

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

February 12, 1999
Date of report

CALLAWAY GOLF COMPANY
(Exact name of Registrant as Specified in Charter)

California	1-10962	95-3797580
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

2285 Rutherford Road
Carlsbad, CA 92008-8815
(Address of Principal Executive Offices)

(760) 931-1771
(Registrant's telephone number, including area code)

ITEM 2. Acquisition or Disposition of Assets.

Effective as of February 12, 1999, Callaway Golf Company, a California corporation (the "Company"), amended its original Credit Agreement dated as of December 30, 1998, pursuant to an Amended and Restated Credit Agreement (the "Amended Credit Agreement") among the Company, as Borrower, certain of the Company's subsidiaries as additional credit parties, the lenders signatory thereto from time to time (the "Lenders") and General Electric Capital Corporation, a New York corporation, as Agent for the Lenders. The original Credit Agreement provided revolving credit facilities to the Company of up to \$75 million (including a \$10 million letter of credit subfacility). Under the Amended Credit Agreement, the revolving credit facilities were increased to up to \$120 million. The Company's obligations under the Amended Credit Agreement are secured by substantially all of the tangible and intangible assets of the Company and certain of its subsidiaries, including real property and a pledge of certain of the capital stock of the Company's foreign and domestic subsidiaries. The Amended Credit Agreement includes customary conditions, representations, warranties, affirmative and negative covenants (including certain financial covenants) and events of default.

Also effective as of February 12, 1999, Odyssey Golf, Inc. and Callaway Golf Sales Company, both wholly owned subsidiaries of the Company, Golf Funding Corporation, a newly formed wholly owned subsidiary of Callaway Golf Sales Company, and the Company obtained an \$80 million accounts receivable securitization facility (the "Accounts Receivable Facility"). Under the Accounts Receivable Facility, substantially all of Odyssey Golf, Inc.'s domestic accounts receivable were sold to Callaway Golf Sales Company. In turn, Callaway Golf Sales Company has sold, and from time to time will sell, substantially all of its domestic accounts receivable (the "Receivables") to Golf Funding Corporation. The Accounts Receivable Facility provides for the sale from time to time of the Receivables by Golf Funding Corporation to Redwood Receivables Corporation in exchange for a combination of immediately available funds and a deferred purchase price amount. The Accounts Receivable Facility includes a corporate guarantee by the Company of the obligations of Callaway Golf Sales Company thereunder and includes customary conditions, representations, warranties, affirmative and negative covenants (including the same financial covenants set forth in the Amended Credit Agreement with respect to the Company) and termination events.

The foregoing summary of the Amended Credit Agreement and the Accounts Receivable Facility is qualified in its entirety by reference to the full text of the Amended Credit Agreement and the key documents relating to the Accounts Receivable Facility, copies of which are attached hereto and incorporated herein by reference.

ITEM 7. Financial Statements and Exhibits

(c) Exhibits

- 10.1 Amended and Restated Credit Agreement dated as of February 10, 1999 among Callaway Golf Company, as Borrower, the other credit parties signatory thereto, as Credit Parties, the Lenders signatory thereto from time

to time, as Lenders, and General Electric Capital Corporation, as Agent and Lender

- 10.2 Receivables Transfer Agreement dated as of February 10, 1999, by and among Callaway Golf Sales Company and Odyssey Golf, Inc.
- 10.3 Receivables Transfer Agreement dated as of February 10, 1999, by and among Callaway Golf Company, as Parent Guarantor, Callaway Golf Sales Company, as the CGS Originator and as Servicer, and Golf Funding Corporation
- 10.4 Receivables Purchase and Servicing Agreement dated as of February 10, 1999, by and among Golf Funding Corporation, as Seller, Redwood Receivables Corporation, as Purchaser, Callaway Golf Sales Company, as Servicer, and General Electric Capital Corporation, as Operating Agent and Collateral Agent

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: FEBRUARY 25, 1999

CALLAWAY GOLF COMPANY

By: /s/ David A. Rane

David A. Rane
Executive Vice President, Administration and
Planning, and Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
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10.1	Amended and Restated Credit Agreement dated as of February 10, 1999 among Callaway Golf Company, as Borrower, the other credit parties signatory thereto, as Credit Parties, the Lenders signatory thereto from time to time, as Lenders, and General Electric Capital Corporation, as Agent and Lender
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AMENDED AND RESTATED

CREDIT AGREEMENT

Dated as of February 10, 1999

among

CALLAWAY GOLF COMPANY,

as Borrower,

THE OTHER CREDIT PARTIES SIGNATORY HERETO,

as Credit Parties,

THE LENDERS SIGNATORY HERETO

FROM TIME TO TIME,

as Lenders,

and

GENERAL ELECTRIC CAPITAL CORPORATION,

as Agent and Lender

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AMENDED AND RESTATED CREDIT AGREEMENT, dated as of February 10, 1999, among CALLAWAY GOLF COMPANY, a California corporation ("Borrower"); the other Credit

Parties signatory hereto; GENERAL ELECTRIC CAPITAL CORPORATION, a New York corporation (in its individual capacity, "GE Capital"), for itself, as Lender,

and as Agent for Lenders, and the other Lenders signatory hereto from time to time.

RECITALS

WHEREAS, Borrower, the other Credit Parties signatory thereto, and GE Capital as Agent and as Lender entered into that certain Credit Agreement, dated as of the Closing Date (the "Existing Credit Agreement");

WHEREAS, Borrower, the other Credit Parties signatory hereto, Agent and Lenders desire to amend and restate the Existing Credit Agreement in its entirety to give effect to the terms and provisions set forth in this Amended and Restated Credit Agreement (the Existing Credit Agreement and this Amended and Restated Credit Agreement, as amended, restated, supplemented or otherwise modified from time to time, collectively, this "Agreement"), it being understood

and agreed that (i) with respect to any date or time period occurring and ending prior to the Effective Date (as defined below), the rights and obligations of the parties hereto shall be governed by the provisions of the Existing Credit Agreement (including, without limitation, the Exhibits and Schedules thereto) which for such purposes shall remain in full force and effect and (ii) with respect to any date or time period occurring or ending on or after the Effective Date, the rights and obligations of the parties hereto shall be governed by this Agreement (including, without limitation, the Exhibits and Schedules hereto);

WHEREAS, it is the intent of Borrower, the other Credit Parties signatory hereto, Agent and Lenders that Agent and Lenders shall be beneficiaries under each Loan Document executed on or before the date hereof pursuant to which the Credit Parties granted Liens to Agent, for the benefit of itself and Lenders, in the Collateral and that all of the Obligations shall be secured by the Liens on the Collateral, as well as the Liens granted to Agent, for the benefit of itself and Lenders, on all other Collateral on and after the date hereof;

WHEREAS, Borrower desires that Lenders extend revolving credit facilities to Borrower of up to One Hundred and Twenty Million Dollars (\$120,000,000) in the aggregate for the purpose of refinancing certain indebtedness of Borrower and to provide (a) working capital financing for Borrower, and (b) funds for other general corporate purposes of Borrower; and for these purposes, Lenders are willing to make certain loans and other extensions of credit to Borrower of up to such amount upon the terms and conditions set forth herein; and

WHEREAS, capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex A. All Annexes, Disclosure Schedules, Exhibits and

other attachments

(collectively, "Appendices") hereto, or expressly identified to this Agreement,

are incorporated herein by reference, and taken together, shall constitute but a single agreement. These Recitals shall be construed as part of the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the parties hereto agree as follows:

1. AMOUNT AND TERMS OF CREDIT

1.1 Credit Facilities.

(a) Revolving Credit Facility.

(i) Subject to the terms and conditions hereof, each Revolving Lender agrees to make available from time to time until the Commitment Termination Date its Pro Rata Share of advances (each, a "Revolving Credit

Advance"). The revolving loans outstanding under the Existing Credit

Agreement on the Effective Date shall automatically, without further action, be deemed to be Revolving Loans outstanding under this Agreement. The Pro Rata Share of the Revolving Loan of any Revolving Lender shall not at any time exceed its separate Revolving Loan Commitment. The obligations of each Revolving Lender hereunder shall be several and not joint. The aggregate amount of Revolving Credit Advances outstanding shall not exceed at any time the lesser of (A) the Maximum Amount and (B) the Borrowing Base, in each case less the sum of the Letter of Credit Obligations (other than Letter of Credit Obligations which have been deemed to constitute Revolving Credit Advances under paragraph (b)(i) of Annex B) and the Swing

Line Loan outstanding at such time ("Borrowing Availability"). Until the

Commitment Termination Date, Borrower may from time to time borrow, repay and reborrow under this Section 1.1(a). Each Revolving Credit Advance

shall be made on notice by Borrower to the representative of Agent identified on Schedule 1.1 at the address specified thereon. Those notices

must be given no later than (1) 1:00 p.m. (New York time) on the Business Day of the proposed Revolving Credit Advance, in the case of an Index Rate Loan, or (2) 1:00 p.m. (New York time) on the date which is three (3) Business Days prior to the proposed Revolving Credit Advance, in the case of a LIBOR Loan. Each such notice (a "Notice of Revolving Credit Advance")

must be given in writing (by facsimile or overnight courier) substantially in the form of Exhibit 1.1(a)(i), and shall include the information

required in such Exhibit and such other information as may be required by Agent. If Borrower desires to have the Revolving Credit Advances bear interest by reference to a LIBOR Rate, it must comply with Section 1.5(e).

(ii) Borrower shall execute and deliver to each Revolving Lender a note to evidence the Revolving Loan Commitment of that Revolving Lender. Each note shall be

in the principal amount of the Revolving Loan Commitment of the applicable Revolving Lender, dated the Effective Date and substantially in the form of Exhibit 1.1(a)(ii) (each a "Revolving Note" and, collectively, the

"Revolving Notes"). Each Revolving Note shall represent the obligation of

Borrower to pay the amount of each Revolving Lender's Revolving Loan Commitment or, if less, the applicable Revolving Lender's Pro Rata Share of the aggregate unpaid principal amount of all Revolving Credit Advances to Borrower together with interest thereon as prescribed in Section 1.5. The

entire unpaid balance of the Revolving Loan and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date.

(b) Swing Line Facility.

(i) Agent shall notify the Swing Line Lender upon Agent's receipt of any Notice of Revolving Credit Advance. Subject to the terms and conditions hereof, upon receipt of any Notice of Revolving Credit Advance requesting an Index Rate Loan, the Swing Line Lender may, in its discretion, make available from time to time until the Commitment Termination Date advances (each, a "Swing Line Advance") in accordance with

any such notice. The aggregate amount of Swing Line Advances outstanding shall not exceed the lesser of (A) the Swing Line Commitment and (B) the lesser of the Maximum Amount and the Borrowing Base, in each case, less the outstanding balance of the Revolving Loan at such time ("Swing Line

Availability"). Unless the Swing Line Lender has received at least one

business day's prior written notice from Agent or Requisite Lenders instructing it not to make the Swing Line Advance, the Swing Line Lender shall, notwithstanding the failure of any condition precedent set forth in Section 2.2 of this Agreement (other than the condition precedent set forth

in Section 2.2(e) of this Agreement), be entitled to fund such Swing Line

Advance and, in connection with such Swing Line Advance, to have each Lender make Revolving Credit Advances in accordance with Section

1.1(b)(iii) or to purchase participating interests in accordance with

Section 1.1(b)(iv). Until the Commitment Termination Date, Borrower may

from time to time borrow, repay and reborrow under this Section 1.1(b).

Each Swing Line Advance shall be made pursuant to a Notice of Revolving Credit Advance delivered by Borrower to Agent in accordance with Section

1.1(a). Those notices must be given no later than 1:00 p.m. (New York time)

on the Business Day of the proposed Swing Line Advance. Notwithstanding any other provision of this Agreement or the other Loan Documents, the Swing Line Loan shall constitute an Index Rate Loan. Borrower shall repay the aggregate outstanding principal amount of the Swing Line Loan upon demand therefor by Agent.

(ii) Borrower shall execute and deliver to the Swing Line Lender a promissory note to evidence the Swing Line Commitment. Such note shall be in the principal amount of the Swing Line Commitment of the Swing Line Lender, dated the Effective Date and substantially in the form of Exhibit

1.1(b)(ii) (the "Swing Line Note "). The Swing Line

Note shall represent the obligation of Borrower to pay the amount of the Swing Line Commitment or, if less, the aggregate unpaid principal amount of all Swing Line Advances made to Borrower together with interest thereon as prescribed in Section 1.5. The entire unpaid balance of the Swing Line Loan

and all other non-contingent Obligations shall be immediately due and payable in full in immediately available funds on the Commitment Termination Date if not sooner paid in full.

(iii) Refunding of Swing Line Loans. The Swing Line Lender, at any

time and from time to time in its sole and absolute discretion but no less frequently than once weekly, may on behalf of Borrower (and Borrower hereby irrevocably authorizes the Swing Line Lender to so act on its behalf) request each Revolving Lender (including the Swing Line Lender) to make a Revolving Credit Advance to Borrower (which shall be an Index Rate Loan) in an amount equal to such Revolving Lender's Pro Rata Share of the principal amount of the Swing Line Loan (the "Refunded Swing Line Loan ") outstanding

on the date such notice is given. Unless any of the events described in Sections 8.1(h) or 8.1(i) shall have occurred (in which event the

procedures of Section 1.1(b)(iv) shall apply) and regardless of whether the

conditions precedent set forth in this Agreement to the making of a Revolving Credit Advance are then satisfied, each Revolving Lender shall disburse directly to Agent, its Pro Rata Share of a Revolving Credit Advance on behalf of the Swing Line Lender, prior to 3:00 p.m. (New York time), in immediately available funds on the Business Day next succeeding the date such notice is given. The proceeds of such Revolving Credit Advances shall be immediately paid to the Swing Line Lender and applied to repay the Refunded Swing Line Loan.

(iv) Participation in Swing Line Loans. If, prior to refunding a

Swing Line Loan with a Revolving Credit Advance pursuant to Section

1.1(b)(iii), one of the events described in Sections 8.1(h) or 8.1(i) shall

have occurred, then, subject to the provisions of Section 1.1(b)(v) below,

each Revolving Lender will, on the date such Revolving Credit Advance was to have been made for the benefit of Borrower, purchase from the Swing Line Lender an undivided participation interest in the Swing Line Loan in an amount equal to its Pro Rata Share of such Swing Line Loan. Upon request, each Revolving Lender will promptly transfer to the Swing Line Lender, in immediately available funds, the amount of its participation.

(v) Revolving Lenders' Obligations Unconditional. Each Revolving

Lender's obligation to make Revolving Credit Advances in accordance with Section 1.1(b)(iii) and to purchase participating interests in accordance

with Section 1.1(b)(iv) shall be absolute and unconditional and shall not

be affected by any circumstance, including (A) any setoff, counterclaim, recoupment, defense or other right which such Revolving Lender may have against the Swing Line Lender, Borrower or any other Person for any reason whatsoever; (B) the occurrence or continuance of any Default or Event of Default; (C) any inability of Borrower to satisfy the conditions precedent to borrowing set forth in this Agreement on

the date upon which such participating interest is to be purchased or (D) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If any Revolving Lender does not make available to Agent or the Swing Line Lender, as applicable, the amount required pursuant to Section 1.1(b)(iii) or 1.1(b)(iv), as the case may be,

the Swing Line Lender shall be entitled to recover such amount on demand from such Revolving Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full at the Federal Funds Rate for the first two Business Days and at the Index Rate thereafter.

(c) Reliance on Notices. Agent shall be entitled to rely upon, and shall

be fully protected in relying upon, any Notice of Revolving Credit Advance, Notice of Conversion/Continuation or similar notice believed by Agent to be genuine. Agent may assume that each Person executing and delivering such a notice was duly authorized, unless the responsible individual acting thereon for Agent has actual knowledge to the contrary.

1.2 Letters of Credit. Subject to and in accordance with the terms and

conditions contained herein and in Annex B, Borrower shall have the right to

request, and Revolving Lenders agree to incur, or purchase participations in, Letter of Credit Obligations in respect of Borrower.

1.3 Prepayments.

(a) Voluntary Prepayments. Borrower may at any time on at least ten (10)

days' prior written notice to Agent terminate the Revolving Loan Commitment; provided that upon such termination, all Loans and other Obligations shall be

immediately due and payable in full. Any such voluntary prepayment and any such termination of the Revolving Loan Commitment must be accompanied by the payment of the fee required by Section 1.9(c), plus the payment of any LIBOR funding

breakage costs in accordance with Section 1.13(b). Upon any such prepayment and

termination of the Revolving Loan Commitment, Borrower's right to request Revolving Credit Advances, or request that Letter of Credit Obligations be incurred on its behalf, or request Swing Line Advances, shall simultaneously be terminated.

(b) Mandatory Prepayments.

(i) If at any time the outstanding balance of the Revolving Loan exceeds the lesser of (A) the Maximum Amount and (B) the Borrowing Base, less,

in each case, the outstanding Swing Line Loan at such time, Borrower shall immediately repay the aggregate outstanding Revolving Credit Advances to the extent required to eliminate such excess. If any such excess remains after repayment in full of the aggregate outstanding Revolving Credit Advances, Borrower shall provide cash collateral for the Letter of Credit Obligations in the manner set forth in Annex B to the extent required to eliminate such excess.

(ii) Immediately upon receipt by any Credit Party of proceeds of any asset disposition (including condemnation proceeds, but excluding proceeds of asset dispositions permitted by clauses (a) through (e) of Section 6.8)

or any sale of Stock of any Subsidiary of any Credit Party, Borrower shall prepay the Loans in an amount equal to all such proceeds, net of (A) commissions and other reasonable and customary transaction costs, fees and expenses properly attributable to such transaction and payable by Borrower in connection therewith (in each case, paid to non-Affiliates), (B) transfer taxes, (C) amounts payable to holders of senior Liens (to the extent such Liens constitute Permitted Encumbrances hereunder), if any, and (D) an appropriate reserve for income taxes in accordance with GAAP in connection therewith. Any such prepayment shall be applied in accordance with clause (c) below.

(iii) If Borrower issues Stock, Borrower shall, no later than the Business Day following the date of receipt of any cash proceeds thereof (other than cash proceeds of up to \$1,000,000 in any Fiscal Year from the issuance of Stock of Borrower to employees, officers or directors of any Credit Party or any of its Subsidiaries), prepay the Loans in an amount equal to all such proceeds, net of underwriting discounts and commissions and other reasonable costs paid to non-Affiliates in connection therewith. Any such prepayment shall be applied in accordance with clause (c) below.

(c) Application of Certain Mandatory Prepayments. Any prepayments made by

Borrower pursuant to clauses (b) (ii) or (b) (iii), above shall be applied as

follows: first, to Fees and reimbursable expenses of Agent then due and payable

pursuant to any of the Loan Documents; second, to interest then due and payable

on the Swing Line Loan; third, to the principal balance of the Swing Line Loan

until the same shall have been repaid in full; fourth, to interest then due and

payable on the Revolving Credit Advances; fifth, to the outstanding principal

balance of Revolving Credit Advances until the same shall have been paid in
full; and sixth, to any Letter of Credit Obligations, to provide cash collateral

therefor in the manner set forth in Annex B, until all such Letter of Credit

Obligations have been fully cash collateralized in the manner set forth in Annex

B. Neither the Revolving Loan Commitment nor the Swing Line Commitment shall be
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permanently reduced by the amount of any such prepayments.

(d) Application of Prepayments from Insurance Proceeds. Prepayments from

insurance proceeds in accordance with Section 5.4(c) shall be applied first, to

the Swing Line Loans and, second, to the Revolving Credit Advances. Neither the
Revolving Loan Commitment nor the Swing Line Loan Commitment shall be
permanently reduced by the amount of any such prepayments.

(e) Application of Payments from Receivables Facility. Payments deposited

in the Agent Account in accordance with Section 2.04 or Article VI (or any

comparable provisions) of the Receivables Purchase Agreement shall be applied as
follows:

first, to Fees and reimbursable expenses of Agent then due and payable

pursuant to any of the Loan Documents;

second, to interest then due and payable on the Swing Line Loan;

third, to the principal balance of the Swing Line Loan until the same shall

have been repaid in full;

fourth, to interest then due and payable on the Revolving Credit Advances

until the same shall have been paid in full, provided, however, that unless a

Default or Event of Default has occurred and is continuing, interest on any LIBOR Loans shall not be required to be paid pursuant to this clause (e)

unless the date on which the payment is to be applied is the Interest Payment Date applicable thereto;

fifth, to the outstanding principal balance of Revolving Credit Advances

until the same shall have been paid in full, provided, however, that unless a

Default or Event of Default has occurred and is continuing, the outstanding principal balance of any LIBOR Loans shall not be required to be paid pursuant to this clause (e) unless the date on which the payment is to be

applied is the Interest Payment Date applicable thereto;

sixth, if a Default or Event of Default has occurred and is continuing, to

any Letter of Credit Obligations, to provide cash collateral therefor in the manner set forth in Annex B, until all such Letter of Credit Obligations have

been fully cash collateralized in the manner set forth in Annex B; and

seventh, the balance of any such payment shall be paid to Borrower on the

Business Day on which the payment is received (or deemed received) by Agent in accordance with Section 1.10.

Neither the Revolving Loan Commitment nor the Swing Line Commitment shall be permanently reduced by the amount of any such payments.

(f) No Implied Consent. Nothing in this Section 1.3 shall be construed to

constitute Agent's or any Lender's consent to any transaction referred to in clauses (b) (ii) and (b) (iii) above which is not permitted by other provisions

of this Agreement or the other Loan Documents.

1.4 Use of Proceeds. Borrower shall utilize the proceeds of the Revolving

Loan and the Swing Line Loan solely for the financing of Borrower's ordinary working capital and general corporate needs (including transactions permitted hereunder, but excluding in any event the making of any Restricted Payment not specifically permitted by Section 6.14). Disclosure Schedule (1.4) contains a

description of Borrower's sources and uses of funds as of the Effective Date, including Loans and Letter of Credit Obligations to be made or incurred on that date, and a

funds flow memorandum detailing how funds from each source are to be transferred to particular uses.

1.5 Interest and Applicable Margins.

(a) Borrower shall pay interest to Agent, for the ratable benefit of Lenders in accordance with the various Loans being made by each Lender, in arrears on each applicable Interest Payment Date, at the following rates: (i) with respect to the Revolving Credit Advances, the Index Rate plus the Applicable Revolver Index Margin per annum or, at the election of Borrower, the applicable LIBOR Rate plus the Applicable Revolver LIBOR Margin per annum, based on the aggregate Revolving Credit Advances outstanding from time to time; and (ii) with respect to the Swing Line Loan, the Index Rate plus the Applicable Revolver Index Margin per annum. The Applicable Revolver Index Margin, Applicable Revolver LIBOR Margin, Applicable L/C Margin, and the Applicable Unused Line Fee Margin are each equal to the rates per annum set forth below as of the Effective Date:

Applicable Revolver Index Margin	0.75%
Applicable Revolver LIBOR Margin	2.25%
Applicable L/C Margin	2.25%
Applicable Unused Line Fee Margin	0.375%

After the first anniversary of the Effective Date, the Applicable Margins will be adjusted (up or down) prospectively on a quarterly basis as determined by consolidated EBITDA of Borrower and its Subsidiaries for the four Fiscal Quarters then most recently ended, commencing with the four Fiscal Quarters ending December 31, 1999. Adjustments in Applicable Margins will be determined by reference to the following grid:

----- If EBITDA is:	Level of Applicable Margins: -----
**\$85 million	Level I
*\$85 million, but **\$70 million	Level II
*\$70 million, but **\$55 million	Level III
*\$55 million, but **\$40 million	Level IV
*\$40 million, but **\$25 million	Level V
*\$25 million	Level VI
-----	-----

* less than

** greater than or equal to

Applicable Margins						
	Level I	Level II	Level III	Level IV	Level V	Level VI
Applicable Revolver Index Margin	0.00%	0.25%	0.50%	0.75%	1.00%	1.25%
Applicable Revolver LIBOR Margin	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
Applicable L/C Margin	1.50%	1.75%	2.00%	2.25%	2.50%	2.75%
Applicable Unused Line Fee Margin	0.250%	0.250%	0.375%	0.375%	0.500%	0.500%

All adjustments in the Applicable Margins after the first anniversary of the Effective Date will be implemented on a prospective basis, beginning with each calendar month commencing at least five (5) days after the date of delivery to Agent and Lenders of the quarterly unaudited Financial Statements of Borrower evidencing the need for an adjustment. Concurrently with the delivery of those Financial Statements, Borrower shall deliver to Agent and Lenders a certificate, signed by its chief financial officer, setting forth in reasonable detail the basis for the continuance of, or any change in, the Applicable Margins. Failure to deliver such Financial Statements within eight (8) Business Days of the date required therefor pursuant to Section 4 and Annex E shall, in addition to any

other remedy provided for in this Agreement, result in an increase in the Applicable Margins to the highest level set forth in the foregoing grid until the first day of the first calendar month following the delivery of those Financial Statements demonstrating that such an increase is not required. If a Default or Event of Default shall have occurred or be continuing at the time any reduction in the Applicable Margins is to be implemented, that reduction shall be deferred until the first day of the first calendar month following the date on which such Default or Event of Default is waived or cured.

