptable us, our net revenues and profitability could be adversely affected.

We lease 57 of our 58 current stores. In fiscal 2005, we closed two stores when the leases for those locations expired. In both instances, we opened a new store in similar locations during fiscal 2005. We cannot assure you that we will be able to maintain our existing store locations as leases expire, extend the leases or be able to locate alternative sites in our target markets and on favorable terms. If we cannot maintain our existing store locations, extend the leases or locate alternative sites on favorable or acceptable terms, our net revenues and profitability could be adversely affected.

Our operating costs and profitability could be adversely affected if we are unable to accurately predict and respond to seasonal fluctuations in our business.

Our business is seasonal. The golf season and the number of rounds played in the markets we serve fluctuate based on a number of factors, including the weather. Accordingly, our sales leading up to and during the warm weather golf season, as well as the Christmas holiday gift-giving season, have historically contributed to a higher percentage of our annual net revenues and annual net operating income than other periods in our fiscal year. During fiscal 2005, the fiscal months of March through September and December, which together comprise 36 weeks of our 52-week fiscal year, contributed over three-quarters of our annual net revenues and substantially all of our annual operating income. We make decisions regarding merchandise well in advance of the season in which it will be sold. We incur significant additional expenses leading up to and during these periods in anticipation of higher sales, including acquiring additional inventory, preparing and mailing our catalogs, advertising, creating in-store promotions and hiring additional employees. In the event of unseasonable weather during the peak season in certain markets, our sales may be lower and we may not be able to adjust our inventory or expenses in a timely fashion. This seasonality may result in volatility or have an adverse effect on our results of operations and the market price of our common stock.

Many of our stores are clustered in particular metropolitan areas, and an economic downturn or other adverse events in these areas may significantly reduce the sales for stores located in such areas.

A significant portion of our stores are clustered in certain geographic areas, including eight in each of the Tri-State (New York, New Jersey and Connecticut) and the San Francisco Bay area, six in Los Angeles, five in Dallas, four in Chicago and three in each of Atlanta, Denver, Detroit, Houston and Phoenix. If any of these areas were to experience a downturn in economic conditions, natural disasters such as hurricanes, floods or earthquakes, terrorist attacks, or other negative events, the stores in these areas may be adversely affected.

Our comparable store sales may fluctuate, which could negatively impact our future operating performance.

Our comparable store sales are affected by a variety of factors, including, among others:

- customer demand in different geographic regions;
- unseasonable weather during certain periods for certain geographic regions;
- changes in our product mix;
- our decision to relocate or refurbish certain stores;
- the launch of promotional events;
- the opening of new stores by us and our competitors in our existing markets; and
- changes in economic conditions in the areas in which our stores are located.

Our comparable store sales have fluctuated significantly in the past and such fluctuation may continue in the future. The percentage increase or decrease in comparable store sales compared to the prior fiscal year or period in the prior fiscal year was 7.4% in 2003, 0.7% in 2004, 2.6% in 2005, (8.1)% for the three months ended April 2, 2005 and 12.3% for the three months ended April 1, 2006. We believe that the introduction of our 90/90 Playability Guarantee in the second quarter of 2003 may have positively impacted our comparable store sales for the subsequent four quarters and created challenging comparisons for the following four quarters. We have also experienced decreases in comparable store sales during certain quarterly periods during the last two fiscal years and we cannot assure you that our comparable store sales will not decrease again in the future. Comparable store sales is an important measure to research analysts that may cover our company. Any reduction in or failure to increase our comparable store sales or to meet analysts expectations could negatively impact the trading price of our common stock.

If we fail to accurately target the appropriate segment of the consumer catalog market or if we fail to achieve adequate response rates to our catalogs, our sales and profitability may be adversely affected.

Our results of operations depend in part on the success of our direct-to-consumer channel, which consists of our Internet site and multiple catalogs. Within our direct-to-consumer distribution channel, we believe that the success of our catalog operations also contributes to the success of our Internet site, because many of our customers who receive catalogs choose to purchase products through our Internet site. We believe that the success of our catalogs depend on our ability to:

- achieve adequate response rates to our mailings;
- offer an attractive merchandise mix;
- cost-effectively add new customers;
- cost-effectively design and produce appealing catalogs; and
- timely deliver products ordered through our catalogs to our guests.

We have historically experienced fluctuations in the response rates to our catalog mailings. If we fail to achieve adequate response rates, we could experience lower sales, significant markdowns or write-offs of inventory and lower margins, which could materially and adversely affect our sales and profitability.

If we lose the services of our Chief Executive Officer, we may not be able to manage our operations and implement our growth strategy effectively.

We depend on the continued service of James D. Thompson, our President and Chief Executive Officer, who possesses significant expertise and knowledge of our business and industry. Currently, we do not maintain key person insurance for any of our officers or managers. We have entered into an employment agreement with Mr. Thompson that expires, subject to automatic one-year extensions, in October 2006. Any loss or interruption of the services of Mr. Thompson could significantly reduce our ability to effectively manage our operations and implement our growth strategy, and we cannot assure you that we would be able to find an appropriate replacement should the need arise.

Our sales, profitability and company-wide operations would be adversely affected if the operations of our Austin, Texas call center or distribution and fulfillment center were interrup