(b) If any payment on any Loan becomes due and payable on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day (except as set forth in the definition of LIBOR Period) and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of Fees calculated on a per annum basis and interest shall be made by Agent on the basis of a three hundred and sixty (360) day year, in each case for the actual number of days occurring in the period for which such interest and Fees are payable. The Index Rate shall be determined each day based upon the Index Rate as in effect each day. Each determination by Agent of an interest rate and Fees hereunder shall be conclusive, absent manifest error.

(d) So long as an Event of Default shall have occurred and be continuing under Section 8.1(a), (h) or (i), or so long as any other Event of Default shall -----

have occurred and be continuing and at the election of Agent (or upon the written request of Requisite Lenders) confirmed by written notice from Agent to Borrower, the interest rates applicable to the Loans and the Letter of Credit Fees shall be increased by two percent (2%) per annum above the rates of interest or the rate of such Fees otherwise applicable hereunder ("Default -----

Rate"), and all outstanding Obligations shall bear interest at the Default Rate applicable to such Obligations. Interest and Letter of Credit Fees at the Default Rate shall accrue from the initial date of such Event of Default until that Event of Default is cured or waived and shall be payable upon demand.

(e) So long as no Default or Event of Default shall have occurred and be continuing, and subject to the additional conditions precedent set forth in Section 2.2, Borrower shall have the option to (i) request that any Revolving -----

Credit Advances be made as a LIBOR Loan, (ii) convert at any time all or any part of outstanding Loans (other than the Swing Line Loan) from Index Rate Loans to LIBOR Loans, (iii) convert any LIBOR Loan to an Index Rate Loan, subject to payment of LIBOR breakage costs in accordance with Section 1.13(b) if such -----

conversion is made prior to the expiration of the LIBOR Period applicable thereto, or (iv) continue all or any portion of any Loan (other than the Swing Line Loan) as a LIBOR Loan upon the expiration of the applicable LIBOR Period and the succeeding LIBOR Period of that continued Loan shall commence on the last day of the LIBOR Period of the Loan to be continued. Any Loan to be made or continued as, or converted into, a LIBOR Loan must be in a minimum amount of \$5,000,000 and integral multiples of \$500,000 in excess of such amount. Any such election must be made by 1:00 p.m. (New York time) on the third (3rd) Business Day prior to (1) the date of any proposed Advance which is to bear interest at the LIBOR Rate, (2) the end of each LIBOR Period with respect to any LIBOR Loans to be continued as such, or (3) the date on which Borrower wishes to convert any Index Rate Loan to a LIBOR Loan for a LIBOR Period designated by Borrower in such election. If no election is received with respect to a LIBOR Loan by 1:00 p.m. (New York time) on the third (3rd) Business Day prior to the end of the LIBOR Period with respect thereto (or if a Default or an Event of Default shall have occurred and be continuing or the additional conditions precedent set forth in Section 2.2 shall not have been satisfied), that LIBOR -----

Loan shall be converted to an Index Rate Loan at the end of its LIBOR Period. Borrower must make such election by notice to Agent in writing, by facsimile or overnight courier. In the case of any conversion or continuation, such election must be made pursuant to a written notice (a "Notice of -----

Conversion/Continuation") in the form of Exhibit 1.5(e).

(f) Notwithstanding anything to the contrary set forth in this Section -----

1.5, if a court of competent jurisdiction determines in a final order that the -----

rate of interest payable hereunder exceeds the highest rate of interest permissible under law (the "Maximum Lawful Rate"), then so long as the Maximum -----

Lawful Rate would be so exceeded, the rate of interest payable hereunder shall be equal to the Maximum Lawful Rate; provided, however, that if at any time -----

thereafter the rate of interest payable hereunder is less than the Maximum Lawful Rate, Borrower shall continue

to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Agent, on behalf of Lenders, is equal to the total interest which would have been received had the interest rate payable hereunder been (but for the operation of this paragraph) the interest rate payable since the Effective Date as otherwise provided in this Agreement. Thereafter, interest hereunder shall be paid at the rate(s) of interest and in the manner provided in Sections 1.5(a) through (e) above, unless and until the rate of interest again

exceeds the Maximum Lawful Rate, and at that time this paragraph shall again apply. In no event shall the total interest received by any Lender pursuant to the terms hereof exceed the amount which such Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. If the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. If, notwithstanding the provisions of this Section 1.5(f),

a court of competent jurisdiction shall finally determine that a Lender has received interest hereunder in excess of the Maximum Lawful Rate, Agent shall, to the extent permitted by applicable law, promptly apply such excess in the order specified in Section 1.11 and thereafter shall refund any excess to

Borrower or as a court of competent jurisdiction may otherwise order.

1.6 Receivables. On the Effective Date, the Credit Parties intend to

transfer substantially all of their Receivables to Special Purpose Corporation pursuant to the Receivables Documents. Upon notice to Agent by Borrower that a Facility Termination Date under (and as defined in) the Receivables Purchase Agreement may occur within sixty (60) days, Agent shall commence an evaluation and audit of the Receivables of the Credit Parties for the purpose of determining whether, and the basis on which, Receivables of the Credit Parties might be included in the Borrowing Base. Any amendment, supplement or modification to the definition of "Borrowing Base" and related terms and provisions, the result of which is to include some or all Receivables of the Credit Parties in the Borrowing Base, shall require the written consent of each Lender.

1.7 Eligible Inventory. Based on the most recent Borrowing Base

Certificate delivered by Borrower to Agent and on other information available to Agent, Agent shall in its reasonable judgment determine which Inventory of Borrower and Callaway Golf Ball Company shall be "Eligible Inventory" for

purposes of this Agreement. References in this Section 1.7 to Callaway Golf

Ball Company shall be disregarded until such time as the Inventory of Callaway Golf Ball Company is eligible for inclusion in the Borrowing Base in accordance with the proviso to the definition of "Borrowing Base" in Annex A. In

determining whether any particular Inventory constitutes Eligible Inventory, Agent shall not include any such Inventory to which any of the exclusionary criteria set forth below applies. Agent reserves the right, at any time and from time to time after the Effective Date, to adjust any such criteria, to establish new criteria and to adjust advance rates with respect to Eligible Inventory in its reasonable judgment, subject to the approval of (x) each Lender in the case of an increase in the percentage advance rate and (y) Supermajority Revolving Lenders in the case of any adjustments or new criteria which have the

effect of making more credit available. Eligible Inventory shall not include any Inventory of Borrower or Callaway Golf Ball Company that:

(a) is not owned by Borrower or Callaway Golf Ball Company free and clear of all Liens (other than Permitted Encumbrances described in clause (a), (e) or (i) of the definition thereof) and rights of any other Person (including the rights of a purchaser that has made progress payments and the rights of a surety that has issued a bond to assure Borrower's or Callaway Golf Ball Company's performance with respect to that Inventory), except the Liens in favor of Agent, on behalf of itself and Lenders;

(b) is (i) not located on premises owned or leased by Borrower or Callaway Golf Ball Company or (ii) is stored with a bailee, warehouseman or similar Person, unless Agent has given its prior consent thereto and unless (x) a satisfactory bailee letter or landlord waiver has been delivered to Agent, or (y) Reserves satisfactory to Agent have been established with respect thereto, or (iii) located at any site if the aggregate book value of Inventory at any such location is less than \$100,000;

(c) is placed on consignment or is in transit;

(d) is covered by a negotiable document of title, unless such document has been delivered to Agent with all necessary endorsements, free and clear of all Liens except those in favor of Agent and Lenders;

(e) in Agent's reasonable determination, is excess, obsolete, unsalable, shopworn, seconds, damaged, unfit for sale or otherwise no longer used or useful in Borrower's or Callaway Golf Ball Company's business;

(f) consists of customized product, demonstration equipment, display items or packing or shipping materials, manufacturing supplies, work-in-process Inventory or replacement parts;

(g) consists of goods which have been returned by the buyer;

(h) is not of a type held for sale in the ordinary course of Borrower's or Callaway Golf Ball Company's business;

(i) as to which Agent's Lien, on behalf of itself and Lenders, therein is not a first priority perfected Lien;

(j) as to which any of the representations or warranties pertaining to Inventory set forth in this Agreement, the Borrower Security Agreement or the Subsidiaries Security Agreement (as applicable) is untrue;

(k) consists of any costs associated with "freight-in" charges;

(l) consists of Hazardous Materials or goods that can be transported or sold only with licenses that are not readily available;

(m) is not covered by casualty insurance acceptable to Agent; or

(n) is otherwise unacceptable to Agent in its reasonable judgment.

1.8 Cash Management Systems. On or prior to the Effective Date, Borrower

will establish and will maintain until the Termination Date, the cash management systems described on Annex C (the "Cash Management Systems").

1.9 Fees.

(a) Borrower shall pay to GE Capital, individually, the Fees specified in the GE Capital Fee Letter at the times specified for payment therein.

(b) As additional compensation for the Revolving Lenders, Borrower agrees to pay to Agent, for the ratable benefit of such Lenders, in arrears, on the first Business Day of each month prior to the Commitment Termination Date and on the Commitment Termination Date, a fee for Borrower's non-use of available funds in an amount equal to the Applicable Unused Line Fee Margin multiplied by the difference between (x) the Maximum Amount (as it may be reduced from time to time) and (y) the average for the period of the daily closing balances of the Revolving Loan and the Swing Line Loan outstanding during the period for which such fee is due.

1.10 Receipt of Payments. Borrower shall make each payment under this

Agreement not later than 2:00 p.m. (New York time) on the day when due in immediately available funds in Dollars to the Agent Account. For purposes of computing interest and Fees and determining Borrowing Availability or Net Borrowing Availability as of any date, all payments shall be deemed received on the day of receipt of immediately available funds therefor in the Agent Account prior to 2:00 p.m. New York time. Payments received after 2:00 p.m. New York time on any Business Day shall be deemed to have been received on the following Business Day.

1.11 Application and Allocation of Payments.

(a) So long as no Default or Event of Default shall have occurred and be continuing, (i) payments consisting of proceeds of Receivables received in the ordinary course of business shall be applied first, to the Swing Line Loan and second, to the Revolving Loan; (ii) payments matching specific scheduled payments then due shall be applied to those scheduled payments; (iii) voluntary prepayments shall be applied as determined by Borrower, subject to the provisions of Section 1.3(a); and (iv) mandatory prepayments shall be applied as

set forth in Sections 1.3(c),

1.3(d) and 1.3(e) (as applicable). All payments and prepayments applied to a

particular Loan shall be applied ratably to the portion thereof held by each Lender as determined by its Pro Rata Share. As to each other payment, and as to all payments made when a Default or Event or Default shall have occurred and be continuing or following the Commitment Termination Date, Borrower hereby irrevocably waives the right to direct the application of any and all payments received from or on behalf of Borrower, and Borrower hereby irrevocably agrees that Agent shall have the continuing exclusive right to apply any and all such payments against the Obligations as Agent may deem advisable notwithstanding any previous entry by Agent in the Loan Account or any other books and records. In the absence of a specific determination by Agent with respect thereto, payments shall be applied to amounts then due and payable in the following order: (1) to Fees and Agent's expenses reimbursable hereunder; (2) to interest on the Swing Line Loan; (3) to principal payments on the Swing Line Loan; (4) to interest on the other Loans, ratably in proportion to the interest accrued as to each Loan; (5) to principal payments on the other Loans and to provide cash collateral for Letter of Credit Obligations in the manner described in Annex B, ratably to the

aggregate, combined principal balance of the other Loans and outstanding Letter of Credit Obligations; and (6) to all other Obligations including expenses of Lenders to the extent reimbursable under Section 11.3.

(b) Agent is authorized to, and at its sole election may, charge to the Revolving Loan balance on behalf of Borrower and cause to be paid all Fees, expenses, Charges, costs (including insurance premiums in accordance with

Section 5.4(a) and interest and principal, other than principal of the

Revolving Loan, owing by Borrower under this Agreement or any of the other Loan Documents if and to the extent Borrower fails to pay promptly any such amounts as and when due, even if such charges would cause the aggregate balance of the Revolving Loan and the Swing Line Loan to exceed Borrowing Availability. At Agent's option and to the extent permitted by law, any charges so made shall constitute part of the Revolving Loan hereunder.

1.12 Loan Account and Accounting. Agent shall maintain a loan account (the

"Loan Account") on its books to record: all Advances, all payments made by

Borrower, and all other debits and credits as provided in this Agreement with respect to the Loans or any other Obligations. All entries in the Loan Account shall be made in accordance with Agent's customary accounting practices as in effect from time to time. The balance in the Loan Account, as recorded on Agent's most recent printout or other written statement, shall, absent manifest error, be presumptive evidence of the amounts due and owing to Agent and Lenders by Borrower; provided that any failure to so record or any error in so recording

shall not limit or otherwise affect Borrower's duty to pay the Obligations. Agent shall render to Borrower a monthly accounting of transactions with respect to the Loans setting forth the balance of the Loan Account. Unless Borrower notifies Agent in writing of any objection to any such accounting (specifically describing the basis for such objection), within thirty (30) days after the date thereof, each and every such accounting shall, absent manifest error, be deemed final, binding and conclusive upon Borrower in all respects as to all matters reflected therein. Only those items expressly objected to in such notice shall be deemed to be disputed by Borrower.

Notwithstanding any provision herein contained to the contrary, any Lender may elect (which election may be revoked) to dispense with the issuance of Notes to that Lender and may rely on the Loan Account as evidence of the amount of Obligations from time to time owing to it.

1.13 Indemnity.

(a) Each Credit Party that is a signatory hereto shall jointly and severally indemnify and hold harmless each of Agent, Lenders and their respective Affiliates, and each such Person's respective officers, directors, employees, attorneys, agents and representatives (each, an "Indemnified

Person"), from and against any and all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including reasonable attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal) which may be instituted or asserted against or incurred by any such Indemnified Person as the result of credit having been extended, suspended or terminated under this Agreement and the other Loan Documents and the administration of such credit, and in connection with or arising out of the transactions contemplated hereunder and thereunder and any actions or failures to act in connection therewith, including any and all Environmental Liabilities and legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the

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Loan Documents (collectively, "Indemnified Liabilities"); provided, that no such

Credit Party shall be liable for any indemnification to an Indemnified Person to the extent that any such suit, action, proceeding, claim, damage, loss, liability or expense results from that Indemnified Person's gross negligence or willful misconduct. NO INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO ANY LOAN DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES WHICH MAY BE ALLEGED AS A RESULT OF CREDIT HAVING BEEN EXTENDED, SUSPENDED OR TERMINATED UNDER ANY LOAN DOCUMENT OR AS A RESULT OF ANY OTHER TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

(b) To induce Lenders to provide the LIBOR Rate option on the terms provided herein, if (i) any LIBOR Loans are repaid in whole or in part prior to the last day of any applicable LIBOR Period (whether that repayment is made pursuant to any provision of this Agreement or any other Loan Document or is the result of acceleration, by operation of law or otherwise); (ii) Borrower shall default in payment when due of the principal amount of or interest on any LIBOR Loan; (iii) Borrower shall default in making any borrowing of, conversion into or continuation of LIBOR Loans after Borrower has given notice requesting the same in accordance herewith; or (iv) Borrower shall fail to make any prepayment of a LIBOR Loan after Borrower has given a notice thereof in accordance herewith, Borrower shall indemnify and hold harmless each Lender from and against all losses, costs and expenses resulting from or arising from any of the foregoing. Such indemnification shall include any loss (including loss of margin) or expense arising from the reemployment of funds obtained by it or from fees payable to terminate deposits from which such

funds were obtained. For the purpose of calculating amounts payable to a Lender under this subsection, each Lender shall be deemed to have actually funded its relevant LIBOR Loan through the purchase of a deposit bearing interest at the LIBOR Rate in an amount equal to the amount of that LIBOR Loan and having a maturity comparable to the relevant LIBOR Period; provided, however, that each

Lender may fund each of its LIBOR Loans in any manner it sees fit, and the foregoing assumption shall be utilized only for the calculation of amounts payable under this subsection. This covenant shall survive the termination of this Agreement and the payment of the Notes and all other amounts payable hereunder. As promptly as practicable under the circumstances, each Lender shall provide Borrower with its written calculation of all amounts payable pursuant to this Section 1.13(b), and such calculation shall be binding on the parties

hereto unless Borrower shall object in writing within ten (10) Business Days of receipt thereof, specifying the basis for such objection in detail.

1.14 Access. Each Credit Party which is a party hereto shall, during

normal business hours, from time to time upon one (1) Business Day's prior notice as frequently as Agent determines to be appropriate: (a) provide Agent and any of its officers, employees and agents access to its properties, facilities, advisors and employees (including officers) of each Credit Party and to the Collateral, (b) permit Agent, and any of its officers, employees and agents, to inspect, audit and make extracts from any Credit Party's books and records, and (c) permit Agent, and its officers, employees and agents, to inspect, review, evaluate, appraise and make test verifications and counts of the Receivables, Inventory, Equipment, Real Estate and other Collateral of any Credit Party. If a Default or Event of Default shall have occurred and be continuing or if access is necessary to preserve or protect the Collateral as determined by Agent, each such Credit Party shall provide such access to Agent and to each Lender at all times and without advance notice. Furthermore, so long as any Event of Default shall have occurred and be continuing, Borrower shall provide Agent and each Lender with access to its suppliers and customers. Each Credit Party shall make available to Agent and its counsel, as quickly as is possible under the circumstances, originals or copies of all books and records which Agent may request. Each Credit Party shall deliver any document or instrument necessary for Agent, as it may from time to time request, to obtain records from any service bureau or other Person which maintains records for such Credit Party, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by such Credit Party. Agent will give Lenders at least ten (10) days' prior written notice of regularly scheduled audits. Representatives of other Lenders may accompany Agent's representatives on regularly scheduled audits at no charge to Borrower.

1.15 Taxes.

(a) Any and all payments by Borrower hereunder or under the Notes shall be made, in accordance with this Section 1.15, free and clear of and without

deduction for any and all present or future Taxes. If Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under the Notes, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to

additional sums payable under this Section 1.15) Agent or Lenders, as

applicable, receive an amount equal to the sum they would have received had no such deductions been made, (ii) Borrower shall make such deductions, and (iii) Borrower shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within thirty (30) days after the date of any payment of Taxes, Borrower shall furnish to Agent the original or a certified copy of a receipt evidencing payment thereof.

(b) Each Credit Party that is a signatory hereto shall indemnify and, within ten (10) days of demand therefor, pay Agent and each Lender for the full amount of Taxes (including any Taxes imposed by any jurisdiction on amounts payable under this Section 1.15) paid by Agent or such Lender, as appropriate,

and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted.

(c) Each Lender organized under the laws of a jurisdiction outside the United States (a "Foreign Lender") as to which payments to be made under this

Agreement or under the Notes are exempt from United States withholding tax under an applicable statute or tax treaty shall provide to Borrower and Agent a properly completed and executed IRS Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to such exemption (a "Certificate of Exemption "). Any foreign Person that seeks to become a Lender

under this Agreement shall provide a Certificate of Exemption to Borrower and Agent prior to becoming a Lender hereunder. No foreign Person may become a Lender hereunder if such Person is unable to deliver a Certificate of Exemption.

1.16 Capital Adequacy; Increased Costs; Illegality.

(a) If any Lender shall have determined that any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by any Lender with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law), in each case, adopted after the Effective Date, from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Lender and thereby reducing the rate of return on such Lender's capital as a consequence of its obligations hereunder, then Borrower shall from time to time upon demand by such Lender (with a copy of such demand to Agent) pay to Agent, for the account of such Lender, additional amounts sufficient to compensate such Lender for such reduction. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by such Lender to Borrower and to Agent shall, absent manifest error, be final, conclusive and binding for all purposes.

(b) If, due to either (i) the introduction of or any change in any law or regulation (or any change in the interpretation thereof) or (ii) the compliance with any guideline or request from

any central bank or other Governmental Authority (whether or not having the force of law), in each case adopted after the Effective Date, there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining any LIBOR Loan, then Borrower shall from time to time, upon demand by such Lender (with a copy of such demand to Agent), pay to Agent for the account of such Lender additional amounts sufficient to compensate such Lender for such increased cost; provided that the demand is made within 180 days after

the incurrance of such costs (unless such adoption, change or compliance arose or became effective retrospectively, in which case such Lender shall not be limited to such 180 day period so long as the Lender has given the notice to Borrower not later than 180 days from the date such adoption, change or compliance became applicable to the Lender). A certificate as to the amount of such increased cost, submitted to Borrower and to Agent by such Lender, shall be conclusive and binding on Borrower for all purposes, absent manifest error. Each Lender agrees that, as promptly as practicable after it becomes aware of any circumstances referred to above which would result in any such increased cost, the affected Lender shall, to the extent not inconsistent with such Lender's internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by Borrower pursuant to this Section 1.16(b).

(c) Notwithstanding anything to the contrary contained herein, if the introduction of or any change in any law or regulation (or any change in the interpretation thereof) shall make it unlawful, or any central bank or other Governmental Authority shall assert that it is unlawful, for any Lender to agree to make or to make or to continue to fund or maintain any LIBOR Loan, then, unless that Lender is able to make or to continue to fund or to maintain such LIBOR Loan at another branch or office of that Lender without, in that Lender's opinion, adversely affecting it or its Loans or the income obtained therefrom, on notice thereof and demand therefor by such Lender to Borrower through Agent, (i) the obligation of such Lender to agree to make or to make or to continue to fund or maintain LIBOR Loans shall terminate and (ii) Borrower shall forthwith prepay in full all outstanding LIBOR Loans owing to such Lender, together with interest accrued thereon, unless Borrower, within five (5) Business Days after

the delivery of such notice and demand, converts all such Loans into a Loan bearing interest based on the Index Rate.

(d) Within fifteen (15) Business Days after receipt by Borrower of written notice and demand from any Lender (an "Affected Lender") for payment of

additional amounts or increased costs as provided in Section 1.15(a), 1.15(b),

1.16(a) or 1.16(b), Borrower may, at its option, notify Agent and such Affected

Lender of its intention to replace the Affected Lender. So long as no Default or Event of Default shall have occurred and be continuing, Borrower, with the consent of Agent, may obtain, at Borrower's expense, a replacement Lender ("Replacement Lender") for the Affected Lender, which Replacement Lender must be

satisfactory to Agent. If Borrower obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender must sell and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale, provided that Borrower shall have reimbursed such Affected Lender for the

additional amounts or increased

costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, Borrower shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of Borrower's notice of intention to replace such Affected Lender. Furthermore, if Borrower gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, Borrower's rights under this Section 1.16(d) shall terminate and Borrower shall

promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to Sections 1.15(a), 1.16(a) and 1.16(b).

1.17 Single Loan. All Loans to Borrower and all of the other Obligations

of Borrower arising under this Agreement and the other Loan Documents shall constitute one general obligation of Borrower secured, until the Termination Date, by all of its Collateral.

1.18 Eligible Real Estate. Based on the most recent Borrowing Base

Certificate delivered by Borrower to Agent and on other information available to Agent, Agent shall in its reasonable judgment determine which Real Estate of Borrower shall be "Eligible Real Estate" for purposes of this Agreement. In

determining whether any particular Real Estate constitutes Eligible Real Estate, Agent shall not include any such Real Estate to which any of the exclusionary criteria set forth below applies. Agent reserves the right, at any time and from time to time after the Effective Date, to adjust any such criteria, to establish new criteria and to adjust advance rates with respect to Eligible Real Estate in its reasonable judgment, subject to the approval of each Lender in the case of an increase in the percentage advance rates and (y) Supermajority Revolving Lenders in the case of any adjustments or new criteria which have the effect of making more credit available. Eligible Real Estate shall not include any Real Estate of the Borrower that:

(a) is not identified on Schedule 1.18;

(b) as to which any of the representations or warranties pertaining to Real Estate set forth in this Agreement (including, without limitation, Sections 3.6 and 3.17) or any of the Collateral Documents is untrue;

(c) is either not encumbered by a Deed of Trust or is encumbered by a Deed of Trust where Borrower shall have failed or neglected to perform, keep or observe any provision of such Deed of Trust, as a result of which an Event of Default shall have occurred and be continuing;

(d) ceases to be covered by insurance required by the Loan Documents; or

(e) is encumbered by any Lien other than a Lien explicitly allowed under Section 6.7.

1.19 Eligible Equipment. Based on the most recent Borrowing Base

Certificate delivered by Borrower to Agent and on other information available to Agent, Agent shall in its reasonable judgment determine which Equipment of Credit Parties shall be "Eligible Equipment" for purposes of this Agreement. In

determining whether any particular Equipment constitutes Eligible Equipment, Agent shall not include any such Equipment to which any of the exclusionary criteria set forth below applies. Agent reserves the right, at any time and from time to time after the Effective Date, to adjust any such criteria, to establish new criteria and to adjust advance rates with respect to Eligible Equipment in its reasonable judgment, subject to the approval of (x) each Lender in the case of an increase in advance rates and (y) Supermajority Revolving Lenders in the case of adjustments or new criteria which have the effect of making more credit available. Eligible Equipment shall not include any Equipment of the Credit Parties that:

(a) is not owned by a Credit Party free and clear of all Liens (other than Permitted Encumbrances described in clause (a), (d) or (i) of the definition

thereof) and rights of any other Person, except the Liens in favor of Agent, on behalf of itself and Lenders;

(b) is not located on premises owned by Borrower, unless Agent has given its prior consent thereto and unless (x) a satisfactory bailee letter or landlord waiver has been delivered to Agent, or (y) Reserves satisfactory to Agent have been established with respect thereto;

(c) is covered by a certificate of title or title to which is otherwise required to be registered with a Governmental Authority, unless such certificate or other evidence of registration has been delivered to Agent with all necessary endorsements and filed or registered with the applicable Governmental Authority, free and clear of all Liens except those in favor of Agent and Lenders;

(d) as to which Agent's Lien, on behalf of itself and Lenders, therein is not a first priority perfected Lien (other than Permitted Encumbrances described in clause (a) or (d) of the definition thereof or Liens permitted by clause (c)

of Section 6.7);

(e) as to which any of the representations or warranties pertaining to any item or group of items of Equipment set forth in this Agreement or any of the Collateral Documents is untrue in any respect which would have a material adverse effect on the value thereof;

(f) consists of Hazardous Materials or goods that can be transported or sold only with licenses that are not readily available;

(g) is not covered by casualty insurance acceptable to Agent;

(h) is not subject to the CEF Lease Facility; or

(i) is otherwise unacceptable to Agent in its reasonable judgment.

2. CONDITIONS PRECEDENT

2.1 Conditions to the Loans.

No Lender shall be obligated to make any Loan or incur any Letter of Credit Obligations on the Effective Date, or to take, fulfill, or perform any other action hereunder, until the following conditions have been satisfied or provided for in a manner satisfactory to Agent, or waived in writing by Agent and Lenders:

(a) Credit Agreement; Loan Documents. This Agreement or counterparts

hereof shall have been duly executed by, and delivered to, Borrower, Agent and Lenders; and Agent shall have received such documents, instruments, agreements and legal opinions as Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the other Loan Documents, including all those listed in the Closing Checklist attached hereto as Annex D, -----
each in form and substance satisfactory to Agent.

(b) Receivables Facility. The Receivables Documents shall have been

executed and delivered by the parties thereto, the Receivables Facility shall be in effect and the initial purchase of Receivables Program Assets shall have occurred thereunder.

(c) Approvals. Agent shall have received (i) satisfactory evidence that

the Credit Parties have obtained all required consents and approvals of all Persons including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Loan Documents or (ii) an officer's certificate in form and substance satisfactory to Agent affirming that no such consents or approvals are required.

(d) Payment of Fees. Borrower shall have paid the Fees required to be paid

on the Effective Date in the respective amounts specified in Section 1.9 -----
(including the Fees specified in the GE Capital Fee Letter), and shall have reimbursed Agent for all fees, costs and expenses of closing presented as of the Effective Date.

2.2 Further Conditions to Each Loan. Except as otherwise expressly

provided herein, no Lender shall be obligated to fund any Loan, convert or continue (on or after the expiration of the LIBOR Period therefor) any Loan as a LIBOR Loan or incur any Letter of Credit Obligation, if, as of the date thereof:

(a) Any representation or warranty by any Credit Party contained herein or in any of the other Loan Documents shall be untrue or incorrect in any material respect as of such date, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted or expressly contemplated by this Agreement, and Agent or Requisite Lenders shall have determined (and so notified Borrower) not to make such Loan, convert or continue (on or after the expiration of the LIBOR Period therefor) such Loan as

a LIBOR Loan or incur such Letter of Credit Obligation due to the fact that such warranty or representation is untrue or incorrect; or

(b) Any event or circumstance having a Material Adverse Effect shall have occurred since the date hereof as determined by the Requisite Lenders; or

(c) Any Default or Event of Default shall have occurred and be continuing or would result after giving effect to any Loan or the incurrence of any Letter of Credit Obligation, and Agent or Requisite Lenders shall have determined not to make such Loan, convert or continue such Loan as a LIBOR Loan, incur such Letter of Credit Obligation on the basis of such Default or Event of Default; or

(d) After giving effect to any Advance (or the incurrence of any Letter of Credit Obligations), the outstanding principal amount of the Revolving Loan would exceed the lesser of the Borrowing Base and the Maximum Amount, less, in ----
each case, the then outstanding principal amount of the Swing Line Loan; or

(e) After giving effect to any Swing Line Advance, the outstanding principal amount of the Swing Line Loan would exceed Swing Line Availability.

The request and acceptance by Borrower of the proceeds of any Loan, the incurrence of any Letter of Credit Obligations or the conversion or continuation of any Loan into, or as, a LIBOR Loan, as the case may be, shall be deemed to constitute, as of the date of such request or acceptance, (i) a representation and warranty by Borrower that the conditions in this Section 2.2 have been -----

satisfied and (ii) a reaffirmation by Borrower of the granting and continuance of Agent's Liens, on behalf of itself and Lenders, pursuant to the Collateral Documents.

3. REPRESENTATIONS AND WARRANTIES

To induce Lenders to make the Loans and to incur Letter of Credit Obligations, the Credit Parties executing this Agreement, jointly and severally, make the following representations and warranties to Agent and each Lender with respect to all Credit Parties and (where indicated) their Subsidiaries, each and all of which shall survive the execution and delivery of this Agreement.

3.1 Corporate Existence; Compliance with Law. Each Credit Party and each -----
of its Subsidiaries (a) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (b) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where the failure to be so qualified would not result in exposure to losses, damages or liabilities in excess of (i) \$100,000 for any Credit Party or (ii) \$500,000 for all Credit Parties in the aggregate; (c) has the requisite corporate power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its

properties, to lease the property it operates under lease and to conduct its business as now, heretofore and proposed to be conducted; (d) subject to specific representations regarding Environmental Laws, has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (e) is in compliance with its charter and by-laws; and (f) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax and other laws, is in compliance with all applicable provisions of law (including, but not limited to, with respect to all Real Estate, any applicable federal, state or local codes, ordinances, laws, rules and regulations, including building codes, safety and fire codes, and zoning and land use laws, disabled access requirements, and seismic safety laws) except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

3.2 Executive Offices; FEIN. As of the Effective Date, the current

location of each Credit Party's chief executive office and principal place of business is set forth in Disclosure Schedule (3.2), and none of such locations

has changed within the twelve (12) months preceding the Effective Date. In addition, Disclosure Schedule (3.2) lists the federal employer identification number of each Credit Party.

3.3 Corporate Power, Authorization, Enforceable Obligations. The

execution, delivery and performance by each Credit Party of the Loan Documents to which it is a party and the creation of all Liens provided for therein: (a) are within such Person's corporate power; (b) have been duly authorized by all necessary or proper corporate and shareholder action; (c) do not contravene any provision of such Person's charter or bylaws; (d) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (e) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (f) do not result in the creation or imposition of any Lien upon any of the property of such Person other than those in favor of Agent, on behalf of itself and Lenders, pursuant to the Loan Documents; and (g) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 2.1(c), all of which will have been

duly obtained, made or complied with prior to the Closing Date. On or prior to the Effective Date, each of the Loan Documents shall have been duly executed and delivered by each Credit Party thereto and each such Loan Document shall then constitute a legal, valid and binding obligation of such Credit Party enforceable against it in accordance with its terms.

3.4 Financial Statements and Projections. Except for the Projections and

the Fair Salable Balance Sheet, all Financial Statements concerning Borrower and its Subsidiaries which are referenced below have been prepared in accordance with GAAP consistently applied throughout the periods covered (except as disclosed therein and except, with respect to unaudited

Financial Statements, for the absence of footnotes and normal year-end audit adjustments) and present fairly in all material respects the financial position of the Persons covered thereby as at the dates thereof and the results of their operations and cash flows for the periods then ended.

(a) The following Financial Statements attached hereto as Disclosure

Schedule (3.4(A)) have been delivered on the date hereof:

(i) The audited consolidated and consolidating balance sheets at December 31, 1996 and 1997 and the related statements of income and cash flows of Borrower and its Subsidiaries for the Fiscal Years then ended, certified by PricewaterhouseCoopers, L.L.P.

(ii) The unaudited balance sheet at September 30, 1998 and the related statement of income and cash flows of Borrower and its Subsidiaries for the three Fiscal Quarters then ended.

(b) Projections. The Projections delivered on the Closing Date and

attached hereto as Disclosure Schedule (3.4(B)) have been prepared by Borrower

in light of the past operations of its businesses, but including future payments of known contingent liabilities reflected on the Fair Salable Balance Sheet, and reflect projections for the five (5) year period beginning on January 1, 1999 on a month by month basis for the first year and on a year by year basis thereafter. The Projections are based upon estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Effective Date, reflect Borrower's good faith and reasonable estimates of the future financial performance of Borrower and of the other information projected therein for the period set forth therein.

(c) Fair Salable Balance Sheets. The Fair Salable Balance Sheets delivered

on the Closing Date and attached hereto as Disclosure Schedule (3.4(C)) were

prepared by each Credit Party named thereon on a pro forma basis, except that assets of each Credit Party named thereon are set forth therein at their fair salable values on a going concern basis and the liabilities set forth therein include all contingent liabilities of each Credit Party named thereon stated at the reasonably estimated present values thereof.

3.5 Material Adverse Effect. Between December 31, 1997 and the Effective

Date, (a) no Credit Party nor any of its Subsidiaries has incurred any obligations, contingent or non-contingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments which, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, other than as listed on Disclosure Schedule 3.5, (b) no contract, lease or other

agreement or instrument has been entered into by any Credit Party or any of its Subsidiaries or has become binding upon the assets of a Credit Party or any of its Subsidiaries and no law or regulation applicable to any Credit Party or any of its Subsidiaries has been adopted which has had or could reasonably be expected to have a Material Adverse Effect, and (c) no Credit Party

nor any of its Subsidiaries is in default and to the knowledge of each Credit Party after diligent inquiry, no third party is in default under any material contract, lease or other agreement or instrument (other than defaults under the Prior Loan Agreement), which alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1997 and the Effective Date no event has occurred, which alone or together with other events, could reasonably be expected to have a Material Adverse Effect, other than as listed on Disclosure Schedule (3.5).

3.6 Ownership of Property; Liens. As of the Effective Date, the real

estate ("Real Estate") listed on Disclosure Schedule (3.6) constitutes all of

the real property owned, leased, subleased, or used by any Credit Party. Each Credit Party owns good and marketable fee simple title (subject to various matters of record) to all of its owned real estate, and valid and marketable leasehold interests in all of its leased Real Estate, all as described on Disclosure Schedule (3.6), and copies of all such leases or a summary of terms

thereof satisfactory to Agent have been delivered to Agent. Disclosure Schedule

(3.6) further describes any Real Estate with respect to which any Credit Party

is a lessor, sublessor or assignor as of the Effective Date. Each Credit Party also has good and marketable title to, or valid leasehold interests in, all of its personal properties and assets, excluding all Receivables Program Assets sold, contributed or otherwise disposed of under the Receivables Documents, and subject, in the case of Callaway Golf Ball Company, to the interests of the lessor under the CEF Lease Facility. As of the Effective Date, none of the properties and assets of any Credit Party are subject to any Liens other than Permitted Encumbrances and Liens arising under the Receivables Documents or under the CEF Lease Facility, and there are no facts, circumstances or conditions known to any Credit Party that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances and Liens arising under the Receivables Documents or under the CEF Lease Facility. Each Credit Party has received all deeds, assignments, waivers, consents, non-disturbance and recognition or similar agreements, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect such Credit Party's right, title and interest in and to all such Real Estate and other properties and assets. Disclosure Schedule (3.6) also describes any purchase options, rights of first

refusal or other similar contractual rights pertaining to any Real Estate. As of the Effective Date, no portion of any Credit Party's Real Estate has suffered any material damage by fire or other casualty loss which has not heretofore been repaired and restored in all material respects to its original condition or otherwise remedied and no Credit Party is aware of any latent or patent structural or other significant defect or deficiency in any improvements on any of the Real Estate. As of the Effective Date, all material permits required to have been issued or appropriate to enable the Real Estate to be lawfully occupied and used for all of the purposes for which they are currently occupied and used have been lawfully issued and are in full force and effect.

3.7 Labor Matters. As of the Effective Date (a) no strikes or other

material labor disputes against Borrower or any of its Domestic Subsidiaries are pending or, to any Credit Party's knowledge, threatened; (b) hours worked by and payment made to employees of Borrower

and its Domestic Subsidiaries comply with the Fair Labor Standards Act and each other federal, state, local or foreign law applicable to such matter; (c) all payments due from Borrower or any of its Domestic Subsidiaries for employee health and welfare insurance have been paid or accrued as a liability on the books of Borrower or such Subsidiary; (d) except as set forth in Disclosure

Schedule (3.7), neither Borrower nor any of its Domestic Subsidiaries is a party

to or bound by any collective bargaining agreement, management agreement, consulting agreement or any employment agreement; (e) there is no organizing activity involving Borrower or any of its Domestic Subsidiaries pending or, to any Credit Party's knowledge, threatened by any labor union or group of employees; (f) there are no representation proceedings pending or, to any Credit Party's knowledge, threatened with the National Labor Relations Board, and no labor organization or group of employees of Borrower or any of its Domestic Subsidiaries has made a pending demand for recognition; and (g) except as set forth in Disclosure Schedule (3.7), there are no complaints or charges against

Borrower or any of its Domestic Subsidiaries pending or, to the knowledge of any Credit Party, threatened to be filed with any Governmental Authority or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment or termination of employment by Borrower or any of its Domestic Subsidiaries of any individual.

3.8 Ventures, Subsidiaries and Affiliates; Outstanding Stock and

Indebtedness. Except as set forth in Disclosure Schedule (3.8), no Credit Party

has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each Credit Party and each of its Subsidiaries is owned by each of the stockholders and in the amounts set forth on Disclosure Schedule

(3.8). Except as set forth in Disclosure Schedule (3.8), there are no

outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which any Credit Party or any of its Subsidiaries may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Indebtedness of each Credit Party and each of its Subsidiaries as of the Effective Date is described in Section 6.3 (including Disclosure Schedule

(6.3)).

3.9 Government Regulation. No Credit Party nor any of its Subsidiaries is

an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940 as amended. No Credit Party nor any of its Subsidiaries is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Indebtedness or to perform its obligations hereunder. The making of the Loans by Lenders to Borrower, the incurrence of the Letter of Credit Obligations on behalf of Borrower, the application of the proceeds thereof and repayment thereof will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

3.10 Margin Regulations. No Credit Party nor any of its Subsidiaries is

engaged, nor will it engage, principally or as one of its important activities, in the business of extending credit

for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). No Credit Party nor any of its Subsidiaries owns any Margin

Stock (other than investments by Borrower permitted by Section 6.2(j)). The

extensions of credit contemplated by the Loan Documents do not violate, and no Credit Party nor any of its Subsidiaries will take or permit to be taken any action which might cause any Loan Document or the extension of credit contemplated thereby to violate, any regulation of the Federal Reserve Board.

3.11 Taxes. All material tax returns, reports and statements, including

information returns, required by any Governmental Authority to be filed by any Credit Party or any of its Subsidiaries have been filed with the appropriate Governmental Authority. All Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts which are being contested in accordance with Section 5.2(b) or have been included as a liability on the most

recent consolidated balance sheet prepared by Borrower and provided to Agent pursuant to Section 4.1. Proper and accurate amounts have been withheld by each

Credit Party and each of its Subsidiaries from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign law or have been included as a liability on the most recent consolidated balance sheet prepared by Borrower and provided to Agent pursuant to Section 4.1. All amounts withheld have been timely paid to the respective

Governmental Authorities. Disclosure Schedule (3.11) sets forth as of the

Effective Date those taxable years for which the tax returns of any Credit Party or its Subsidiary are currently being audited by the IRS or any other applicable Governmental Authority and any assessments or threatened assessments in connection with such audit, or otherwise currently outstanding. Except as described on Disclosure Schedule (3.11) , no Credit Party nor any of its

Subsidiaries has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. None of the Credit Parties nor any of their Subsidiaries nor any of their respective predecessors are liable for any Charges: (a) under any agreement (including any tax sharing agreements) or (b) to each Credit Party's knowledge, as a transferee. As of the Effective Date, no Credit Party nor any of its Subsidiaries has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, which would have a Material Adverse Effect.

3.12 ERISA.

(a) Disclosure Schedule (3.12) lists and separately identifies all Title

IV Plans, Multiemployer Plans, ESOPs and Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest form 5500 for each such Plan, have been delivered to Agent. Except with respect to Multiemployer Plans, each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, and the trusts created thereunder have been determined to

be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred which would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the filing of reports required under the IRC or ERISA. No Credit Party or ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. No Credit Party or ERISA Affiliate has engaged in a prohibited transaction, as defined in Section 4975 of the IRC, in connection with any Plan, which would subject any Credit Party to a material tax on prohibited transactions imposed by Section 4975 of the IRC.

(b) Except as set forth in Disclosure Schedule (3.12): (i) no Title IV

Plan has any Unfunded Pension Liability; (ii) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (iii) there are no pending, or to the knowledge of any Credit Party, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (iv) no Credit Party or ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (v) within the last five years no Title IV Plan with Unfunded Pension Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of any Credit Party or ERISA Affiliate; and (vi) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by the Standard & Poor's Corporation or the equivalent by another nationally recognized rating agency.

3.13 No Litigation. No action, claim, lawsuit, demand, investigation or

proceeding is now pending or, to the knowledge of any Credit Party, threatened against any Credit Party or any of its Subsidiaries, before any Governmental Authority or before any arbitrator or panel of arbitrators or in any way regarding or directly affecting any of the Real Estate (collectively, "Litigation"), (a) which challenges any Credit Party's right or power to enter

into or perform any of its obligations under the Loan Documents to which it is a party, or the validity or enforceability of any Loan Document or any action taken thereunder or the interest of Borrower in any of the Real Estate, or (b) which has a reasonable risk of being determined adversely to any Credit Party or any of its Subsidiaries and which, if so determined, could have a Material Adverse Effect. Except as set forth on Disclosure Schedule (3.13), as of the

Effective Date there is no Litigation pending or threatened which seeks damages in excess of \$1,000,000 or injunctive relief or alleges criminal misconduct of any Credit Party or any of its Subsidiaries.

3.14 Brokers. No broker or finder acting on behalf of any Credit Party

brought about the obtaining, making or closing of the Loans, and no Credit Party has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

3.15 Intellectual Property. As of the Effective Date, each Credit Party

and each of its Subsidiaries owns or has rights to use all Intellectual Property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it, and each Patent, Trademark, Copyright and License is listed, together with application or registration numbers, as applicable, in Disclosure Schedule (3.15) hereto. To Borrower's knowledge after

diligent inquiry, each Credit Party and each of its Subsidiaries conducts its business and affairs without infringement of or interference with any Intellectual Property of any other Person.

3.16 Full Disclosure. No information contained in this Agreement, any of

the other Loan Documents, any Projections, Financial Statements or Collateral Reports or other reports from time to time delivered hereunder or any written statement furnished by or on behalf of any Credit Party to Agent or any Lender pursuant to the terms of this Agreement contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made. The Liens granted to Agent, on behalf of itself and Lenders, pursuant to the Collateral Documents will at all times be fully perfected first priority Liens in and to the Collateral described therein, subject, as to priority, only to Permitted Encumbrances with respect to the Collateral other than Receivables.

3.17 Environmental Matters.

(a) Except as set forth in Disclosure Schedule (3.17), as of the Effective

Date (and, in the case of any Subsidiary of a Credit Party other than a Domestic Subsidiary, to the knowledge of the applicable Credit Party): (i) the Real Estate is free of contamination from any Hazardous Material except for such contamination that would not adversely impact the value or marketability of such Real Estate and which would not result in Environmental Liabilities which could reasonably be expected to exceed \$100,000; (ii) no Credit Party nor any of its Subsidiaries has caused or suffered to occur any Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate; (iii) the Credit Parties and their Subsidiaries are and have been in compliance with all Environmental Laws, except for such noncompliance which would not result in Environmental Liabilities which could reasonably be expected to exceed \$100,000; (iv) the Credit Parties and their Subsidiaries have obtained, and are in compliance with, all Environmental Permits required by Environmental Laws for the operations of their respective businesses as presently conducted or as proposed to be conducted, except where the failure to so obtain or comply with such Environmental Permits would not result in Environmental Liabilities which could reasonably be expected to exceed \$100,000, and all such Environmental Permits are valid, uncontested and in good standing; (v) no Credit Party nor any of its Subsidiaries is involved in operations or knows of any facts, circumstances or conditions, including any Releases of Hazardous Materials, that are likely to result in any Environmental Liabilities of such Credit Party or Subsidiary which could reasonably be expected to exceed \$100,000, and no Credit Party nor any of its Subsidiaries has permitted any current or former tenant or occupant of the Real Estate to engage in any such operations; (vi) there is no Litigation arising under or related to any

Environmental Laws, Environmental Permits or Hazardous Material which seeks damages, penalties, fines, costs or expenses in excess of \$25,000 or injunctive relief, or which alleges criminal misconduct by any Credit Party or any of its Subsidiaries; (vii) no notice has been received by any Credit Party or any of its Subsidiaries identifying it as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Credit Parties, there are no facts, circumstances or conditions that may result in any Credit Party or any of its Subsidiaries being identified as a "potentially responsible party" under CERCLA or analogous state statutes; and (viii) the Credit Parties have provided to Agent copies of all existing environmental reports, reviews and audits and all written information pertaining to actual or potential Environmental Liabilities, in each case relating to any Credit Party or any of its Subsidiaries, other than documents the disclosure of which would result in the loss of an evidentiary privilege.

(b) Each Credit Party hereby acknowledges and agrees that Agent (i) is not now, and has not ever been, in control of any of the Real Estate or the affairs of any Credit Party or any of its Subsidiaries, and (ii) does not have the capacity through the provisions of the Loan Documents or otherwise to influence the conduct of any Credit Party or any of its Subsidiaries with respect to the ownership, operation or management of any of its Real Estate (except as specifically provided in the Deeds of Trust) or compliance with Environmental Laws or Environmental Permits.

3.18 Insurance. Disclosure Schedule (3.18) lists all insurance policies of -----
any nature maintained, as of the Effective Date, for current occurrences by each Credit Party, as well as a summary of the terms of each such policy.

3.19 Deposit and Disbursement Accounts. Disclosure Schedule (3.19) lists -----
all banks and other financial institutions at which any Credit Party or any of its Domestic Subsidiaries maintains deposits and/or other accounts as of the Effective Date, including any Disbursement Accounts, and such Schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number.

3.20 [INTENTIONALLY OMITTED.]

3.21 Customer and Trade Relations. As of the Effective Date, except as -----
disclosed in writing to Agent on or before the Effective Date, there exists no actual or, to the knowledge of any Credit Party, threatened termination or cancellation of, or any material adverse modification or change in: the business relationship of any Credit Party or any of its Subsidiaries with any customer or group of customers whose purchases during the preceding twelve (12) months caused them to be ranked among the ten largest customers of such Credit Party; or the business relationship of any Credit Party or any of its Subsidiaries with any supplier material to its operations.

3.22 Agreements and Other Documents. As of the Effective Date, each Credit

Party has provided to Agent or its counsel, on behalf of Lenders, accurate and complete copies (or summaries) of all of the following agreements or documents to which it is subject, each of which are listed on Disclosure Schedule (3.22):

supply agreements and purchase agreements not terminable by such Credit Party or Subsidiary within sixty (60) days following written notice issued by such Credit Party or Subsidiary and involving transactions in excess of \$1,000,000 per annum; any lease of Equipment having a remaining term of one year or longer and requiring aggregate rental and other payments in excess of \$500,000 per annum; licenses and permits held by the Credit Parties or their Subsidiaries, the absence of which could be reasonably likely to have a Material Adverse Effect; and instruments or documents evidencing Indebtedness of such Credit Party or Subsidiary and any security interest granted by such Credit Party or Subsidiary with respect thereto.

3.23 Solvency. Both before and after giving effect to (a) the Loans and

Letter of Credit Obligations to be made or extended on the Effective Date or such other date as Loans and Letter of Credit Obligations requested hereunder are made or extended, (b) the disbursement of the proceeds of such Loans pursuant to the instructions of Borrower, (c) the Refinancing and (d) the payment and accrual of all transaction costs in connection with the foregoing, each Credit Party is Solvent, provided that this representation shall apply to

Callaway Golf Ball Company only after Inventory and Receivables of Callaway Golf Ball Company are determined to be eligible for inclusion in the Borrowing Base in accordance with the proviso to the definition of "Borrowing Base" in Annex A.

3.24 Year 2000 Representations. Borrower, on behalf of each Credit Party,

has adopted a Year 2000 Corrective Plan, copies of which have been delivered to Agent.

3.25 Assets of Subsidiaries. The aggregate fair salable value of tangible

assets of all of Borrower's Other Subsidiaries does not exceed \$5,000,000.

4. FINANCIAL STATEMENTS AND INFORMATION

4.1 Reports and Notices.

(a) Each Credit Party executing this Agreement hereby agrees that from and after the Effective Date and until the Termination Date, it shall deliver to Agent and/or Lenders, as required, the Financial Statements, notices, Projections and other information at the times, to the Persons and in the manner set forth in Annex E.

(b) Each Credit Party executing this Agreement hereby agrees that from and after the Effective Date and until the Termination Date, it shall deliver to Agent and/or Lenders, as

required, the various Collateral Reports (including Borrowing Base Certificates in the form of Exhibit 4.1(b)) at the times, to the Persons and in the manner

set forth in Annex F.

4.2 Communication with Accountants. Each Credit Party executing this

Agreement authorizes Agent and, so long as a Default or Event of Default shall have occurred and be continuing, each Lender, to communicate directly with its independent certified public accountants including PricewaterhouseCoopers, L.L.P., and shall disclose and make available (and shall authorize such accountants and advisors to disclose and make available) to Agent and each Lender any and all Financial Statements and other supporting financial documents, schedules and information relating to any Credit Party (including copies of any issued management letters) with respect to the business, financial condition and other affairs of any Credit Party.

5. AFFIRMATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that from and after the date hereof and until the Termination Date:

5.1 Maintenance of Existence and Conduct of Business. Each Credit Party

shall: do or cause to be done, and shall cause each of its Subsidiaries which is a Material Subsidiary to do or cause to be done, all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises, provided that Borrower shall be permitted to consummate a

Reincorporation Merger; continue to conduct its business substantially as now conducted or as otherwise permitted hereunder; at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and transact business only in such corporate and trade names as are set forth in Disclosure Schedule (5.1), provided that the winding down and

dissolution of Odyssey Golf, Inc. shall not be deemed a violation of this covenant.

5.2 Payment of Obligations.

(a) Subject to Section 5.2(b), each Credit Party shall, and shall cause

each of its Subsidiaries to, pay and discharge or cause to be paid and discharged promptly all Charges payable by it, including (A) Charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all Charges with respect to tax, social security and unemployment withholding with respect to its employees, and (B) lawful claims for labor, materials, supplies and services or otherwise, before any thereof shall become past due.

(b) Each Credit Party and each of its Subsidiaries may in good faith contest, by appropriate proceedings, the validity or amount of any Charges or claims described in Section 5.2(a); provided, that (i) adequate reserves with

respect to such contest are maintained on the

books of such Credit Party or Subsidiary, in accordance with GAAP, (ii) no Lien shall be imposed to secure payment of such Charges that is superior to any of the Liens securing payment of the Obligations and such contest is maintained and prosecuted continuously and with diligence and operates to suspend collection or enforcement of such Charges, (iii) none of the Collateral becomes subject to forfeiture or loss as a result of such contest, (iv) such Credit Party or Subsidiary shall promptly pay or discharge such contested Charges or claims and all additional charges, interest, penalties and expenses, if any, and shall deliver to Agent evidence acceptable to Agent of such compliance, payment or discharge, if such contest is terminated or discontinued adversely to such Credit Party or Subsidiary or the conditions set forth in this Section 5.2(b)

are no longer met, and (v) Agent has not advised Borrower in writing that Agent reasonably believes that nonpayment or nondischarge thereof could have or result in a Material Adverse Effect.

5.3 Books and Records. Each Credit Party shall, and shall cause each of

its Domestic Subsidiaries to, keep adequate books and records with respect to its business activities in which proper entries, reflecting all financial transactions, are made in accordance with GAAP and on a basis consistent with the Financial Statements attached as Disclosure Schedule (3.4(A)).

5.4 Insurance; Damage to or Destruction of Collateral.

(a) The Credit Parties shall at their sole cost and expense, maintain the policies of insurance described on Disclosure Schedule (3.18) as in effect on

the date hereof or otherwise in form and amounts and with insurers acceptable to Agent. If any Credit Party at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay all premiums relating thereto, Agent may at any time or times thereafter obtain and maintain such policies of insurance and pay such premiums and take any other action with respect thereto which Agent deems advisable. Agent shall have no obligation to obtain insurance for any Credit Party or pay any premiums therefor. By doing so, Agent shall not be deemed to have waived any Default or Event of Default arising from any Credit Party's failure to maintain such insurance or pay any premiums therefor. All sums so disbursed, including attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to Agent and shall be additional Obligations hereunder secured by the Collateral.

(b) Agent reserves the right at any time upon any change in any Credit Party's risk profile (including any change in the product mix maintained by any Credit Party or any laws affecting the potential liability of such Credit Party) to require additional forms and limits of insurance to, in Agent's opinion, adequately protect both Agent's and Lender's interests in all or any portion of the Collateral and to ensure that each Credit Party is protected by insurance in amounts and with coverage customary for its industry. If requested by Agent, each Credit Party shall deliver to Agent from time to time a report of a reputable insurance broker, satisfactory to Agent, with respect to its insurance policies.

(c) Each Credit Party shall deliver to Agent, in form and substance satisfactory to Agent, endorsements to (i) all "All Risk" and business interruption insurance naming Agent, on behalf of itself and Lenders, as loss payee, and (ii) all general liability and other liability policies naming Agent, on behalf of itself and Lenders, as additional insured. Each Credit Party irrevocably makes, constitutes and appoints Agent (and all officers, employees or agents designated by Agent), so long as any Default or Event of Default shall have occurred and be continuing or the anticipated insurance proceeds exceed \$5,000,000, as such Credit Party's true and lawful agent and attorney-in-fact for the purpose of making, settling and adjusting claims under such "All Risk" policies of insurance, endorsing the name of such Credit Party on any check or other item of payment for the proceeds of such "All Risk" policies of insurance and for making all determinations and decisions with respect to such "All Risk" policies of insurance. Agent shall have no duty to exercise any rights or powers granted to it pursuant to the foregoing power-of-attorney. Borrower shall promptly notify Agent of any loss, damage, or destruction to the Collateral in the amount of \$1,000,000 or more, whether or not covered by insurance. After deducting from such proceeds the expenses, if any, incurred by Agent in the collection or handling thereof, Agent may, at its option, apply such proceeds to the reduction of the Obligations in accordance with Section

1.3(d), or permit or require the applicable Credit Party to use such money, or

any part thereof, to replace, repair, restore or rebuild the Collateral in a diligent and expeditious manner with materials and workmanship of substantially the same quality as existed before the loss, damage or destruction. Notwithstanding the foregoing, if the casualty giving rise to such insurance proceeds would not reasonably be expected to have a Material Adverse Effect and such insurance proceeds do not exceed \$1,000,000 in the aggregate, Agent shall permit the applicable Credit Party to replace, restore, repair or rebuild the property; provided that if such Credit Party has not completed or entered into

binding agreements to complete such replacement, restoration, repair or rebuilding within 180 days of such casualty, Agent may apply such insurance proceeds to the Obligations in accordance with Section 1.3(d). All insurance

proceeds which are to be made available to Borrower to replace, repair, restore or rebuild the Collateral shall be applied by Agent to reduce the outstanding principal balance of the Revolving Loan (which application shall not result in a permanent reduction of the Revolving Loan Commitment) and upon such application, Agent shall establish a Reserve against the Borrowing Base in an amount equal to the amount of such proceeds so applied. All insurance proceeds made available to any Credit Party that is not a Borrower or to any of its Subsidiaries to replace, repair, restore or rebuild Collateral shall be deposited in a cash collateral account. Thereafter, such funds shall be made available to such Credit Party or Subsidiary to provide funds to replace, repair, restore or rebuild the Collateral as follows: (i) Borrower shall request a Revolving Credit Advance or release from the cash collateral account be made to such Credit Party in the amount requested to be released; (ii) so long as the conditions set forth in Section 2.2 have been met, Revolving Lenders shall make such Revolving Credit

Advance or Agent shall release funds from the cash collateral account; and (iii) in the case of insurance proceeds applied against the Revolving Loan, the Reserve established with respect to such insurance proceeds shall be reduced by the amount of such Revolving Credit Advance. To the extent not used to replace, repair, restore or rebuild the Collateral, such insurance proceeds shall be applied in accordance with Section 1.3(d); provided

that in the case of insurance proceeds pertaining to any Credit Party other than Borrower or any other Subsidiary of Borrower, such insurance proceeds shall be applied to the Loans owing by Borrower.

(d) Notwithstanding anything to the contrary set forth in this Agreement, including but not limited to Sections 5.4 (a)-(c), above, and in addition to all

insurance requirements set forth in this Agreement and in the Loan Documents, Borrower shall, with respect to each Mortgaged Property, comply with the requirements of Annex G.

5.5 Compliance with Laws. Each Credit Party shall, and shall cause each

of its Subsidiaries to, comply with all federal, state, local and foreign laws and regulations applicable to it, including those relating to ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

5.6 Supplemental Disclosure. From time to time as may be requested by

Agent (which request will not be made more frequently than once each year absent the occurrence and continuance of a Default or an Event of Default), the Credit Parties shall supplement each Disclosure Schedule hereto, or any representation herein or in any other Loan Document, with respect to any matter hereafter arising which, if existing or occurring at the date of this Agreement, would have been required to be set forth or described in such Disclosure Schedule or as an exception to such representation or which is necessary to correct any information in such Disclosure Schedule or representation which has been rendered inaccurate thereby (and, in the case of any supplements to any Disclosure Schedule, such Disclosure Schedule shall be appropriately marked to show the changes made therein); provided that (a) no such supplement to any such

Disclosure Schedule or representation shall be or be deemed a waiver of any Default or Event of Default resulting from the matters disclosed therein, except as consented to by Agent and Requisite Lenders in writing; and (b) no supplement shall be required as to representations and warranties that relate solely to the Effective Date.

5.7 Intellectual Property. Each Credit Party will, and will cause each of

its Subsidiaries to, conduct its business and affairs without infringement of or interference with any Intellectual Property of any other Person in any material respect.

5.8 Environmental Matters. Each Credit Party shall and shall cause each

of its Subsidiaries and each Person within its control to: (a) conduct its operations and keep and maintain its Real Estate in compliance with all Environmental Laws and Environmental Permits other than noncompliance which could not reasonably be expected to have a Material Adverse Effect; (b) implement any and all investigation, remediation, removal and response actions which are appropriate or necessary to maintain the value and marketability of the Real Estate or to otherwise comply with Environmental Laws and Environmental Permits pertaining to the presence, generation, treatment, storage, use, disposal, transportation or Release of any

Hazardous Material on, at, in, under, above, to, from or about any of its Real Estate; (c) notify Agent promptly after such Credit Party or Subsidiary becomes aware of any violation of Environmental Laws or Environmental Permits or any Release on, at, in, under, above, to, from or about any Real Estate which is reasonably likely to result in Environmental Liabilities in excess of \$50,000; and (d) promptly forward to Agent a copy of any order, notice, request for information or any communication or report received by such Credit Party or Subsidiary in connection with any such violation or Release or any other matter relating to any Environmental Laws or Environmental Permits that could reasonably be expected to result in Environmental Liabilities in excess of \$50,000, in each case whether or not the Environmental Protection Agency or any other Governmental Authority has taken or threatened any action in connection with any such violation, Release or other matter. If Agent at any time has a reasonable basis to believe that there may be a violation of any Environmental Laws or Environmental Permits by any Credit Party or any of its Subsidiaries or any Environmental Liability arising thereunder, or a Release of Hazardous Materials on, at, in, under, above, to, from or about any of its Real Estate, which, in each case, could reasonably be expected to have a Material Adverse Effect, then each Credit Party shall, and shall cause each of its Subsidiaries to, upon Agent's written request (i) cause the performance of such environmental audits including subsurface sampling of soil and groundwater, and preparation of such environmental reports, at Borrower's expense, as Agent may from time to time reasonably request, which shall be conducted by reputable environmental consulting firms reasonably acceptable to Agent and shall be in form and substance acceptable to Agent, and (ii) permit Agent or its representatives to have access to all Real Estate for the purpose of conducting such environmental audits and testing as Agent deems appropriate, including subsurface sampling of soil and groundwater. Borrower shall reimburse Agent for the costs of such audits and tests and the same will constitute a part of the Obligations secured hereunder.

5.9 Landlords' Agreements, Mortgagee Agreements and Bailee Letters. Each

Credit Party shall obtain a landlord's agreement, mortgagee agreement or bailee letter, as applicable, from the lessor of each leased property or mortgagee of owned property or with respect to any warehouse, processor or converter facility or other location listed on Disclosure Schedule (5.9) or leased or acquired by

the Credit Party after the date hereof, which agreement or letter shall contain a waiver or subordination of all Liens or claims that the landlord, mortgagee or bailee may assert against the Inventory or Collateral at that location, and shall otherwise be satisfactory in form and substance to Agent. With respect to each location or warehouse space leased or owned as of the Effective Date and thereafter, if Agent has not received a landlord or mortgagee agreement or bailee letter as of the Effective Date (or, if later, as of the date such location is acquired or leased), Eligible Inventory and Eligible Equipment at that location shall, in Agent's discretion, be excluded from the Borrowing Base or be subject to such Reserves as may be established by Agent in its reasonable judgment (which Reserves shall be equal to three months rent for the property located at 2105 Rutherford Road, Carlsbad, California). After the Effective Date, no real property or warehouse space shall be leased or acquired by any Credit Party or any of its Subsidiaries and no Inventory or Equipment shall be shipped to a processor or converter under arrangements established after the Effective Date without the prior written consent of

Agent (which consent, in Agent's discretion, may be conditioned upon the exclusion from the Borrowing Base of Eligible Inventory and Eligible Equipment at that location or the establishment of Reserves acceptable to Agent) or, unless and until a satisfactory landlord or mortgagee agreement or bailee letter, as appropriate, shall first have been obtained with respect to such location. Each Credit Party shall, and shall cause each of its Subsidiaries to, timely and fully pay and perform its obligations under all leases and other agreements with respect to each leased location or public warehouse where any Collateral is or may be located.

5.10 Further Assurances. Each Credit Party executing this Agreement agrees

that it shall and shall cause each other Credit Party and each of its Subsidiaries to, at such Credit Party's expense and upon request of Agent, duly execute and deliver, or cause to be duly executed and delivered, to Agent such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of Agent to carry out more effectively the provisions and purposes of this Agreement or any other Loan Document.

5.11 Year 2000 Corrective Actions. On or before June 30, 1999, Borrower,

on behalf of the Credit Parties, shall have completed and delivered to Agent a Year 2000 Assessment. Each Credit Party shall, and shall cause each of its Subsidiaries to, have completed all Year 2000 Corrective Actions by September 30, 1999 Year 2000 and Implementation Testing by September 30, 1999. Each Credit Party shall, and shall cause each of its Subsidiaries to, have eliminated all Year 2000 Problems by September 30, 1999, except where the failure to correct the same could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate.

6. NEGATIVE COVENANTS

Each Credit Party executing this Agreement jointly and severally agrees as to all Credit Parties that, without the prior written consent of Agent and the Requisite Lenders, from and after the date hereof until the Termination Date:

6.1 Mergers, Subsidiaries, Etc.

(a) No Credit Party nor any of its Subsidiaries shall directly or indirectly, by operation of law or otherwise, except in the case of Special Purpose Corporation, (i) form or acquire any Subsidiary, or (ii) merge with, consolidate with, acquire all or substantially all of the assets or capital stock of, or otherwise combine with or acquire, any Person, other than (A) a merger of an Other Subsidiary, with a Credit Party or other person in connection with the sale or other disposition of the assets or Stock of the Other Subsidiary, (B) the investment in the distributor of Borrower's products in Ireland contemplated by Section 6.2(g) and (C) the acquisition of other current

assets pursuant to clause (c) (ii) of Section 6.2.

(b) Notwithstanding the prohibitions in clause (a) of this Section 6.1,

Borrower may consummate a Reincorporation Merger, subject to satisfaction of each of the following conditions:

(i) Agent shall have received written confirmation that any changes to the charter and by-laws of Borrower resulting from the Reincorporation Merger which would adversely affect Agent or Lenders or any Credit Party's duty or ability to repay the Obligations, are satisfactory in form and substance to Requisite Lenders;

(ii) any changes in the capital structure of Borrower after giving effect to the Reincorporation Merger shall be satisfactory to Requisite Lenders;

(iii) at least ten (10) Business Days prior to the effectiveness of the Reincorporation Merger, Agent shall have received a copy for each Lender of the following documents, each of which shall be satisfactory in form and substance to Agent (and Agent shall be deemed to have approved each of the following documents absent notice to Borrower to the contrary within ten (10) Business Days after Agent's receipt of the document): (A) the merger agreement and articles of merger with respect to the Reincorporation Merger; (B) good standing certificates (including verification of tax status) in the States of Delaware and California for the Person into which Borrower is to be merged; (C) certificates of qualification to do business in each jurisdiction where such Person's ownership or lease of property or the conduct of its business requires such qualification (unless waived by Agent in its sole discretion), each dated a recent date and certified by the applicable Secretary of State or other authorized Governmental Authority; (D) resolutions of such Person's and Borrower's Board of Directors approving and authorizing the execution, delivery and performance of the merger agreement and the assumption agreement with respect to the Loan Documents, certified as of a recent date by Borrower's and such Person's corporate secretary or an assistant secretary as being in full force and effect without any modification or amendment; (E) signature and incumbency certificates of the officers of such Person executing any of the Loan Documents, certified as of a recent date by such Person's corporate secretary or an assistance secretary as being true, accurate, correct and complete; (F) a duly executed assumption agreement pursuant to which such Person assumes all of the Obligations; and (G) duly executed originals of opinions of Gibson Dunn & Crutcher LLP and the General Counsel or an Associate General Counsel of Borrower and such Person with respect to the Reincorporation Merger and its effect on the Loan Documents;

(iv) Agent shall have received a copy of the proxy statement to be delivered to shareholders of Borrower with respect to the Reincorporation Merger on or prior to the date of its mailing to shareholders; and

(v) Borrower and the Person into which Borrower is to be merged shall have executed and delivered to Agent such further instruments and done such further acts as may be necessary or

proper in the reasonable opinion of Agent to perfect and protect the security interest of Agent on behalf of itself and Lenders in the Collateral.

(c) Notwithstanding the prohibitions in clause (a) of this Section 6.1,

Borrower may acquire all or substantially all of the assets or all of the Stock of any Person (the "Target") (in each case, a "Permitted Acquisition", including

without limitation the acquisition of distribution rights pursuant to clause

(c)(i) of Section 6.2), subject to the satisfaction of each of the following

conditions:

(i) Agent shall receive at least ten (10) days' prior written notice of such proposed Permitted Acquisition, which notice shall include a reasonably detailed description of such proposed Permitted Acquisition;

(ii) such Permitted Acquisition shall only involve those assets of a business, of the type engaged in by Borrower as of the Effective Date, and which business would not subject Agent or any Lender to regulatory or third party approvals in connection with the exercise of its rights and remedies under this Agreement or any other Loan Documents other than approvals applicable to the exercise of such rights and remedies with respect to Borrower prior to such Permitted Acquisition;

(iii) such Permitted Acquisition shall be consensual and shall have been approved by the Target's board of directors;

(iv) no additional Indebtedness, Guaranteed Indebtedness, contingent obligations or other liabilities shall be incurred, assumed or otherwise be reflected on a consolidated balance sheet of Borrower and Target after giving effect to such Permitted Acquisition, except (A) Loans made hereunder and (B) ordinary course trade payables, accrued expenses and unsecured Indebtedness of the Target to the extent no Default or Event of Default shall have occurred and be continuing or would result after giving effect to such Permitted Acquisition;

(v) the sum of all amounts payable in connection with all Permitted Acquisitions (including all transaction costs and all Indebtedness, liabilities and contingent obligations (with contingent obligations other than Indebtedness being valued in accordance with GAAP) incurred or assumed in connection therewith or otherwise reflected on a consolidated balance sheet of Borrower and Target) shall not exceed in the case of all Permitted Acquisitions, \$25,000,000 during any Fiscal Year and \$100,000,000 during the term hereof;

(vi) the business and assets acquired in such Permitted Acquisition shall be free and clear of all Liens (other than Permitted Encumbrances);

(vii) (A) at the closing of any Permitted Acquisition of assets or any Permitted Acquisition of Stock of a Target which is to become a Domestic Subsidiary of Borrower, Agent

will be granted a first priority perfected Lien (subject to Permitted Encumbrances) in all assets acquired pursuant thereto or in the assets and Stock of the Target, and Borrower and the Target shall have executed such documents and taken such actions as may be required by Agent in connection therewith, and the Target shall execute a joinder to this Agreement and become a Credit Party hereunder and (B) at or prior to the closing of any Permitted Acquisition of Stock of a Target (other than a Target which is to become a Domestic Subsidiary of Borrower), Agent will be granted a first priority perfected Lien (subject to Permitted Encumbrances described in clause (a) of the definition thereof) in the

Stock of the Target, provided that the security interest described in this

clause (B) shall not exceed two-thirds of the combined voting power of all Stock

of the Target;

(viii) concurrently with delivery of the notice referred to in clause (i)

above, Borrower shall have delivered to Agent, in form and substance satisfactory to Agent:

(A) a pro forma consolidated balance sheet, income statement and cash flow statement of Borrower and its Subsidiaries (the "Acquisition Pro

Forma"), based on recent financial statements, which shall be complete and

shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Borrower and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such Permitted Acquisition and the funding of all Loans in connection therewith, and such Acquisition Pro Forma shall reflect that (x) on a pro forma basis, Borrower and its Subsidiaries would have had a ratio of Funded Debt to Adjusted EBITDA not in excess of 2.25 to 1.0 for the period of four Fiscal Quarters then most recently ended, as reflected in a certificate of the Chief Financial Officer of Borrower delivered to Agent prior to the consummation of such Permitted Acquisition (giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period), (y) average daily Net Borrowing Availability for the 90-day period preceding the consummation of such Permitted Acquisition would have exceeded \$18,000,000 on a pro forma basis (giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period) and the Acquisition Projections (as hereinafter defined) shall reflect that such Net Borrowing Availability of \$18,000,000 shall continue for at least 90 days after the consummation of such Permitted Acquisition, and (z) on a pro forma basis, no Event of Default shall have occurred and be continuing or would result after giving effect to such Permitted Acquisition and Borrower would have been in compliance with the financial covenants set forth in Annex H for the four quarter period reflected in the Compliance Certificate

most recently delivered to Agent pursuant to Annex E prior to the

consummation of such Permitted Acquisition (giving effect to such Permitted Acquisition and all Loans funded in connection therewith as if made on the first day of such period);

(B) updated versions of the most recently delivered Projections covering the one (1) year period commencing on the date of such Permitted Acquisition and otherwise

prepared in accordance with the Projections (the "Acquisition Projections")

and based upon historical financial data of a recent date satisfactory to Agent, taking into account such Permitted Acquisition; and

(C) a certificate of the chief financial officer of Borrower to the effect that: (w) Borrower will be Solvent upon the consummation of the Permitted Acquisition; (x) the Acquisition Pro Forma fairly presents the financial condition of Borrower (on a consolidated basis) as of the date thereof after giving effect to the Permitted Acquisition; (y) the Acquisition Projections are reasonable estimates of the future financial performance of Borrower subsequent to the date thereof based upon the historical performance of Borrower and the Target and show that Borrower shall continue to be in compliance with the financial covenants set forth in Annex H for the three (3) year period thereafter; and (z) Borrower has

completed its due diligence investigation with respect to the Target and such Permitted Acquisition, which investigation was conducted in a manner similar to that which would have been conducted by a prudent purchaser of a comparable business and the results of which investigation were delivered to Agent and Lenders;

(ix) on or prior to the date of such Permitted Acquisition, Agent shall have received, in form and substance satisfactory to Agent, copies of the acquisition agreement and related agreements and instruments, and all opinions, certificates, lien search results and other documents (including without limitation environmental audits) reasonably requested by Agent; and

(x) at the time of such Permitted Acquisition and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing .

Notwithstanding the foregoing, the assets of the Target shall not be included in the Borrowing Base without the prior written consent of Agent and Requisite Lenders.

6.2 Investments; Loans and Advances. Except as otherwise expressly

permitted by this Section 6, no Credit Party nor any of its Subsidiaries shall

make or permit to exist any investment in, or make, accrue or permit to exist loans or advances of money to, any Person, through the direct or indirect lending of money, holding of securities or otherwise, except that (a) any Credit Party may hold investments comprised of notes payable, or stock or other securities issued by Account Debtors to such Credit Party pursuant to negotiated agreements with respect to settlement of such Account Debtor's Receivables in the ordinary course of business, so long as the aggregate amount of such Receivables so settled by all Credit Parties does not exceed \$1,000,000; (b) each Credit Party may maintain its existing investments in its Subsidiaries as of the Effective Date and investments in its Subsidiaries specifically permitted under Section 6.1; (c) so long as no Event of Default shall have occurred and be

continuing, Borrower or ERC International Company may acquire (i) distribution rights for Borrower's products in Japan for an aggregate amount of up to \$10,000,000 and (ii) other current assets in Japan related to Borrower's business for an aggregate amount of up to \$30,000,000, and Borrower may loan or

advance money to ERC International Company to finance such investments; and (d) so long as no Event of Default shall have occurred and be continuing, Borrower may make investments subject to Control Letters in favor of Agent for the benefit of Lenders or otherwise subject to a perfected security interest in favor of Agent for the benefit of Lenders, in (i) marketable direct obligations issued or unconditionally guaranteed by the United States of America or any agency thereof maturing within one year from the date of acquisition thereof, (ii) commercial paper maturing no more than nine months from the date of creation thereof and currently having the highest rating obtainable from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., (iii) certificates of deposit, maturing no more than one year from the date of creation thereof, issued by commercial banks incorporated under the laws of the United States of America, each having combined capital, surplus and undivided profits of not less than \$300,000,000 and having a senior unsecured rating of "A" or better by a nationally recognized rating agency (an "A Rated Bank"), (iv)

time deposits, maturing no more than 30 days from the date of creation thereof with A Rated Banks and (v) mutual funds that invest solely in one or more of the investments described in clauses (i) through (iv) above, (e) each Credit Party or any of their respective Subsidiaries may make loans or advances as permitted under clauses (a) and (c) of Section 6.14; (f) Borrower may maintain its

existing investment in the GSOT, provided that the aggregate amount thereof

does not exceed \$87,000,000 at any time; and (g) Borrower may acquire the stock or assets of the distributor of Borrower's products in Ireland for an aggregate amount up to \$1,500,000; (h) so long as no Event of Default shall have occurred and be continuing, Borrower may make additional investments in Callaway Golf Ball Company of (i) up to \$20,000,000 in the Fiscal Year ending December 31, 1999, (ii) up to \$10,000,000 in the Fiscal Year ending December 31, 2000 and (iii) up to \$5,000,000 in the Fiscal Year ending December 31, 2001; (i) Borrower or any Receivables Subsidiary may make investments in Special Purpose Corporation and Borrower may guarantee the obligations of a Receivables Subsidiary, in each case in connection with the Receivables Facility; and (j) Borrower may make other investments not exceeding \$200,000 in the aggregate at any time outstanding.

6.3 Indebtedness. No Credit Party nor any of its Subsidiaries shall

create, incur, assume or permit to exist any Indebtedness, except (without duplication) (i) Indebtedness secured by purchase money security interests and Capitalized Leases permitted in clause (c) of Section 6.7, (ii) Indebtedness

incurred in connection with the CEF Lease Facility, the aggregate outstanding balance of which shall not exceed \$60,000,000, (iii) the Loans and the other Obligations, (iv) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded (without penalty therefor) under applicable law, (v) existing Indebtedness described in Disclosure Schedule (6.3) and refinancings thereof or amendments or

modifications thereof which do not have the effect of increasing the principal amount thereof or changing the amortization thereof (other than to extend the same) and which are otherwise on terms and conditions no less favorable to any Credit Party, any Subsidiary thereof, Agent or any Lender, as determined by Agent, than the terms of the Indebtedness being refinanced, amended or modified, (vi) Indebtedness specifically permitted under Section 6.1, (vii) Indebtedness

consisting of intercompany loans and advances made by Borrower to any other

Credit Party that is a Guarantor or by any such Guarantor to Borrower, provided

that (A) no note of any kind shall be executed or delivered to evidence any such intercompany Indebtedness owing at any time by Borrower to such Guarantor or by such Guarantor to Borrower; (B) Borrower shall accurately record all intercompany transactions on its books and records; (C) the obligations of each Credit Party related to any such intercompany loan or advance shall be subordinated to the Obligations pursuant to Section 11.11 hereunder; (D) at the

time any such intercompany loan or advance is entered into by any Credit Party and after giving effect thereto, such Credit Party shall be Solvent; and (E) no Default or Event of Default would occur and be continuing after giving effect to any such proposed intercompany loan; (viii) Indebtedness consisting of obligations under transactions permitted under Section 6.17; (ix) Indebtedness

incurred in accordance with clauses (a) or (c) of Section 6.2, (x)

Indebtedness incurred in accordance with Section 6.4(b), (xi) Indebtedness

created or arising under the Receivables Documents (including without limitation any Indebtedness pursuant to a note payable by a Receivable Subsidiary to Special Purpose Corporation); (xii) Indebtedness of ERC International Company the aggregate outstanding principal amount of which does not exceed \$25,000,000 at any time; (xiii) Indebtedness due to Borrower from its Subsidiaries (A) which arises from transfers of Inventory by Borrower to its Subsidiaries in the ordinary course of business or (B) the aggregate outstanding principal amount of which does not exceed \$1,000,000 for each such Subsidiary and \$5,000,000 for all such Subsidiaries; (xiv) obligations with respect to letters of credit issued prior to the Effective Date by Wells Fargo Bank, National Association, provided that the entire amount of such obligations shall be payable pursuant to one or more Letters of Credit issued for the benefit of Wells Fargo Bank, National Association to backstop or pay directly such obligations; and (xv) other unsecured Indebtedness, the aggregate outstanding principal amount of which shall not exceed \$2,500,000.

6.4 Employee Loans and Affiliate Transactions.

(a) Except as otherwise expressly permitted in this Section 6 with respect

to Affiliates, no Credit Party nor any of its Subsidiaries shall enter into or be a party to any transaction with any other Credit Party or any Affiliate thereof except in the ordinary course of and pursuant to the reasonable requirements of such Credit Party's or Subsidiary's business and upon fair and reasonable terms that are no less favorable to such Credit Party or Subsidiary than would be obtained in a comparable arm's length transaction with a Person not an Affiliate of such Credit Party or Subsidiary. All transactions existing as of the date hereof among Credit Parties and their Affiliates are described on Disclosure Schedule (6.4(a)), other than intercompany transactions permitted by

Section 6.3.

(b) No Credit Party nor any of its Subsidiaries shall enter into any lending or borrowing transaction with any employees of any Credit Party or Subsidiary thereof, except (i) loans to their respective employees in the ordinary course of business consistent with past practices and stock option financing up to a maximum of \$1,000,000 to any employee and up to a

maximum of \$5,000,000 in the aggregate at any one time outstanding and (ii) existing loans described on Disclosure Schedule (6.3).

(c) Notwithstanding anything to the contrary in subsections (a) and (b) of this Section 6.4, the Credit Parties and each of their respective Subsidiaries

shall be permitted to engage in any transaction with any Affiliate pursuant to the Receivables Facility.

6.5 Capital Structure and Business. No Credit Party nor any of its

Subsidiaries shall (a) make any changes in any of its business objectives, purposes or operations which could in any way adversely affect the repayment of the Loans or any of the other Obligations or could reasonably be expected to have or result in a Material Adverse Effect, (b) make any change in its capital structure as described on Disclosure Schedule (3.8), including the issuance of

any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock, except (i) to the extent permitted by Section 6.14, (ii) as a result of a Reincorporation Merger, (iii)

that Special Purpose Corporation may issue Stock in connection with the Receivables Facility and (iv) that Borrower may make a Public Offering of its common Stock so long as (A) the proceeds thereof are applied in prepayment of the Obligations as required by Section 1.3(b)(iii), and (B) no Change of Control

occurs after giving effect thereto, or (c) amend its charter or bylaws in a manner which would adversely affect Agent or Lenders or any Credit Party's duty or ability to repay the Obligations. No Credit Party nor any of its Subsidiaries shall engage in any business other than the businesses currently engaged in by it or businesses reasonably related thereto.

6.6 Guaranteed Indebtedness. No Credit Party nor any of its Subsidiaries

shall create, incur, assume or permit to exist any Guaranteed Indebtedness except (a) by endorsement of instruments or items of payment for deposit to the general account of any Credit Party or Subsidiary, (b) for Guaranteed Indebtedness incurred for the benefit of any other Credit Party if the primary obligation is expressly permitted by this Agreement and (c) for Guaranteed Indebtedness described on Disclosure Schedule (6.3).

6.7 Liens. No Credit Party nor any of its Subsidiaries shall create,

incur, assume or permit to exist any Lien on or with respect to its Receivables or any of its other properties or assets (whether now owned or hereafter acquired), including but not limited to the interests of a Credit Party or any of its Subsidiaries in any Real Estate, except for (a) Permitted Encumbrances; (b) Liens in existence on the date hereof and summarized on Disclosure Schedule

(6.7); (c) Liens created after the date hereof by conditional sale or other

title retention agreements (including Capital Leases) or in connection with purchase money Indebtedness with respect to Equipment and Fixtures acquired by any Credit Party in the ordinary course of business, involving the incurrence of an aggregate amount of purchase money Indebtedness and Capital Lease Obligations of not more than \$15,000,000 outstanding at any one time for all such Liens (provided that such Liens attach only to the assets subject to such purchase

money debt and such Indebtedness is incurred within twenty (20) days following such purchase and does not exceed

100% of the purchase price of the subject assets); (d) Liens created in connection with leases specifically permitted under Section 6.3(ii), (e) Liens

on assets of ERC International Company to secure Indebtedness permitted by clause (xii) of Section 6.3 and (f) Liens created in connection with the

Receivables Facility; and (g) any proposed transaction in which Borrower intends to lease any real property owned by Borrower to any Person other than an Affiliate of Borrower, so long as, prior to the consummation thereof, (i) Borrower shall deliver a certificate to Agent setting forth the material economic terms of the proposed lease and the net effective rental rate thereof, together with true and correct copies of the documents evidencing such proposed transaction, and (ii) the net effective rental rate, as set forth on Borrower's certificate, is equal to or greater than the rent rate assumed for such real property in the then most recent appraisal obtained by Agent for the real property intended to be demised thereby. In addition, no Credit Party nor any of its Subsidiaries shall become a party to any agreement, note, indenture or instrument, or take any other action, which would prohibit the creation of a Lien on any of its properties or other assets in favor of Agent, on behalf of itself and Lenders, as additional collateral for the Obligations, except (i) operating leases, Capital Leases, the CEF Lease Facility, or Licenses which, in each case, prohibit Liens only upon the assets that are the subject of the transactions contemplated thereby and (ii) the Receivables Documents. Notwithstanding anything to the contrary contained herein the Borrower shall not create, incur, assume or permit to exist any Lien on or with respect to the Mortgaged Properties, other than those explicitly set forth in the pro-forma title policies delivered to Agent on or prior to the Effective Date or Permitted Encumbrances described in clause (a), (d), (h) or (i) of the definition thereof.

6.8 Sale of Stock and Assets. No Credit Party nor any of its Subsidiaries

shall sell, transfer, convey, assign or otherwise dispose of any of its properties or other assets (other than goodwill), including the capital Stock of any of its Subsidiaries (whether in a public or a private offering or otherwise) or any of their Receivables, other than (a) the sale or other disposition of Inventory in the ordinary course of business; (b) the sale, transfer, conveyance or other disposition of Equipment, Fixtures or Real Estate that are obsolete or no longer used or useful in such Credit Party's business or other Equipment and Fixtures which, in each case, are either (i) described on Disclosure Schedule (6.8), (ii) subject to the CEF Lease Facility or (iii) have

a value not exceeding \$1,000,000 in any single transaction or \$5,000,000 in the aggregate in any Fiscal Year; (c) the factoring of Japanese retail Receivables by ERC International Company; (d) the sale, transfer, conveyance or other disposition of Stock or assets of an Other Subsidiary and (e) the sale or other disposition of Receivables Program Assets in connection with the Receivables Facility. With respect to any disposition of assets or other properties permitted pursuant to clause (b) above, Agent agrees on reasonable prior written

notice to release its Lien on such assets or other properties in order to permit the applicable Credit Party to effect such disposition and shall execute and deliver to Borrower, at Borrower's expense, appropriate UCC-3 termination statements and other releases as reasonably requested by Borrower.

6.9 ERISA. No Credit Party shall or shall cause or permit any ERISA

Affiliate to, cause or permit to occur an event which could result in the imposition of a Lien under Section

412 of the IRC or Section 302 or 4068 of ERISA or cause or permit to occur an ERISA Event to the extent such ERISA Event could reasonably be expected to have a Material Adverse Effect.

6.10 Financial Covenants. Borrower shall not breach or fail to comply with

any of the Financial Covenants (the "Financial Covenants") set forth in Annex H.

6.11 Hazardous Materials. No Credit Party nor any of its Subsidiaries

shall cause or permit a Release of any Hazardous Material on, at, in, under, above, to, from or about any of the Real Estate where such Release would (a) violate in any respect, or form the basis for any Environmental Liabilities under, any Environmental Laws or Environmental Permits or (b) otherwise adversely impact the value or marketability of any of the Real Estate or any of the Collateral, other than such violations or Environmental Liabilities which could not reasonably be expected to have a Material Adverse Effect.

6.12 Sale-Leasebacks. No Credit Party nor any of its Subsidiaries shall

engage in any sale-leaseback, synthetic lease or similar transaction involving any of its assets, except for those transactions contemplated by the CEF Lease Facility.

6.13 Cancellation of Indebtedness. No Credit Party nor any Material

Subsidiary shall cancel any claim or debt owing to it, except for reasonable consideration negotiated on an arm's-length basis and in the ordinary course of its business consistent with past practices, other than (i) reductions in interest and principal owing on the note receivable due to Borrower from the GSOT; and (ii) the conversion to shareholders' equity of advances made by Borrower to its Subsidiaries.

6.14 Restricted Payments. No Credit Party nor any of its Subsidiaries

shall make any Restricted Payment, except:

(a) intercompany loans and advances between Borrower and Guarantors to the extent permitted by Section 6.3 above,

(b) dividends and distributions by Subsidiaries of Borrower paid to Borrower,

(c) employee loans permitted under Section 6.4(b) above,

(d) dividends by Borrower on the common Stock of Borrower, provided that

(i) the aggregate amount of dividends paid pursuant to this clause (d) shall not

exceed \$22,000,000 in any Fiscal Year, and (ii) at the time of the declaration and payment of such dividend and after giving effect thereto, no Default or Event of Default shall have occurred and be continuing,

(e) amounts paid to (or on behalf of) holders of Borrower's common Stock to repurchase such Stock, provided that with respect to this clause (e):

- (i) Agent shall have received at least thirty (30) Business Days prior to any such proposed payment (A) a written notice thereof, which shall include a reasonably detailed description of such proposed payment, (B) a pro forma consolidated balance sheet, income statement and cash flow statement of Borrower and its Subsidiaries, based on recent financial statements, which shall be complete and shall fairly present in all material respects the assets, liabilities, financial condition and results of operations of Borrower and its Subsidiaries in accordance with GAAP consistently applied, but taking into account such proposed payment and the funding of all Loans in connection therewith, and such pro forma statements shall reflect that the requirements of this clause (e) shall be satisfied and (C) a

certificate of the chief financial officer of Borrower to the effect that Borrower will be Solvent after the proposed payment and that the pro forma statements fairly present the financial condition of Borrower (on a consolidated basis) as of the date thereof after giving effect to the proposed payment,
- (ii) on a pro forma basis, Borrower and its Subsidiaries would have had a ratio of Funded Debt to Adjusted EBITDA not in excess of 2.0 to 1.0 for the period of four Fiscal Quarters then most recently ended (after giving effect to such proposed payment and all Loans funded in connection therewith as if made on the first day of such period),
- (iii) on a pro forma basis (calculated after further reducing EBITDA in clause (a) of the definition of "Fixed Charge Coverage Ratio" by the

amount of all payments to holders of Borrower's Stock pursuant to this clause (e) during the rolling period described herein), Borrower and

its Subsidiaries would have had on a consolidated basis, at the end of the Fiscal Quarter then most recently ended, a Fixed Charge Coverage Ratio for the twelve month period then ended (or, with respect to Fiscal Quarters ending on or before September 30, 1999, the period commencing on January 1, 1999 and ending on the last day of such Fiscal Quarter) of not less than 1.0;
- (iv) average daily Net Borrowing Availability for the 90-day period preceding the date of such proposed payment would have exceeded \$18,000,000 on a pro forma basis (giving effect to such proposed payment and all Loans funded in connection therewith as if made on the first day of such period),
- (v) Net Borrowing Availability of \$18,000,000 shall continue for at least 90 days after the consummation of such proposed payment,
- (vi) no Event of Default shall have occurred and be continuing or on a pro forma basis, would result after giving effect to such proposed payment and Borrower would have been in compliance with the financial covenants set forth in Annex H for the

four quarter period reflected in the Compliance Certificate most recently delivered to Agent pursuant to Annex E prior to the

consummation of such proposed payment (after giving effect to such proposed payment and all Loans funded in connection therewith as if made on the first day of the period of four Fiscal Quarters then most recently ended), and

(vii) all Stock repurchased pursuant to this clause (e) shall be immediately

canceled and retired, and

(f) payments, loans, contributions or other transfers of funds between or among Borrower, Special Purpose Corporation and a Receivables Subsidiary made in connection with the Receivables Facility.

6.15 Change of Corporate Name or Location; Change of Fiscal Year. No

Credit Party nor any other Material Subsidiary shall (a) change its corporate name, or (b) change its chief executive office, principal place of business, corporate offices or warehouses or locations at which Collateral is held or stored, or the location of its records concerning the Collateral, in any case without at least thirty (30) days prior written notice to Agent and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken, and provided that any such new location shall be in the continental United

States. Without limiting the foregoing, no Credit Party shall change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed in connection herewith seriously misleading within the meaning of Section 9-402(7) of the Code or any other then applicable provision of the Code except upon prior written notice to Agent and Lenders and after Agent's written acknowledgment that any reasonable action requested by Agent in connection therewith, including to continue the perfection of any Liens in favor of Agent, on behalf of Lenders, in any Collateral, has been completed or taken. No Credit Party nor any of its Subsidiaries shall change its Fiscal Year.

6.16 No Impairment of Intercompany Transfers. No Credit Party nor any of

its Subsidiaries shall directly or indirectly enter into or become bound by any agreement, instrument, indenture or other obligation (other than this Agreement, the other Loan Documents and the Receivables Documents) which could directly or indirectly restrict, prohibit or require the consent of any Person with respect to the payment of dividends or distributions or the making or repayment of intercompany loans by a Subsidiary of Borrower to Borrower.

6.17 No Speculative Transactions. No Credit Party nor any of its

Subsidiaries shall engage in any transaction involving commodity options, futures contracts or similar transactions, except solely to hedge against fluctuations in the prices of commodities owned or purchased by it and the values of foreign currencies receivable or payable by it and interest swaps, caps or collars.

6.18 Leases. No Credit Party nor any of its Subsidiaries shall enter into

any operating lease for Equipment (other than the CEF Lease Facility) or Real Estate, if the aggregate of all such operating lease payments payable in any Fiscal Year for Borrower and its Subsidiaries on a consolidated basis would exceed \$5,000,000.

7. TERM

7.1 Termination. The financing arrangements contemplated hereby shall be

in effect until the Commitment Termination Date, and the Loans and all other Obligations shall be automatically due and payable in full on such date.

7.2 Survival of Obligations Upon Termination of Financing Arrangements.

Except as otherwise expressly provided for in the Loan Documents, no termination or cancellation (regardless of cause or procedure) of any financing arrangement under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Credit Parties or the rights of Agent and Lenders relating to any unpaid portion of the Loans or any other Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Commitment Termination Date. Except as otherwise expressly provided herein or in any other Loan Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Credit Parties, and all rights of Agent and each Lender, all as contained in the Loan Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided however, that in all events the

provisions of Section 11, the payment obligations under Sections 1.15 and 1.16,

and the indemnities contained in the Loan Documents shall survive the Termination Date.

8. EVENTS OF DEFAULT; RIGHTS AND REMEDIES

8.1 Events of Default. The occurrence of any one or more of the following

events (regardless of the reason therefor) shall constitute an "Event of

Default" hereunder:

(a) Borrower (i) fails to make any payment of principal of, or interest on, or Fees owing in respect of, the Loans or any of the other Obligations when due and payable, or (ii) fails to pay or reimburse Agent or Lenders for any expense reimbursable hereunder or under any other Loan Document within ten (10) days following Agent's written demand for such reimbursement or payment of expenses.

(b) Any Credit Party shall fail or neglect to perform, keep or observe any of the provisions of Sections 1.4, 1.8, 5.4 or 6, or any of the provisions set

forth in Annexes C or H, respectively.

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(c) Any Credit Party shall fail or neglect to perform, keep or observe any of the provisions of Section 4 or any provisions set forth in Annexes E or F, -----

respectively, and the same shall remain unremedied for five (5) Business Days or more.

(d) Any Credit Party shall fail or neglect to perform, keep or observe any other provision of this Agreement or of any of the other Loan Documents (other than any provision embodied in or covered by any other clause of this Section -----

8.1) and the same shall remain unremedied for twenty (20) days or more from the

date of delivery of notice thereof to Borrower by Agent.

(e) A default or breach by any Credit Party or any of its Subsidiaries shall occur under any other agreement, document or instrument to which any Credit Party or any of its Subsidiaries is a party which is not cured within any applicable grace period, and such default or breach (i) involves the failure to make any payment when due in respect of any Indebtedness (other than the Obligations) of any Credit Party or any of its Subsidiaries in excess of \$5,000,000 in the aggregate, or (ii) causes, or permits any holder of such Indebtedness or a trustee to cause, Indebtedness or a portion thereof in excess of \$5,000,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, regardless of whether such default is waived, or such right is exercised, by such holder or trustee.

(f) Any information contained in any Borrowing Base Certificate is untrue or incorrect in any respect, or any representation or warranty herein or in any Loan Document or in any written statement, report, financial statement or certificate (other than a Borrowing Base Certificate) made or delivered to Agent or any Lender by any Credit Party is untrue or incorrect in any material respect as of the date when made or deemed made.

(g) Assets of any Credit Party or any of its Subsidiaries with a fair market value of \$500,000 or more shall be attached, seized, levied upon or subjected to a writ or distress warrant, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors of any Credit Party or any of its Subsidiaries and such condition continues for thirty (30) days or more.

(h) A case or proceeding shall have been commenced against any Credit Party or any of its Subsidiaries seeking a decree or order in respect of any Credit Party or any of its Subsidiaries (i) under Title 11 of the United States Code, as now constituted or hereafter amended or any other applicable federal, state or foreign bankruptcy or other similar law (other than the dissolution of Callaway Golf (Germany) GMBH and Callaway Golf Trading GmbH under German law and of Callaway Golf Europe S.A. under French law), (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any Credit Party or any of its Subsidiaries or of any substantial part of any such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of any Credit Party or any of its Subsidiaries, and such

case or proceeding shall remain undismissed or unstayed for sixty (60) days or more or such court shall enter a decree or order granting the relief sought in such case or proceeding.

(i) Any Credit Party or any of its Subsidiaries (i) shall file a petition seeking relief under Title 11 of the United States Code, as now constituted or hereafter amended, or any other applicable federal, state or foreign bankruptcy or other similar law (other than the dissolution of Callaway Golf (Germany) GMBH and Callaway Golf Trading GmbH under German law and of Callaway Golf Europe S.A. under French law), (ii) shall fail to contest in a timely and appropriate manner or shall consent to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) of any Credit Party or any of its Subsidiaries or of any substantial part of any such Person's assets, (iii) shall make an assignment for the benefit of creditors, or (iv) shall take any corporate action in furtherance of any of the foregoing, or (v) shall admit in writing its inability to, or shall be generally unable to, pay its debts as such debts become due.

(j) A final judgment or judgments for the payment of money in excess of \$1,000,000 in the aggregate at any time outstanding shall be rendered against any Credit Party or any of its Subsidiaries and the same shall not, within thirty (30) days after the entry thereof, have been discharged or execution thereof stayed or bonded pending appeal, or shall not have been discharged prior to the expiration of any such stay.

(k) Any material provision of any Loan Document shall for any reason cease to be valid, binding and enforceable in accordance with its terms (or any Credit Party or any of its Subsidiaries shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms), or any security interest created under any Loan Document shall cease to be a valid and perfected first priority security interest or Lien (except as otherwise permitted herein or therein) in any of the Collateral purported to be covered thereby.

(l) Any Change of Control shall occur.

(m) Any Termination Event or Event of Servicer Termination (in each case, as defined in the Receivables Purchase Agreement) shall occur and be continuing.

8.2 Remedies. -----

(a) If any Default or Event of Default shall have occurred and be continuing, Agent may (and at the written request of Requisite Lenders, shall), without notice, suspend the Revolving Loan facility with respect to further Advances and/or the incurrence of further Letter of Credit Obligations whereupon any further Advances and the incurrence of further Letter of Credit

Obligations shall be made or extended in Agent's sole discretion (or in the sole discretion of the Requisite Lenders, if such suspension occurred at their direction) so long as such Default or Event of Default is continuing. If any Default or Event of Default shall have occurred and be continuing, Agent may (and at the written request of Requisite Lenders shall), without notice except as otherwise expressly provided herein, increase the rate of interest applicable to the Loans and the Letter of Credit Fees to the Default Rate.

(b) If any Event of Default shall have occurred and be continuing, Agent may (and at the written request of the Requisite Lenders shall), without notice, (i) terminate the Revolving Loan facility with respect to further Advances or the incurrence of further Letter of Credit Obligations; (ii) declare all or any portion of the Obligations, including all or any portion of any Loan to be forthwith due and payable, and require that the Letter of Credit Obligations be cash collateralized as provided in Annex B, all without presentment, demand,

protest or further notice of any kind, all of which are expressly waived by Borrower and each other Credit Party; and (iii) exercise any rights and remedies provided to Agent under the Loan Documents and/or at law or equity, including all remedies provided under the Code; provided, however, that upon the

occurrence of an Event of Default specified in Sections 8.1(h) or (i), the

Revolving Loan facility shall be immediately terminated and all of the Obligations, including the Revolving Loan, shall become immediately due and payable without declaration, notice or demand by any Person.

8.3 Waivers by Credit Parties. Except as otherwise provided for in this

Agreement or by applicable law, each Credit Party waives: (a) presentment, demand and protest and notice of presentment, dishonor, notice of intent to accelerate, notice of acceleration, protest, default, nonpayment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Agent on which any Credit Party may in any way be liable, and hereby ratifies and confirms whatever Agent may do in this regard, (b) all rights to notice and a hearing prior to Agent's taking possession or control of, or to Agent's replevy, attachment or levy upon, the Collateral or any bond or security which might be required by any court prior to allowing Agent to exercise any of its remedies, and (c) the benefit of all valuation, appraisal, marshaling and exemption laws.

9. ASSIGNMENT AND PARTICIPATIONS; APPOINTMENT OF AGENT

9.1 Assignment and Participations.

(a) Subject to the provisions of this Section 9.1(a), the Credit Parties signatory hereto consent to any Lender's assignment of, and/or sale of participations in, at any time or times, the Loan Documents, Loans, Letter of Credit Obligations and any Commitment or of any portion thereof or interest therein, including any Lender's rights, title, interests, remedies, powers or duties thereunder, whether evidenced by a writing or not. Any assignment by a Lender shall (i) require the consent of Agent and Borrower (with Borrower's consent not to be unreasonably

withheld and except that upon the occurrence and during the continuance of any Default or Event of Default, Borrower's consent shall not be required) and the execution of an assignment agreement (an "Assignment Agreement") substantially

in the form attached hereto as Exhibit 9.1(a) and otherwise in form and

substance satisfactory to, and acknowledged by, Agent; (ii) be conditioned on such assignee Lender representing to the assigning Lender and Agent that it is purchasing the applicable Loans to be assigned to it for its own account, for investment purposes and not with a view to the distribution thereof; (iii) if a partial assignment, be in an amount at least equal to \$5,000,000 and integral multiples of \$1,000,000 in excess thereof and, after giving effect to any such partial assignment, the assigning Lender shall have retained Commitments in an amount at least equal to \$5,000,000; (iv) include a payment to Agent of an assignment fee of \$3,500; and (v) be effective only upon delivery to Agent of (A) the executed Assignment Agreement and (B) if the assignee is to become a Foreign Lender, the Certificate of Exemption required by Section 1.15(c). In the

case of an assignment by a Lender under this Section 9.1, the assignee shall

have, to the extent of such assignment, the same rights, benefits and obligations as it would if it were a Lender hereunder. The assigning Lender shall be relieved of its obligations hereunder with respect to its Commitments or assigned portion thereof from and after the date of such assignment. Borrower hereby acknowledges and agrees that any assignment permitted hereunder will give rise to a direct obligation of Borrower to the assignee and that the assignee shall be considered to be a "Lender". In all instances, each Lender's liability to make Loans hereunder shall be several and not joint and shall be limited to such Lender's Pro Rata Share of the applicable Commitment. In the event Agent or any Lender assigns or otherwise transfers all or any part of the Obligations pursuant to this Section 9.1, Agent or any such Lender shall so notify Borrower

and Borrower shall, upon the request of Agent or such Lender, execute new Notes in exchange for the Notes, if any, being assigned. Notwithstanding the foregoing provisions of this Section 9.1(a), any Lender may at any time transfer the

Obligations held by it and its rights under this Agreement and the other Loan Documents to an Affiliate of the Lender which (if the Affiliate is organized under the laws of a jurisdiction outside the United States) complies with the requirements of Section 1.15(c), any Lender may at any time pledge the

Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to a Federal Reserve Bank, and any Lender that is an investment fund may assign the Obligations held by it and such Lender's rights under this Agreement and the other Loan Documents to another investment fund managed by the same investment advisor; provided, however, that no such pledge

to a Federal Reserve Bank shall release such Lender from such Lender's obligations hereunder or under any other Loan Document.

(b) Any participation by a Lender of all or any part of its Commitments shall be made with the understanding that all amounts payable by Borrower hereunder shall be determined as if that Lender had not sold such participation, and that the holder of any such participation shall not be entitled to require such Lender to take or omit to take any action hereunder except actions directly affecting (i) any reduction in the principal amount of, or interest rate or Fees payable with respect to, any Loan in which such holder participates, (ii) any extension of the final maturity date of any Loan in which such holder participates, and (iii) any release of all or substantially all of the

Collateral (other than in accordance with the terms of this Agreement, the Collateral Documents or the other Loan Documents). Solely for purposes of Sections 1.13, 1.15, 1.16 and 9.8, Borrower acknowledges and agrees that a

participation shall give rise to a direct obligation of Borrower to the participant and the participant shall be considered to be a "Lender". Except as set forth in the preceding sentence neither Borrower nor any other Credit Party shall have any obligation or duty to any participant. Neither Agent nor any Lender (other than the Lender selling a participation) shall have any duty to any participant and may continue to deal solely with the Lender selling a participation as if no such sale had occurred.

(c) Except as expressly provided in this Section 9.1, no Lender shall, as

between Borrower and that Lender, or Agent and that Lender, be relieved of any of its obligations hereunder as a result of any sale, assignment, transfer or negotiation of, or granting of participation in, all or any part of the Loans, the Notes or other Obligations owed to such Lender.

(d) Each Credit Party executing this Agreement shall assist any Lender permitted to sell assignments or participations under this Section 9.1 as

reasonably required to enable the assigning or selling Lender to effect any such assignment or participation, including the execution and delivery of any and all agreements, notes and other documents and instruments as shall be requested and the preparation of informational materials for, and the participation of management in meetings with, potential assignees or participants. Each Credit Party executing this Agreement shall certify the correctness, completeness and accuracy of all descriptions of the Credit Parties and their affairs contained in any selling materials provided by it and all other information provided by it and included in such materials, except that any Projections delivered by a Credit Party shall only be certified by the Credit Party as having been prepared by the Credit Party in compliance with the representations contained in Section

3.4(b).

(e) A Lender may furnish any information concerning Credit Parties in the possession of such Lender from time to time to assignees and participants (including prospective assignees and participants). Each Lender shall obtain from assignees or participants confidentiality covenants substantially equivalent to those contained in Section 11.8.

(f) So long as no Event of Default shall have occurred and be continuing, no Lender shall assign or sell participations in any portion of its Loans or Commitments to a potential Lender or participant, if, as of the date of the proposed assignment or sale, the assignee Lender or participant would be subject to capital adequacy or similar requirements under Section 1.16(a), increased costs under Section 1.16(b), an inability to fund LIBOR Loans under Section 1.16(c), or withholding taxes in accordance with Section 1.15(a).

9.2 Appointment of Agent. GE Capital is hereby appointed to act on behalf

of all Lenders as Agent under this Agreement and the other Loan Documents. The provisions of this Section 9.2 are solely for the benefit of Agent and Lenders

and no Credit Party nor any other Person shall have any rights as a third party beneficiary of any of the provisions hereof. In

performing its functions and duties under this Agreement and the other Loan Documents, Agent shall act solely as an agent of Lenders and does not assume and shall not be deemed to have assumed any obligation toward or relationship of agency or trust with or for any Credit Party or any other Person. Agent shall have no duties or responsibilities except for those expressly set forth in this Agreement and the other Loan Documents. The duties of Agent shall be mechanical and administrative in nature and Agent shall not have, or be deemed to have, by reason of this Agreement, any other Loan Document or otherwise a fiduciary relationship in respect of any Lender. Neither Agent nor any of its Affiliates nor any of their respective officers, directors, employees, agents or representatives shall be liable to any Lender for any action taken or omitted to be taken by it hereunder or under any other Loan Document, or in connection herewith or therewith, except for damages caused by its or their own gross negligence or willful misconduct.

If Agent shall request instructions from Requisite Lenders, Supermajority Revolving Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with this Agreement or any other Loan Document, then Agent shall be entitled to refrain from such act or taking such action unless and until Agent shall have received instructions from Requisite Lenders, Supermajority Revolving Lenders, or all affected Lenders, as the case may be, and Agent shall not incur liability to any Person by reason of so refraining. Agent shall be fully justified in failing or refusing to take any action hereunder or under any other Loan Document (a) if such action would, in the opinion of Agent, be contrary to law or the terms of this Agreement or any other Loan Document, (b) if such action would, in the opinion of Agent, expose Agent to Environmental Liabilities or (c) if Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Agent as a result of Agent acting or refraining from acting hereunder or under any other Loan Document in accordance with the instructions of Requisite Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable.

9.3 Agent's Reliance, Etc. Neither Agent nor any of its Affiliates nor

any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement or the other Loan Documents, except to the extent of damages caused by its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, Agent: (a) may treat the payee of any Note as the holder thereof until Agent receives written notice of the assignment or transfer thereof signed by such payee and in form satisfactory to Agent; (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender and shall not be responsible to any Lender for any statements, warranties or representations made in or in connection with this Agreement or the other Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or the other Loan Documents on the part of any Credit Party or to

inspect the Collateral (including the books and records) of any Credit Party; (e) shall not be responsible to any Lender for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Loan Documents or any other instrument or document furnished pursuant hereto or thereto; and (f) shall incur no liability under or in respect of this Agreement or the other Loan Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by facsimile, telegram, cable or telex) believed by it to be genuine and signed or sent by the proper party or parties.

9.4 GE Capital and Affiliates. With respect to its Commitments hereunder,

GE Capital shall have the same rights and powers under this Agreement and the other Loan Documents as any other Lender and may exercise the same as though it were not Agent; and the term "Lender" or "Lenders" shall, unless otherwise expressly indicated, include GE Capital in its individual capacity. GE Capital and its Affiliates may lend money to, invest in, and generally engage in any kind of business with, any Credit Party, any of their Affiliates and any Person who may do business with or own securities of any Credit Party or any such Affiliate, all as if GE Capital were not Agent and without any duty to account therefor to Lenders. GE Capital and its Affiliates may accept fees and other consideration from any Credit Party for services in connection with this Agreement or otherwise without having to account for the same to Lenders. Each Lender acknowledges the potential conflict of interest between GE Capital as a Lender holding disproportionate interests in the Loans and GE Capital as Agent.

9.5 Lender Credit Decision. Each Lender acknowledges that it has,

independently and without reliance upon Agent or any other Lender and based on the Financial Statements referred to in Section 3.4(a) and such other documents

and information as it has deemed appropriate, made its own credit and financial analysis of the Credit Parties and their Subsidiaries and its own decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon Agent or any other Lender and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Each Lender acknowledges the potential conflict of interest of each other Lender as a result of Lenders holding disproportionate interests in the Loans, and expressly consents to, and waives any claim based upon, such conflict of interest.

9.6 Indemnification. Lenders agree to indemnify Agent (to the extent not

reimbursed by Credit Parties and without limiting the obligations of Borrower hereunder), ratably according to their respective Pro Rata Shares, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against Agent in any way relating to or arising out of this Agreement or any other Loan Document or any action taken or omitted by Agent in connection therewith; provided, however, that no Lender shall be liable for any portion of such

liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from Agent's gross negligence or wilful misconduct.

Without limiting the foregoing, each Lender agrees to reimburse Agent promptly upon demand for its ratable share of any out-of-pocket expenses (including counsel fees) incurred by Agent in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement and each other Loan Document, to the extent that Agent is not reimbursed for such expenses by Credit Parties.

9.7 Successor Agent. Agent may resign at any time by giving not less than

thirty (30) days' prior written notice thereof to Lenders and Borrower. Upon any such resignation, the Requisite Lenders shall have the right to appoint a successor Agent. If no successor Agent shall have been so appointed by the Requisite Lenders and shall have accepted such appointment within 30 days after the resigning Agent's giving notice of resignation, then the resigning Agent may, on behalf of Lenders, appoint a successor Agent, which shall be a Lender, if a Lender is willing to accept such appointment, or otherwise shall be a commercial bank or financial institution or a subsidiary of a commercial bank or financial institution if such commercial bank or financial institution is organized under the laws of the United States of America or of any State thereof and has a combined capital and surplus of at least \$300,000,000. If no successor Agent has been appointed pursuant to the foregoing, by the 30th day after the date such notice of resignation was given by the resigning Agent, such resignation shall become effective and the Requisite Lenders shall thereafter perform all the duties of Agent hereunder until such time, if any, as the Requisite Lenders appoint a successor Agent as provided above. Any successor Agent appointed by Requisite Lenders hereunder shall be subject to the approval of Borrower, such approval not to be unreasonably withheld or delayed; provided

that such approval shall not be required if a Default or an Event of Default shall have occurred and be continuing. Upon the acceptance of any appointment as Agent hereunder by a successor Agent, such successor Agent shall succeed to and become vested with all the rights, powers, privileges and duties of the resigning Agent. Upon the earlier of the acceptance of any appointment as Agent hereunder by a successor Agent or the effective date of the resigning Agent's resignation, the resigning Agent shall be discharged from its duties and obligations under this Agreement and the other Loan Documents, except that any indemnity rights or other rights in favor of such resigning Agent shall continue. After any resigning Agent's resignation hereunder, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to

be taken by it while it was Agent under this Agreement and the other Loan Documents.

9.8 Setoff and Sharing of Payments. In addition to any rights now or

hereafter granted under applicable law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default, each Lender and each holder of any Note is hereby authorized at any time or from time to time, with the prior consent of Agent, but otherwise without notice to any Credit Party or to any other Person, any such notice (other than notice to Agent) being hereby expressly waived, to set off and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower or any Guarantor (regardless of whether such balances are then due to Borrower or any Guarantor) and any other properties or

assets any time held or owing by that Lender or that holder to or for the credit or for the account of Borrower or any Guarantor against and on account of any of the Obligations which are not paid when due. Any Lender or holder of any Note exercising a right to set off or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so set off or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares. Each Lender's obligation under this Section 9.8 shall be in

addition to and not limitation of its obligations to purchase a participation in an amount equal to its Pro Rata Share of the Swing Line Loans under Section 1.1.

Borrower and each Guarantor agrees, to the fullest extent permitted by law, that (a) any Lender or holder may exercise its right to set off with respect to amounts in excess of its Pro Rata Share of the Obligations and may sell participations in such amount so set off to other Lenders and holders and (b) any Lender or holders so purchasing a participation in the Loans made or other Obligations held by other Lenders or holders may exercise all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the set-off amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of set-off, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

9.9 Advances; Payments; Non-Funding Lenders; Information; Actions in

Concert.

(a) Advances; Payments. (i) Revolving Lenders shall refund or

participate in the Swing Line Loan in accordance with clauses (iii) and (iv)

of Section 1.1(b). If the Swing Line Lender declines to make a Swing Line

Loan or if Swing Line Availability is zero, Agent shall notify Revolving Lenders, promptly after receipt of a Notice of Revolving Advance and in any event prior to 2:00 p.m. (New York time) on the date such Notice of Revolving Advance is received, by facsimile, telephone or other similar form of transmission. Each Revolving Lender shall make the amount of such Lender's Pro Rata Share of such Revolving Credit Advance available to Agent in same day funds by wire transfer to Agent's account as set forth in Annex I not

later than 3:00 p.m. (New York time) on the requested funding date, in the case of an Index Rate Loan and not later than 11:00 a.m. (New York time) on the requested funding date in the case of a LIBOR Loan. After receipt of such wire transfers (or, in Agent's sole discretion, before receipt of such wire transfers), subject to the terms hereof, Agent shall make the requested Revolving Credit Advance to Borrower. All payments by each Revolving Lender shall be made without setoff, counterclaim or deduction of any kind.

(ii) On the second (2nd) Business Day of each calendar week or more frequently as aggregate cumulative payments in excess of \$5,000,000 are received with

respect to the Loans (other than the Swing Line Loan) (each, a "Settlement Date"), Agent will advise each Lender by telephone, or facsimile

of the amount of such Lender's Pro Rata Share of principal, interest and Fees paid for the benefit of Lenders with respect to each applicable Loan. Provided that such Lender has funded all payments and Advances required to be made by it and purchased all participations required to be purchased by it under this Agreement and the other Loan Documents as of such Settlement Date, Agent will pay to each Lender such Lender's Pro Rata Share of principal, interest and Fees paid by Borrower since the previous Settlement Date for the benefit of that Lender on the Loans held by it. To the extent that any Lender (a "Non-Funding Lender") has failed to fund all such payments and Advances or failed to fund the purchase of all such participations, Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. Such payments shall be made by wire transfer to such Lender's account (as specified by such Lender in Annex I or the applicable Assignment Agreement)

not later than 2:00 p.m. (New York time) on the next Business Day following each Settlement Date.

(b) Availability of Lender's Pro Rata Share. Agent may assume that each

Revolving Lender will make its Pro Rata Share of each Revolving Credit Advance available to Agent on each funding date. If such Pro Rata Share is not, in fact, paid to Agent by such Revolving Lender when due, Agent will be entitled to recover such amount on demand from such Revolving Lender without set-off, counterclaim or deduction of any kind. If any Revolving Lender fails to pay the amount of its Pro Rata Share forthwith upon Agent's demand, Agent shall promptly notify Borrower and Borrower shall immediately repay such amount to Agent. Nothing in this Section 9.9(b) or elsewhere in this Agreement or the other Loan

Documents shall be deemed to require Agent to advance funds on behalf of any Revolving Lender or to relieve any Revolving Lender from its obligation to fulfill its Commitments hereunder or to prejudice any rights that Borrower may have against any Revolving Lender as a result of any default by such Revolving Lender hereunder. To the extent that Agent advances funds to Borrower on behalf of any Revolving Lender and is not reimbursed therefor on the same Business Day as such Advance is made, Agent shall be entitled to retain for its account all interest accrued on such Advance until reimbursed by the applicable Revolving Lender.

(c) Return of Payments.

(i) If Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Agent from Borrower and such related payment is not received by Agent, then Agent will be entitled to recover such amount from such Lender on demand without set-off, counterclaim or deduction of any kind.

(ii) If Agent determines at any time that any amount received by Agent under this Agreement must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of this

Agreement or any other Loan Document, Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Agent on demand any portion of such amount that Agent has distributed to such Lender, together with interest at such rate, if any, as Agent is required to pay to Borrower or such other Person, without set-off, counterclaim or deduction of any kind.

(d) Non-Funding Lenders. The failure of any Non-Funding Lender to make

any Revolving Credit Advance or any payment required by it hereunder, or to purchase any participation in any Swing Line Loan to be made or purchased by it on the date specified therefor shall not relieve any other Revolving Lender (each such other Revolving Lender, an "Other Lender") of its obligations to make such Advance or purchase such participation on such date, but neither any Other Lender nor Agent shall be responsible for the failure of any Non-Funding Lender to make an Advance or to purchase a participation required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" or a "Revolving Lender" (or be included in the calculation of "Requisite Lenders" or "Supermajority Revolving Lenders" hereunder) for any voting or consent rights under or with respect to any Loan Document.

(e) Dissemination of Information. Agent will use reasonable efforts to

provide Lenders with any notice of Default or Event of Default received by Agent from, or delivered by Agent to, any Credit Party, with notice of any Event of Default of which Agent has actually become aware and with notice of any action taken by Agent following any Event of Default; provided, however, that Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Agent's gross negligence or willful misconduct. Lenders acknowledge that Borrower is required to provide Financial Statements and Collateral Reports to Lenders in accordance with Annexes E and F

hereto and agree that Agent shall have no duty to provide the same to Lenders.

(f) Actions in Concert . Anything in this Agreement to the contrary

notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of this Agreement or the Notes (including exercising any rights of set-off) without first obtaining the prior written consent of Agent and Requisite Lenders, it being the intent of Lenders that any such action to protect or enforce rights under this Agreement and the Notes shall be taken in concert and at the direction or with the consent of Agent.

9.10 Intercreditor Agreement. Each Lender hereby authorizes Agent to enter

into the Intercreditor Agreement, to make the representations, warranties and covenants on behalf of Lenders contained therein, and to take such actions as it is required or authorized to take thereunder (and such other actions as are reasonably incidental thereto). Each Lender agrees to be bound by the terms of the Intercreditor Agreement.

10. SUCCESSORS AND ASSIGNS

10.1 Successors and Assigns. This Agreement and the other Loan Documents

shall be binding on and shall inure to the benefit of each Credit Party, Agent, Lenders and their respective successors and assigns (including, in the case of any Credit Party, a debtor-in-possession on behalf of such Credit Party), except as otherwise provided herein or therein. No Credit Party may assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder or under any of the other Loan Documents without the prior express written consent of Agent and Lenders. Any such purported assignment, transfer, hypothecation or other conveyance by any Credit Party without the prior express written consent of Agent and Lenders shall be void. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of each Credit Party, Agent and Lenders with respect to the transactions contemplated hereby and no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement or any of the other Loan Documents.

11. MISCELLANEOUS

11.1 Complete Agreement; Modification of Agreement. The Loan Documents

constitute the complete agreement between the parties with respect to the subject matter thereof and may not be modified, altered or amended except as set forth in Section 11.2 below. Any letter of interest, proposal letter,

commitment letter, fee letter (other than the GE Capital Fee Letter) or confidentiality agreement between any Credit Party and Agent or any Lender or any of their respective affiliates, predating this Agreement and relating to a financing of substantially similar form, purpose or effect shall be superseded by this Agreement.

11.2 Amendments and Waivers.

(a) Except for actions expressly permitted to be taken by Agent, no amendment, modification, termination or waiver of any provision of this Agreement, any of the Notes or any other Loan Document, or any consent to any departure by any Credit Party therefrom, shall in any event be effective unless the same shall be in writing and signed by Agent and Borrower, and by Requisite Lenders, Supermajority Revolving Lenders or all affected Lenders, as applicable. Except as set forth in clauses (b) and (c) below, all such amendments,

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modifications, terminations or waivers requiring the consent of any Lenders shall require the written consent of Requisite Lenders.

(b) No amendment, modification, termination or waiver of or consent with respect to any provision of this Agreement which increases the percentage advance rates set forth in the definition of the Borrowing Base, or which makes less restrictive the nondiscretionary criteria for Eligible Inventory, Eligible Real Estate or Eligible Equipment set forth in Sections 1.7, 1.18 or 1.19,

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respectively, shall be effective unless the same shall be in writing and signed by Agent,

Supermajority Revolving Lenders (or, in the case of an increase in the percentage advance rates, each Lender) and Borrower.

(c) No amendment, modification, termination or waiver shall, unless in writing and signed by Agent and each Lender directly affected thereby, do any of the following: (i) increase the principal amount of any Lender's Commitment (which action shall require the consent of each Lender); (ii) reduce the principal of, rate of interest on or Fees payable with respect to any Loan or Letter of Credit Obligations of any affected Lender; (iii) extend any scheduled payment date or final maturity date of the principal amount of any Loan of any affected Lender; (iv) waive, forgive, defer, extend or postpone any payment of interest or Fees as to any affected Lender; (v) except as otherwise permitted herein or in the other Loan Documents, release, or permit any Credit Party to sell or otherwise dispose of, any Collateral with a value exceeding \$10,000,000 in the aggregate (which action shall be deemed to directly affect all Lenders); (vi) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Loans which shall be required for Lenders or any of them to take any action hereunder; and (vii) amend or waive this Section 11.2 or the

definitions of the terms "Requisite Lenders" or "Supermajority Revolving Lenders" insofar as such definitions affect the substance of this Section 11.2.

Furthermore, no amendment, modification, termination or waiver affecting the rights or duties of Agent under this Agreement or any other Loan Document shall be effective unless in writing and signed by Agent, in addition to Lenders required hereinabove to take such action. Each amendment, modification, termination or waiver shall be effective only in the specific instance and for the specific purpose for which it was given. No amendment, modification, termination or waiver shall be required for Agent to take additional Collateral pursuant to any Loan Document. No amendment, modification, termination or waiver of any provision of any Note shall be effective without the written concurrence of the holder of that Note. No notice to or demand on any Credit Party in any case shall entitle such Credit Party or any other Credit Party to any other or further notice or demand in similar or other circumstances. Any amendment, modification, termination, waiver or consent effected in accordance with this Section 11.2 shall be binding upon each holder of the Notes at the time

outstanding and each future holder of the Notes.

(d) If, in connection with any proposed amendment, modification, waiver or termination (a "Proposed Change"):

(i) requiring the consent of all affected Lenders, the consent of Requisite Lenders is obtained, but the consent of other Lenders whose consent is required is not obtained (any such Lender whose consent is not obtained as described this clause (i) and in clauses (ii) and (iii) below being referred

to as a "Non-Consenting Lender"), or

(ii) requiring the consent of Supermajority Revolving Lenders, the consent of Requisite Lenders is obtained, but the consent of Supermajority Revolving Lenders is not obtained, or

(iii) requiring the consent of Requisite Lenders, the consent of Lenders holding 51% or more of the aggregate Commitments is obtained, but the consent of Requisite Lenders is not obtained,

then, so long as Agent is not a Non-Consenting Lender, at Borrower's request Agent, or a Person acceptable to Agent, shall have the right with Agent's consent and in Agent's sole discretion (but shall have no obligation) to purchase from such Non-Consenting Lenders, and such Non-Consenting Lenders agree that they shall, upon Agent's request, sell and assign to Agent or such Person, all of the Commitments of such Non-Consenting Lender for an amount equal to the principal balance of all Loans held by the Non-Consenting Lender and all accrued interest and Fees with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed Assignment Agreement.

(e) Upon indefeasible payment in full in cash and performance of all of the Obligations (other than indemnification Obligations under Section 1.13),

termination of the Commitments and a release of all claims against Agent and Lenders, and so long as no suits, actions proceedings, or claims are pending or threatened against any Indemnified Person asserting any damages, losses or liabilities that are Indemnified Liabilities, Agent shall deliver to Borrower termination statements, mortgage releases and other documents necessary or appropriate to evidence the termination of the Liens securing payment of the Obligations.

11.3 Fees and Expenses. Borrower shall reimburse Agent for all out-of-

pocket expenses incurred in connection with the preparation of the Loan Documents (including the reasonable fees and expenses of all of its special loan counsel, advisors, consultants and auditors retained in connection with the Loan Documents and advice in connection therewith). Borrower shall reimburse Agent (and, with respect to clauses (c) and (d) below, all Lenders) for all fees,

costs and expenses, including the reasonable fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) for advice, assistance, or other representation in connection with:

(a) the forwarding to Borrower or any other Person on behalf of Borrower by Agent of the proceeds of the Loans;

(b) any amendment, modification or waiver of, or consent with respect to, any of the Loan Documents or advice in connection with the administration of the Loans made pursuant hereto or its rights hereunder or thereunder;

(c) any litigation, contest, dispute, suit, proceeding or action (whether instituted by Agent, any Lender, Borrower or any other Person) in any way relating to the Collateral, any of the Loan Documents or any other agreement to be executed or delivered in connection therewith or herewith, whether as party, witness, or otherwise, including any litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case

commenced by or against Borrower or any other Person that may be obligated to Agent by virtue of the Loan Documents; including any such litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided that in the case of reimbursement of counsel for Lenders

other than Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(d) any attempt to enforce any remedies of Agent or any Lender against any or all of the Credit Parties or any other Person that may be obligated to Agent or any Lender by virtue of any of the Loan Documents; including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the Loans during the pendency of one or more Events of Default; provided that in

the case of reimbursement of counsel for Lenders other than Agent, such reimbursement shall be limited to one counsel for all such Lenders;

(e) any work-out or restructuring of the Loans during the pendency of one or more Events of Default;

(f) efforts to (i) monitor the Loans or any of the other Obligations, (ii) evaluate, observe or assess any of the Credit Parties or their respective affairs, and (iii) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Collateral (provided that unless a

Default or Event of Default has occurred and is continuing, reimbursement for appraisals of any asset or group of assets shall be limited to one appraisal for each calendar year, in addition to appraisals otherwise required by this Agreement);

including, as to each of clauses (a) through (f) above, all attorneys' and other professional and service providers' fees arising from such services, including those in connection with any appellate proceedings; and all expenses, costs, charges and other fees incurred by such counsel and others in any way or respect arising in connection with or relating to any of the events or actions described in this Section 11.3 shall be payable, on demand, by Borrower to Agent. Without

limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or facsimile charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

11.4 No Waiver. Agent's or any Lender's failure, at any time or times, to

require strict performance by the Credit Parties of any provision of this Agreement and any of the other Loan Documents shall not waive, affect or diminish any right of Agent or such Lender thereafter to demand strict compliance and performance therewith. Any suspension or waiver of an Event of Default shall not suspend, waive or affect any other Event of Default whether the same is prior or subsequent thereto and whether the same or of a different type. Subject to the provisions of

Section 11.2, none of the undertakings, agreements, warranties, covenants and
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representations of any Credit Party contained in this Agreement or any of the other Loan Documents and no Default or Event of Default by any Credit Party shall be deemed to have been suspended or waived by Agent or any Lender, unless such waiver or suspension is by an instrument in writing signed by an officer of or other authorized employee of Agent and the applicable required Lenders and directed to Borrower specifying such suspension or waiver.

11.5 Remedies. Agent's and Lenders' rights and remedies under this

Agreement shall be cumulative and nonexclusive of any other rights and remedies which Agent or any Lender may have under any other agreement, including the other Loan Documents, by operation of law or otherwise. Recourse to the Collateral shall not be required.

11.6 Severability. Wherever possible, each provision of this Agreement and

the other Loan Documents shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement.

11.7 Conflict of Terms. Except as otherwise provided in this Agreement or

any of the other Loan Documents by specific reference to the applicable provisions of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in any of the other Loan Documents, the provision contained in this Agreement shall govern and control.

11.8 Confidentiality. Agent and each Lender agree to use commercially

reasonable efforts (equivalent to the efforts Agent or such Lender applies to maintain the confidentiality of its own confidential information) to maintain as confidential all confidential information provided to them by the Credit Parties and designated as confidential for a period of two (2) years following receipt thereof, except that Agent and each Lender may disclose such information (a) to Persons employed or engaged by Agent or such Lender in evaluating, approving, structuring or administering the Loans and the Commitments; (b) to any bona fide assignee or participant or potential assignee or participant that has agreed to comply with the covenant contained in this Section 11.8 (and any such bona fide

assignee or participant or potential assignee or participant may disclose such information to Persons employed or engaged by them as described in clause (a)

above); (c) as required or requested by any Governmental Authority or reasonably believed by Agent or such Lender to be compelled by any court decree, subpoena or legal or administrative order or process; (d) as, on the advise of Agent's or such Lender's counsel, required by law; (e) in connection with the exercise of any right or remedy under the Loan Documents or in connection with any Litigation to which Agent or such Lender is a party; or (f) which ceases to be confidential through no fault of Agent or such Lender.

11.9 GOVERNING LAW. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN ANY OF THE

LOAN DOCUMENTS, IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, THE LOAN DOCUMENTS AND THE OBLIGATIONS SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND PERFORMED IN THAT STATE AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA. EACH CREDIT PARTY HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THE CREDIT PARTIES, AGENT AND LENDERS PERTAINING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS, PROVIDED,

THAT AGENT, LENDERS AND THE CREDIT PARTIES ACKNOWLEDGE THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF NEW YORK COUNTY, CITY OF NEW YORK, NEW YORK AND, PROVIDED, FURTHER NOTHING IN THIS AGREEMENT

SHALL BE DEEMED OR OPERATE TO PRECLUDE AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF AGENT. EACH CREDIT PARTY EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH CREDIT PARTY HEREBY WAIVES ANY OBJECTION WHICH SUCH CREDIT PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND

HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH CREDIT PARTY HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINTS AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH CREDIT PARTY AT THE ADDRESS SET FORTH IN ANNEX J OF THIS AGREEMENT AND THAT SERVICE SO MADE SHALL BE DEEMED

COMPLETED UPON THE EARLIER OF SUCH CREDIT PARTY'S ACTUAL RECEIPT THEREOF OR THREE (3) DAYS AFTER DEPOSIT IN THE U.S. MAILED, PROPER POSTAGE PREPAID.

11.10 Notices. Except as otherwise provided herein, whenever it is provided

herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties

desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by facsimile or other similar facsimile transmission (with such facsimile or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 11.10), (c) one (1) Business Day after deposit with a

reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number indicated on Annex J or to

such other address (or facsimile number) as may be substituted by notice given as herein provided. The giving of any notice required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than Borrower or Agent) designated on Annex J to receive copies shall in no way adversely affect the effectiveness

of such notice, demand, request, consent, approval, declaration or other communication.

11.11 Subordination of Intercompany Loans and Advances. Each of the Credit

Parties agrees that any and all claims of such Credit Party against any other Credit Party, or against any of their respective properties, shall be subordinate and subject in right of payment to the prior payment, in full and in cash, of all Obligations; provided, that such Credit Party may make payments

otherwise permitted under this Agreement; provided, further, that all such

payments shall be received by the applicable Credit Party subject to the provisions of this Agreement. Notwithstanding any right of any Credit Party to ask, demand, sue for, take or receive any payment from any other Credit Party, all rights, liens and security interests of such Credit Party, whether now or hereafter arising and howsoever existing, in any assets of any other Credit Party (whether constituting part of the security or collateral given to any Lender or Agent to secure payment of all or any part of the Obligations or otherwise) shall be and hereby are subordinated to the rights of Agent and Lenders in those assets. Except as permitted by this Agreement, the Credit Parties shall have no right to possession of any such asset or to foreclose upon any such asset, whether by judicial action or otherwise, unless and until all of the Obligations shall have been fully paid in cash and the Commitments have been terminated. If all or any part of the assets of any Credit Party, or the proceeds thereof, are subject to any distribution, division or application to the creditors of any Credit Party, whether partial or complete, voluntary or involuntary, and whether by reason of liquidation, bankruptcy, arrangement, receivership, assignment for the benefit of creditors or any other action or proceeding, or if the business of any Credit Party is dissolved or if (except as permitted by this Agreement) substantially all of the assets of any Credit Party are sold, then, and in any such event, any payment or distribution of any kind or character, either in cash, securities or other property, which shall be payable or deliverable upon or with respect to any Indebtedness of such Credit Party to any other Credit Party ("Intercompany Indebtedness") shall be paid or

delivered directly to Agent for application on any of the

Obligations, due or to become due, until such Obligations shall have first been fully paid in cash. Each Credit Party irrevocably authorizes and empowers Agent to demand, sue for, collect and receive every such payment or distribution and give acquittance therefor and to make and present for and on behalf of such Credit Party such proofs of claim and take such other action, in Agent's own name or in the name of such Credit Party or otherwise, as Agent may deem necessary or advisable for the enforcement of this Section 11.11. Agent may vote

such proofs of claim in any such proceeding, receive and collect any and all dividends or other payments or disbursements made on Intercompany Indebtedness in whatever form the same may be paid or issued and apply the same on account of any of the Obligations. Except as otherwise permitted by this Agreement, should any payment, distribution, security or instrument or proceeds thereof be received by any Credit Party upon or with respect to Intercompany Indebtedness owing to such Credit Party prior to the payment in full in cash of all of the Obligations and the termination of the Commitments, such Credit Party shall receive and hold the same in trust, as trustee, for the benefit of Agent and Lenders, and shall forthwith deliver the same to Agent, for the benefit of Agent and Lenders, in precisely the form received (except for the endorsement or assignment of such Credit Party where necessary), for application to any of the Obligations, due or not due, and, until so delivered, the same shall be held in trust by such Credit Party as the property of Agent, for the benefit of Agent and Lenders. If such Credit Party fails to make any such endorsement or assignment to Agent, Agent or any of its officers or employees are hereby irrevocably authorized to make the same. Each Credit Party agrees that until the Obligations have been paid in full in cash and the Commitments have been terminated, such Credit Party will not assign or transfer to any Person any claim such Credit Party has or may have against any other Credit Party.

11.12 Section Titles. The Section titles and Table of Contents contained in

this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

11.13 Counterparts. This Agreement may be executed in any number of

separate counterparts, each of which shall collectively and separately constitute one agreement.

11.14 WAIVER OF JURY TRIAL. BECAUSE DISPUTES ARISING IN CONNECTION WITH

COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, AMONG AGENT, LENDERS AND ANY CREDIT PARTY ARISING OUT OF, CONNECTED WITH, RELATED TO,

OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH, THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED THERETO.

11.15 Press Releases. Each Credit Party executing this Agreement agrees

that neither it nor its Affiliates will in the future issue any press releases or other public disclosure using the name of GE Capital or its affiliates or referring to this Agreement or the other Loan Documents without at least two (2) Business Days' prior notice to GE Capital and without the prior written consent of GE Capital unless (and only to the extent that) such Credit Party or Affiliate is required to do so under law and then, in any event, such Credit Party or Affiliate will consult with GE Capital before issuing such press release or other public disclosure. Each Credit Party consents to the publication by Agent or any Lender of a tombstone or similar advertising material relating to the financing transactions contemplated by this Agreement. Agent or such Lender shall provide a draft of any such tombstone or similar advertising material to each Credit Party for review and comment prior to the publication thereof. Agent reserves the right to provide to industry trade organizations information necessary and customary for inclusion in league table measurements with Borrower's consent which shall not be unreasonably withheld or delayed.

11.16 Reinstatement. This Agreement shall remain in full force and effect

and continue to be effective should any petition be filed by or against Borrower for liquidation or reorganization, should Borrower become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of Borrower's assets, and shall continue to be effective or to be reinstated, as the case may be, if at any time payment and performance of the Obligations, or any part thereof, is, pursuant to applicable law, rescinded or reduced in amount, or must otherwise be restored or returned by any obligee of the Obligations, whether as a "voidable preference," "fraudulent conveyance," or otherwise, all as though such payment or performance had not been made. In the event that any payment, or any part thereof, is rescinded, reduced, restored or returned, the Obligations shall be reinstated and deemed reduced only by such amount paid and not so rescinded, reduced, restored or returned.

11.17 Advice of Counsel. Each of the parties represents to each other party

hereto that it has discussed this Agreement and, specifically, the provisions of Sections 11.9 and 11.14, with its counsel.

11.18 No Strict Construction. The parties hereto have participated jointly

in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provisions of this Agreement.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

CALLAWAY GOLF COMPANY

By: /s/ David A. Rane

Title: Executive Vice President, Administration

and Planning, and Chief Executive Officer

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent and Lender

By: _____
Title: _____

EXECUTION COPY

IN WITNESS WHEREOF, this Agreement has been duly executed as of the date first written above.

CALLAWAY GOLF COMPANY

By: _____
Title: _____

GENERAL ELECTRIC CAPITAL
CORPORATION, as Agent and Lender

By: /s/ Robert Yasuda

Title: Assistant Vice President

The following Persons are signatories to this Agreement in their capacity as Credit Parties and not as Borrowers.

CALLAWAY GOLF SALES COMPANY

By: /s/ David A. Rane

Title: Vice President and Chief Financial Officer

CALLAWAY GOLF BALL COMPANY

By: /s/ David A. Rane

Title: Vice President and Chief Financial Officer

ODYSSEY GOLF, INC.

By: /s/ David A. Rane

Title: Vice President and Chief Financial Officer

The following Persons are signatories to this Agreement in their capacity as Lenders.

BANKAMERICA BUSINESS CREDIT, INC.

By: /s/ -----
Title: VICE PRESIDENT -----

NATIONAL WESTMINSTER BANK PLC

By: /s/

Title: -----

AMERICAN NATIONAL BANK AND
TRUST COMPANY OF CHICAGO

By: /s/ _____
Title: VICE PRESIDENT

KEY CORPORATE CAPITAL INC.

By: /s/

Title: SR. V.P.

NATIONAL CITY COMMERCIAL FINANCE, INC.

By: /s/

Title: V.P.

ANNEX A (RECITALS)

TO
CREDIT AGREEMENT

DEFINITIONS

Capitalized terms used in the Loan Documents shall have (unless otherwise provided elsewhere in the Loan Documents) the following respective meanings and all section references in the following definitions shall refer to Sections of the Agreement:

"Account Debtor" shall mean any Person who may become obligated to any

Credit Party under, with respect to, or on account of, a Receivable.

"Additional Collateral Amount" shall mean an amount equal to \$35,000,000 as

of the Effective Date, which amount shall be decreased by \$2,500,000 per year, each such decrease to be effective on the first day of each Fiscal Year beginning after the Effective Date.

"Adjusted EBITDA" shall mean EBITDA plus, for the Fiscal Quarter ending

December 31, 1998, restructuring charges of up to \$86,000,000.

"Advance" shall mean any Revolving Credit Advance or Swing Line Advance, as

the context may require.

"Affiliate" shall mean, with respect to any Person, (a) each Person that,

directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, five percent (5%) or more of the Stock having ordinary voting power in the election of directors of such Persons, (b) each Person that controls, is controlled by or is under common control with such Person, (c) each of such Person's officers, directors, joint venturers and partners and (d) in the case of Borrower, the immediate family members, spouses and lineal descendants of individuals who are Affiliates of Borrower. For the purposes of this definition, "control" of a Person shall mean the possession,

directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise; provided, however, that the term "Affiliate" shall

specifically exclude Agent and each Lender.

"Agent" shall mean GE Capital or its successor appointed pursuant to

Section 9.7.

"Agent Account" shall mean that certain account of Agent, account number

502-328-54 in the name of Agent at Bankers Trust Company in New York, New York or such other account as Agent shall specify.

"Agreement" shall mean the Credit Agreement by and among Borrower, the

other Credit Parties named therein, GE Capital, as Agent and Lender and the
other Lenders signatory from time to time to the Agreement.

"Appendices" shall have the meaning assigned to it in the recitals to the

Agreement.

"Applicable L/C Margin" shall mean the per annum fee, from time to time in

effect, payable with respect to outstanding Letter of Credit Obligations as
determined by reference to Section 1.5(a).

"Applicable Margins" means collectively the Applicable L/C Margin, the

Applicable Unused Line Fee Margin, the Applicable Revolver Index Margin, and the
Applicable Revolver LIBOR Margin.

"Applicable Revolver Index Margin" shall mean the per annum interest rate

margin from time to time in effect and payable in addition to the Index Rate
applicable to the Revolving Loan, as determined by reference to Section 1.5(a)

of the Agreement.

"Applicable Revolver LIBOR Margin" shall mean the per annum interest rate

from time to time in effect and payable in addition to the LIBOR Rate applicable
to the Revolving Loan, as determined by reference to Section 1.5(a) of the

Agreement.

"Applicable Unused Line Fee Margin" shall mean the per annum fee, from time

to time in effect, payable in respect to Borrower's non-use of committed funds
pursuant to Section 1.9(b), which fee is determined by reference to Section

1.5(a).

"Appraised Value" shall mean (a) with respect to Eligible Real Estate, the

aggregate fair market value thereof listed in the appraisals delivered to Agent
on or prior to the Effective Date pursuant to Annex D, as modified or

supplemented by appraisals delivered to or prepared on behalf of Agent in
accordance with Section 1.14 or 4.1 and (b) with respect to Eligible Equipment,

the aggregate orderly liquidation value thereof listed in the appraisals
delivered to Agent on or prior to the Effective Date pursuant to Annex D, as

modified or supplemented by appraisals delivered to or prepared on behalf of
Agent in accordance with Section 1.14 or 4.1. In the event the applicable

appraisal lists a range of values for any item or group of items, the Appraised
Value for the item or group of items shall be the lowest number indicated in the
range.

"Assignment Agreement" shall have the meaning assigned to it in Section

9.1(a).

"Billing Date" shall mean, with respect to any Receivable, the date on

which the invoice with respect thereto was generated.

"Borrower" shall have the meaning assigned thereto in the recitals to the

Agreement.

"Borrower Accounts" shall have the meaning assigned to it in Annex C.

"Borrower Pledge Agreement" shall mean the Pledge Agreement dated as of the

Closing Date executed by Borrower in favor of Agent, on behalf of itself and Lenders, pledging (a) all Stock of the Domestic Subsidiaries of Borrower identified therein, (b) two-thirds of all Stock of the Subsidiaries of Borrower identified therein that are not Domestic Subsidiaries and (c) all Indebtedness identified therein owing to or held by Borrower.

"Borrower Security Agreement" shall mean the Security Agreement dated as of

the Closing Date entered into among Agent, on behalf of itself and Lenders, and Borrower, as amended, modified or supplemented from time to time.

"Borrowing Availability" shall have the meaning assigned to it in Section

1.1(a) (i).

"Borrowing Base" shall mean, as of any date of determination by Agent, from

time to time, an amount equal to the sum at such time of:

(a) sixty percent (60%) of the book value of Borrower's Eligible Inventory valued on a first-in, first-out basis (at the lower of cost or market), less any Reserves established by Agent at such time; and

(b) the lesser of :

(i) the Additional Collateral Amount and

(ii) an amount equal to the sum of (x) fifty percent (50%) of the Appraised Value of the Eligible Real Estate, and (y) eighty-five percent (85%) of the Appraised Value of the Eligible Equipment, less any Reserves established by Agent at such time, minus, the

aggregate outstanding principal amount of Indebtedness (including Indebtedness described in clause (i) of Section 6.3,

but excluding the Obligations and Indebtedness created or arising under the Receivables Documents) which is secured by any Eligible Equipment;

provided that since Callaway Golf Ball Company has not commenced operations as

of the date of this Agreement, its Inventory and Equipment shall be included in the Borrowing Base only upon (i) the commencement of business operations, (ii) delivery to Agent for the benefit of Lenders of a certificate of the Chief Financial Officer of Callaway Golf Ball Company as to the matters addressed in Section 3.23 and the other certificates and statements (including without

limitation a Fair Salable Balance Sheet) described in paragraph X of Annex D (to

the extent not delivered on or prior to the Closing Date), each in form and substance satisfactory to Agent, (iii) the audit and appraisal of the Inventory and Equipment of Callaway Golf Ball Company, the results of which

shall be satisfactory to Agent and Requisite Lenders, and (iv) the review and, where appropriate (in the reasonable judgment of Agent), modification by Agent (subject to the approval of all Lenders or Supermajority Revolving Lenders, to the extent required by Sections 1.7, 1.18 and 1.19) of the criteria and advance

rates applicable to the Receivables and Equipment of Callaway Golf Ball Company.

"Borrowing Base Certificate" shall mean a certificate to be executed and delivered from time to time by Borrower in the form attached to the Agreement as Exhibit 4.1(b).

"Business Day" shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York and in reference to LIBOR Loans shall mean any such day that is also a LIBOR Business Day.

"Callaway Golf Ball Company" shall mean Callaway Golf Ball Company, a California corporation.

"Callaway Golf Sales Company" shall mean Callaway Golf Sales Company, a California corporation.

"Callaway Golf Sales Company Pledge Agreement" shall mean the Pledge Agreement dated as of the Effective Date executed by Callaway Golf Sales Company in favor of Agent, on behalf of itself and Lenders, pledging (a) all Stock of Special Purpose Corporation and (b) all Indebtedness identified therein owing to or held by Callaway Golf Sales Company.

"Capital Expenditures" shall mean, with respect to any Person, all expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

"Capital Lease" shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" shall mean, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Management Systems" has the meaning specified in Section 1.8.

"CEF Lease Facility" shall mean (i) the Master Lease Agreement dated as of December 30, 1998 between General Electric Capital Corporation, for itself and as agent for certain

participants, as lessor, and Callaway Golf Ball Company, as lessee, (ii) the Corporate Guaranty dated December 30, 1998 by Borrower (as guarantor) for the benefit of GE Capital, for itself and as agent for certain participants, (iii) the Interim Finance Agreement dated December 30, 1998 between General Electric Capital Corporation, for itself and as agent for certain participants, as lender, and Callaway Golf Ball Company, as borrower and (iv) all documents delivered under, and relating to, any of the agreements described in clauses (i) -----

through (iii) hereof, in each case as amended, modified, supplemented or ---

restated from time to time, provided that any amendment, modification, -----

supplement or restatement which changes the description of the assets subject to the security interests granted by the CEF Lease Facility in a manner which may adversely affect Agent or the Lenders shall not be incorporated in this definition of "CEF Lease Facility" unless the Supermajority Revolving Lenders have consented to its incorporation.

"Change of Control" means any of the following: (a) any person or group of -----

persons (within the meaning of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 20% or more of the issued and outstanding shares of capital Stock of Borrower having the right to vote for the election of directors of Borrower under ordinary circumstances; (b) during any period of twelve consecutive calendar months, individuals who at the beginning of such period constituted the board of directors of Borrower (together with any new directors whose election by the board of directors of Borrower or whose nomination for election by the stockholders of Borrower was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose elections or nomination for election was previously so approved) cease for any reason other than death or disability to constitute a majority of the directors then in office, or (c) Borrower shall cease to own and control all of the economic and voting rights associated with all of the outstanding capital Stock of any Material Subsidiary.

"Charges" shall mean all federal, state, county, city, municipal, local, -----

foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable), levies, assessments, charges, liens, claims or encumbrances upon or relating to (a) the Collateral, (b) the Obligations, (c) the employees, payroll, income or gross receipts of any Credit Party, (d) any Credit Party's ownership or use of any properties or other assets, or (e) any other aspect of any Credit Party's business.

"Chattel Paper" shall mean any "chattel paper," as such term is defined in -----

the Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Closing Date" shall mean December 30, 1998. -----

"Closing Checklist" shall mean the schedule, including all appendices, -----

exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the

Agreement, the other Loan Documents and the transactions contemplated thereunder, substantially in the form attached hereto as Annex D.

"Code" shall mean the Uniform Commercial Code as the same may, from time to time, be enacted and in effect in the State of New York; provided, however, in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection or priority of Agent's or any Lender's security interest in any Collateral is governed by the Uniform Commercial Code as enacted and in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions hereof relating to such attachment, perfection or priority and for purposes of definitions related to such provisions.

"Collateral" shall mean the property covered by the Deeds of Trust, the Borrower Security Agreement, the Subsidiaries Security Agreement and the other Collateral Documents and any other property, real or personal, tangible or intangible, now existing or hereafter acquired, that may at any time be or become subject to a security interest or Lien in favor of Agent, on behalf of itself and Lenders, to secure the Obligations, including, but not limited to, the Mortgaged Properties.

"Collateral Documents" shall mean the Deeds of Trust, the Borrower Security Agreement, the Subsidiaries Security Agreement, the Pledge Agreements, the Guaranties, the Patent Security Agreements, the Trademark Security Agreement, the Copyright Security Agreement and all similar agreements entered into guaranteeing payment of, or granting a Lien upon property as security for payment of, the Obligations.

"Collateral Reports" shall mean the reports with respect to the Collateral referred to in Annex F.

"Collections" shall mean, with respect to any Receivable, all cash collections and other proceeds of such Receivable (including late charges, fees and interest arising thereon, and all recoveries with respect to any Receivables that have been written off as uncollectible).

"Commitment Termination Date" shall mean the earliest of (a) February 10, 2004, (b) the date of termination of Lenders' obligations to make Advances and/or incur Letter of Credit Obligations or permit existing Loans to remain outstanding pursuant to Section 8.2(b), and (c) the date of indefeasible prepayment in full by Borrower of the Loans and the cancellation and return (or stand-by guarantee) of all Letters of Credit or the cash collateralization of all Letter of Credit Obligations pursuant to Annex B, and the permanent reduction of the Revolving Loan Commitment and the Swing Line Commitment to zero dollars (\$0).

"Commitments" shall mean (a) as to any Lender, the aggregate of such Lender's Revolving Loan Commitment (including without duplication the Swing Line Lender's Swing Line

Commitment as a subset of its Revolving Loan Commitment) as set forth on Annex K

to the Agreement or in the most recent Assignment Agreement executed by such Lender and (b) as to all Lenders, the aggregate of all Lenders' Revolving Loan Commitments (including without duplication the Swing Line Lender's Swing Line Commitment as a subset of its Revolving Loan Commitment), which aggregate commitment shall be One Hundred and Twenty Million Dollars (\$120,000,000) on the Effective Date, as to each of clauses (a) and (b), as such Commitments may be reduced, amortized or adjusted from time to time in accordance with the Agreement.

"Compliance Certificate" shall have the meaning assigned to it in Annex E.

"Concentration Account" shall have the meaning assigned to it in Annex C.

"Contracts" shall mean all "contracts," as such term is defined in the

Code, now owned or hereafter acquired by any Credit Party, in any event, including all contracts, undertakings, or agreements (other than rights evidenced by Chattel Paper, Documents or Instruments) in or under which any Credit Party may now or hereafter have any right, title or interest, including any agreement relating to the terms of payment or the terms of performance of any Receivable.

"Control Letter" means a letter agreement between Agent and (i) the issuer

of uncertificated securities with respect to uncertificated securities in the name of any Credit Party, (ii) a securities intermediary with respect to securities, whether certificated or uncertificated, securities entitlements and other financial assets held in a securities account in the name of any Credit Party, or (iii) a futures commission merchant or clearing house with respect to commodity accounts and commodity contracts held by any Credit Party, whereby, among other things, the issuer, securities intermediary or futures commission merchant disclaims any security interest in the applicable financial assets, acknowledges the Lien of Agent, on behalf of itself and Lenders, on such financial assets, and agrees to follow the instructions or entitlement orders of Agent without further consent by the affected Credit Party.

"Copyright License" shall mean any and all rights now owned or hereafter

acquired by any Credit Party under any written agreement granting any right to use any Copyright or Copyright registration.

"Copyright Security Agreements" shall mean the Copyright Security

Agreements made in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party, as amended, modified or supplemented from time to time.

"Copyrights" shall mean all of the following now owned or hereafter

acquired by any Credit Party: (a) all copyrights and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including all registrations, recordings and applications in the United States Copyright Office or in any similar office or

agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof, and (b) all reissues, extensions or renewals thereof.

"Credit and Collection Policies" shall mean the credit, collection,

customer relations and service policies of Borrower in effect on the Effective Date, as the same may from time to time be amended, restated, supplemented or otherwise modified with the written consent of Agent.

"Credit Parties" shall mean Borrower and each of its Domestic Subsidiaries

which is a Material Subsidiary (other than Special Purpose Corporation).

"Current Assets" shall mean, with respect to any Person, all current assets

of such Person as of any date of determination calculated in accordance with GAAP, but excluding cash, cash equivalents and debts due from Affiliates.

"Current Liabilities" shall mean, with respect to any Person, all

liabilities which should, in accordance with GAAP, be classified as current liabilities, and in any event shall include all Indebtedness payable on demand or within one year from any date of determination without any option on the part of the obligor to extend or renew beyond such year, all accruals for federal or other taxes based on or measured by income and payable within such year, and the current portion of long-term debt required to be paid within one year, but excluding, in the case of Borrower, the aggregate outstanding principal balances of the Revolving Loan and the Swing Line Loan.

"Current Ratio" shall mean, with respect to any Person as of any date of

determination, the ratio of (a) Current Assets, to (b) Current Liabilities.

"Deeds of Trust" shall mean each of the deeds of trust and any other real

estate security documents delivered by any Credit Party to Agent with respect to the Mortgaged Properties, all in form and substance satisfactory to Agent.

"Default" shall mean any event which, with the passage of time or notice or

both, would, unless cured or waived, become an Event of Default.

"Default Rate" shall have the meaning assigned to it in Section 1.5(d).

"Defaulted Receivable" shall mean any Receivable (a) with respect to which

any payment, or part thereof, remains unpaid for more than (i) 60 days after its Maturity Date or (ii) 150 days after its Billing Date, provided, however, that this clause (a) (ii) shall not apply to Winter Dating Receivables, (b) with

respect to which the Account Debtor thereunder has taken any action, or suffered any event to occur, of the type described in Sections 8.1(h) or 8.1(i) or (c)

that otherwise is determined to be uncollectible and is written off in accordance with the Credit and Collection Policies.

"Delinquent Receivable" shall mean any Receivable, other than a Defaulted

Receivable, with respect to which any payment, or part thereof, remains unpaid
for more than 30 days past its Maturity Date.

"Disbursement Accounts" shall have the meaning assigned to it on Annex C.

"Disclosure Schedules" shall mean the Schedules prepared by Borrower and

denominated as Disclosure Schedules 1.4 through 6.7 in the Index to the

Agreement.

"Documents" shall mean any "documents," as such term is defined in the

Code, now owned or hereafter acquired by any Credit Party, wherever located.

"Dollars" or "\$" shall mean lawful currency of the United States of

America.

"Domestic Subsidiary" shall mean a Subsidiary organized under the laws of

the United States of America or any State thereof.

"EBITDA" shall mean, with respect to any Person for any fiscal period, an

amount equal to

(a) consolidated net income of such Person for such period, minus

(b) the sum, without duplication, of (i) income tax credits, (ii)
interest income, (iii) gain from extraordinary items for such period, (iv)
any aggregate net gain (but not any aggregate net loss) during such period
arising from the sale, exchange or other disposition of capital assets by
such Person (including any fixed assets, whether tangible or intangible,
all inventory sold in conjunction with the disposition of fixed assets and
all securities), and (v) any other non-cash gains which have been added in
determining consolidated net income, in each case to the extent included in
the calculation of consolidated net income of such Person for such period
in accordance with GAAP, plus

(c) the sum, without duplication, of (i) any provision for income
taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such
period, (iv) the amount of non-cash charges (including depreciation and
amortization) for such period, (v) amortized debt discount for such period,
and (vi) the amount of any deduction to consolidated net income as the
result of any grant to any members of the management of such Person of any
Stock, in each case to the extent included in the calculation of
consolidated net income of such Person for such period in accordance with
GAAP.

"Effective Date" shall mean the earliest date on which the conditions set

forth in Section 2.1 are simultaneously satisfied.

"Eligible Equipment" shall have the meaning assigned to it in Section 1.19

of the Agreement.

"Eligible Inventory" shall have the meaning assigned to it in Section 1.7

of the Agreement.

"Eligible Real Estate" shall have the meaning assigned to it in Section

1.18 of the Agreement.

"Eligible Real Estate Transaction" shall mean a transaction between

Borrower and any other Person (other than an Affiliate of Borrower) which is
reasonably expected to result in a reduction in the fair market value of any
Eligible Real Estate. For purposes of this definition only, a lease which
satisfies each of the tests in Section 6.7(g) of the Agreement is presumed not

to result in a reduction of the fair market value of any Eligible Real Estate
which is the subject thereof.

"Environmental Laws" shall mean all applicable federal, state, local and

foreign laws, statutes, ordinances, codes, rules, standards and regulations, now
or hereafter in effect, and in each case as amended or supplemented from time to
time, and any applicable judicial or administrative interpretation thereof,
including any applicable judicial or administrative order, consent decree, order
or judgment, imposing liability or standards of conduct for or relating to the
regulation and protection of human health, safety, the environment and natural
resources (including ambient air, surface water, groundwater, wetlands, land
surface or subsurface strata, wildlife, aquatic species and vegetation).
Environmental Laws include the Comprehensive Environmental Response,
Compensation, and Liability Act of 1980 (42 U.S.C. (S) (S) 9601 et seq.)

("CERCLA"); the Hazardous Materials Transportation Authorization Act of 1994 (49

U.S.C. (S) (S) 5101 et seq.); the Federal Insecticide, Fungicide, and Rodenticide

Act (7 U.S.C. (S) (S) 136 et seq.); the Solid Waste Disposal Act (42 U.S.C.

(S) (S) 6901 et seq.); the Toxic Substance Control Act (15 U.S.C. (S) (S) 2601 et

seq.); the Clean Air Act (42 U.S.C. (S) (S) 7401 et seq.); the Federal Water

Pollution Control Act (33 U.S.C. (S) (S) 1251 et seq.); the Occupational Safety

and Health Act (29 U.S.C. (S) (S) 651 et seq.); and the Safe Drinking Water Act

(42 U.S.C. (S) (S) 300(f) et seq.), each as from time to time amended, and any

and all regulations promulgated thereunder, and all analogous state, local and
foreign counterparts or equivalents and any transfer of ownership notification
or approval statutes.

"Environmental Liabilities" shall mean, with respect to any Person, all

liabilities, obligations, responsibilities, response, remedial and removal
costs, investigation and feasibility study costs, capital costs, operation and
maintenance costs, losses, damages, punitive damages, property damages, natural
resource damages, consequential damages, treble damages, costs and expenses
(including all fees, disbursements and expenses of counsel, experts and
consultants), fines, penalties, sanctions and interest incurred as a result of
or related to any claim, suit, action, investigation, proceeding or demand by
any Person, whether based in contract, tort, implied or express warranty, strict
liability, criminal or civil statute or common law, including any arising

under or related to any Environmental Laws, Environmental Permits, or in connection with any Release or threatened Release or presence of a Hazardous Material whether on, at, in, under, from or about or in the vicinity of any real or personal property.

"Environmental Permits" shall mean all permits, licenses, authorizations, -----
certificates, approvals or registrations required by any Governmental Authority under any Environmental Laws.

"Equipment" shall mean all "equipment," as such term is defined in the -----
Code, now owned or hereafter acquired by any Credit Party, wherever located and, in any event, including all such Credit Party's machinery and equipment, including processing equipment, conveyors, machine tools, data processing and computer equipment with software and peripheral equipment (other than software constituting part of the Receivables), and all engineering, processing and manufacturing equipment, office machinery, furniture, materials handling equipment, tools, attachments, accessories, automotive equipment, trailers, trucks, forklifts, molds, dies, stamps, motor vehicles, rolling stock and other equipment of every kind and nature, trade fixtures and fixtures not forming a part of real property, all whether now owned or hereafter acquired, and wherever situated, together with all additions and accessions thereto, replacements therefor, all parts therefor, all substitutes for any of the foregoing, fuel therefor, and all manuals, drawings, instructions, warranties and rights with respect thereto, and all products and proceeds thereof and condemnation awards and insurance proceeds with respect thereto.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974 (or -----
any successor legislation thereto), as amended from time to time, and any regulations promulgated thereunder.

"ERISA Affiliate" shall mean, with respect to any Credit Party, any trade -----
or business (whether or not incorporated) which, together with such Credit Party, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" shall mean, with respect to any Credit Party or any ERISA -----
Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of any Credit Party or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of any Credit Party or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by any Credit Party or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within 30 days; (g) any other event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer

Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 of ERISA; (i) the loss of a Qualified Plan's qualification or tax exempt status; or (j) the termination of a Plan described in Section 4064 of ERISA.

"ESOP" shall mean a Plan which is intended to satisfy the requirements of

Section 4975(e) (7) of the IRC.

"Event of Default" shall have the meaning assigned to it in Section 8.1.

"Existing Credit Agreement" shall have the meaning assigned to it in the

recitals hereto.

"Fair Salable Balance Sheets" shall mean the balance sheets of each Credit

Party prepared in accordance with Section 3.4(c) or the proviso to the

definition of "Borrowing Base."

"Federal Funds Rate" shall mean, for any day, a floating rate equal to the

weighted average of the rates on overnight federal funds transactions among
members of the Federal Reserve System, as determined by Agent.

"Federal Reserve Board" means the Board of Governors of the Federal Reserve

System, or any successor thereto.

"Fees" shall mean any and all fees payable to Agent or any Lender pursuant

to the Agreement or any of the other Loan Documents.

"Financial Statements" shall mean the consolidated and consolidating income

statements, statements of cash flows and balance sheets of Borrower delivered in
accordance with Section 3.4 of the Agreement and Annex E to the Agreement.

"Fiscal Month" shall mean any of the monthly accounting periods of

Borrower.

"Fiscal Quarter" shall mean any of the quarterly accounting periods of

Borrower, ending on March 31, June 30, September 30 and December 31 of each
year.

"Fiscal Year" shall mean any of the annual accounting periods of Borrower

ending on December 31 of each year.

"Fixed Charges" shall mean, with respect to any Person for any fiscal

period, (a) the aggregate of all Interest Expense paid or accrued during such
period, plus (b) scheduled payments of principal with respect to Indebtedness
(including the principal component of payments with

respect to Capital Leases and the CEF Lease Facility) during such period, plus
(c) Restricted Payments described in Section 6.14(d) paid or accrued during such

period.

"Fixed Charge Coverage Ratio" shall mean, with respect to any Person for

any fiscal period, the ratio of (a) EBITDA, minus the sum of (i) Capital

Expenditures (other than Capital Expenditures financed pursuant to clause (i) or

(ii) of Section 6.3), (ii) all taxes paid or accrued during such period and

(iii) amounts payable (determined in accordance with clause (v) of Section 6.1)

during such period in connection with Permitted Acquisitions to (b) Fixed
Charges. In computing Fixed Charges for any fiscal period, interest and
principal payments that are due within one week after the end of that fiscal
period, without duplication, shall be deemed to have been paid on the last day
of that fiscal period.

"Fixtures" shall mean any "fixtures" as such term is defined in the Code,

now owned or hereafter acquired by any Credit Party.

"Funded Debt" shall mean, with respect to any Person and without

duplication, all Indebtedness for borrowed money evidenced by notes, bonds,
debentures, or similar evidences of Indebtedness and which by its terms matures
more than one year from, or is directly or indirectly renewable or extendible at
such Person's option under a revolving credit or similar agreement obligating
the lender or lenders to extend credit over a period of more than one year from
the date of creation thereof, and specifically including Capital Lease
Obligations, obligations with respect to the CEF Lease Facility, current
maturities of long-term debt, revolving credit and short-term debt extendible
beyond one year at the option of the debtor, and also including, in the case of
Borrower, the Obligations and, Guaranteed Indebtedness consisting of guaranties
of Funded Debt of other Persons.

"Funding" shall mean Bertha Funding Corporation, a corporation to be

organized and established as a wholly-owned subsidiary of Borrower.

"GAAP" shall mean generally accepted accounting principles in the United

States of America, consistently applied, as such term is further defined in
Annex H to the Agreement.

"GE Capital" shall have the meaning assigned thereto in the recitals to the

Agreement.

"GE Capital Fee Letter" shall mean that certain letter, dated as of

December 30, 1998, as amended and restated by that certain letter, dated as of
February 10, 1999, in each case between GE Capital and Borrower with respect to
certain Fees to be paid from time to time by Borrower to GE Capital.

"General Intangibles" shall mean any "general intangibles," as such term is

defined in the Code, now owned or hereafter acquired by any Credit Party, and,
in any event, including all right, title and interest which such Credit Party
may now or hereafter have in or under any Contract, all

customer lists, Licenses, Copyrights, Trademarks, Patents, and all applications therefor and reissues, extensions or renewals thereof, rights in Intellectual Property, interests in partnerships, joint ventures and other business associations, licenses, permits, copyrights, trade secrets, proprietary or confidential information, inventions (whether or not patented or patentable), technical information, procedures, designs, knowledge, know-how, software, data bases, data, skill, expertise, experience, processes, models, drawings, materials and records, goodwill (including the goodwill associated with any Trademark or Trademark License), all rights and claims in or under insurance policies (including insurance for fire, damage, loss and casualty, whether covering personal property, real property, tangible rights or intangible rights, all liability, life, key man and business interruption insurance, and all unearned premiums), uncertificated securities, choses in action, deposit, checking and other bank accounts, rights to receive tax refunds and other payments, rights of indemnification, all books and records, correspondence, credit files, invoices and other papers, including without limitation all tapes, cards, computer runs and other papers and documents in the possession or under the control of such Credit Party or any computer bureau or service company from time to time acting for such Credit Party.

"Governmental Authority" shall mean any nation or government, any state or -----
other political subdivision thereof, and any agency, department or other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GSOT" shall mean the Callaway Golf Company Grantor Stock Trust established ----
pursuant to the Trust Agreement dated as of July 14, 1995 between Borrower and Sanwa Bank California.

"Guaranteed Indebtedness" shall mean, as to any Person, any obligation of -----
such Person guaranteeing any indebtedness, lease, dividend, or other obligation ("primary obligations") of any other Person (the "primary obligor") in any -----
manner, including any obligation or arrangement of such Person (a) to purchase or repurchase any such primary obligation, (b) to advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) to indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be an amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is made and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness; or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Guaranties" shall mean, collectively, each Subsidiary Guaranty and any -----
other guaranty executed by any Guarantor in favor of Agent and Lenders in respect of the Obligations.

"Guarantors" shall mean each Credit Party, and each other Person, if any,

which executes a guarantee or other similar agreement in favor of Agent in connection with the transactions contemplated by the Agreement and the other Loan Documents.

"Hazardous Material" shall mean any substance, material or waste which is

regulated by or forms the basis of liability now or hereafter under, any Environmental Laws, including any material or substance which is (a) defined as a "solid waste," "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "pollutant," "contaminant," "hazardous constituent," "special waste," "toxic substance" or other similar term or phrase under any Environmental Laws, or (b) petroleum or any fraction or by-product thereof, asbestos, polychlorinated biphenyls (PCB's), or any radioactive substance.

"Indebtedness" of any Person shall mean without duplication (a) all

indebtedness of such Person for borrowed money or for the deferred purchase price of property payment for which is deferred six (6) months or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than six (6) months unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations and the present value (discounted at the Index Rate as in effect on the Effective Date) of future rental payments under all synthetic leases, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all Indebtedness referred to above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such Indebtedness, (i) all indebtedness created or arising under the CEF Lease Facility, (j) all indebtedness created or arising under the Receivables Documents, and (k) the Obligations.

"Indemnified Liabilities" shall have the meaning assigned to it in Section

1.13.

"Index Rate" shall mean, for any day, a floating rate equal to the higher

of (i) the rate publicly quoted from time to time by The Wall Street Journal as

the "base rate on corporate loans at large U.S. money center commercial banks" (or, if The Wall Street Journal ceases quoting a base rate of the type

described, the highest per annum rate of interest published by the Federal

Reserve Board in Federal Reserve statistical release H.15 (519) entitled "Selected Interest Rates" as the Bank prime loan rate or its equivalent), and (ii) the Federal Funds Rate plus fifty (50) basis points per annum. Each change in any interest rate provided for in the Agreement based upon the Index Rate shall take effect at the time of such change in the Index Rate.

"Index Rate Loan" shall mean a Loan or portion thereof bearing interest by

reference to the Index Rate.

"Instruments" shall mean any "instrument," as such term is defined in the

Code, now owned or hereafter acquired by any Credit Party, wherever located, and, in any event, including all certificated securities, all certificates of deposit, and all notes and other, without limitation, evidences of indebtedness, other than instruments that constitute, or are a part of a group of writings that constitute, Chattel Paper.

"Intellectual Property" shall mean any and all Licenses, Patents,

Copyrights, Trademarks, trade secrets and customer lists.

"Intercompany Notes" shall have the meaning assigned to it in Section 6.3.

"Intercreditor Agreement" shall mean the Intercreditor Agreement dated as

of February 10, 1999 among GE Capital (as Agent and as Operating Agent and Collateral Agent under the Receivables Documents), Special Purpose Corporation, Borrower, the Receivables Subsidiaries and Redwood Receivables Corporation.

"Interest Expense" shall mean, with respect to any Person for any fiscal

period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including, in any event, interest expense with respect to any Funded Debt of such Person, the interest component of any payment with respect to Capital Leases and the CEF Lease Facility, interest expense for the relevant period that has been capitalized on the balance sheet of such Person and yield or other amounts due and payable (other than upfront fees) under the Receivables Documents.

"Interest Payment Date" means (a) as to any Index Rate Loan, the first

Business Day of each month to occur while such Loan is outstanding, (b) as to any LIBOR Loan, the last day of the applicable LIBOR Period, provided that, in

addition to the foregoing, each of (x) the date upon which all of the Commitments have been terminated and the Loans have been paid in full and (y) the Commitment Termination Date shall be deemed to be an "Interest Payment Date"

with respect to any interest which is then accrued under the Agreement.

"Inventory" shall mean any "inventory," as such term is defined in the

Code, now or hereafter owned or acquired by any Credit Party, wherever located, and in any event including inventory, merchandise, goods and other personal property which are held by or on behalf of any

Credit Party for sale or lease or are furnished or are to be furnished under a contract of service, or which constitute raw materials, work in process or materials used or consumed or to be used or consumed in such Credit Party's business or in the processing, production, packaging, promotion, delivery or shipping of the same, including other supplies.

"Investment Property" shall have the meaning ascribed thereto in Section 9-

115 of the Code in those jurisdictions in which such definition has been adopted and shall include (i) all securities, whether certificated or uncertificated, including stocks, bonds, interests in limited liability companies, partnership interests, treasuries, certificates of deposit, and mutual fund shares; (ii) all securities entitlements of any Credit Party, including the rights of such Credit Party to any securities account and the financial assets held by a securities intermediary in such securities account and any free credit balance or other money owing by any securities intermediary with respect to that account; (iii) all securities accounts held by any Credit Party; (iv) all commodity contracts held by any Credit Party; and (v) all commodity accounts held by any Credit Party.

"IRC" shall mean the Internal Revenue Code of 1986, as amended, and any

successor thereto.

"IRS" shall mean the Internal Revenue Service, or any successor thereto.

"L/C Issuer" shall have the meaning assigned to such term in Annex B.

"Lenders" shall mean GE Capital, the other Lenders named on the signature

page of the Agreement, and, if any such Lender shall decide to assign all or any portion of the Obligations, such term shall include such assignee.

"Letter of Credit Fee" has the meaning ascribed thereto in Annex B.

"Letter of Credit Obligations" shall mean all outstanding obligations

incurred by Agent and Lenders at the request of Borrower, whether direct or indirect, contingent or otherwise, due or not due, in connection with the issuance of a Letter of Credit pursuant to the Master L/C Agreement, the issuance of a reimbursement agreement or guaranty by Agent or purchase of a participation as set forth in Annex B with respect to any Letter of Credit. The

amount of such Letter of Credit Obligations shall equal the maximum amount which may be payable by Agent or Lenders thereupon or pursuant thereto.

"Letters of Credit" shall mean commercial or standby letters of credit

issued for the account of Borrower by any L/C Issuer, and bankers' acceptances issued by Borrower, for which Agent and Lenders have incurred Letter of Credit Obligations.

"LIBOR Business Day" shall mean a Business Day on which banks in the city

of London are generally open for interbank or foreign exchange transactions.

"LIBOR Loan" shall mean a Loan or any portion thereof bearing interest by

reference to the LIBOR Rate.

"LIBOR Period" shall mean, with respect to any LIBOR Loan, each period

commencing on a LIBOR Business Day selected by Borrower pursuant to the
Agreement and ending one, two or three months thereafter, as selected by
Borrower's irrevocable notice to Agent as set forth in Section 1.5(e); provided

that the foregoing provision relating to LIBOR Periods is subject to the
following:

(a) if any LIBOR Period would otherwise end on a day that is not a
LIBOR Business Day, such LIBOR Period shall be extended to the next
succeeding LIBOR Business Day unless the result of such extension would be
to carry such LIBOR Period into another calendar month in which event such
LIBOR Period shall end on the immediately preceding LIBOR Business Day;

(b) any LIBOR Period that would otherwise extend beyond the Commitment
Termination Date shall end two (2) LIBOR Business Days prior to such date;

(c) any LIBOR Period pertaining to a LIBOR Loan that begins on the
last LIBOR Business Day of a calendar month (or on a day for which there
is no numerically corresponding day in the calendar month at the end of
such LIBOR Period) shall end on the last LIBOR Business Day of a calendar
month;

(d) Borrower shall select LIBOR Periods so as not to require a payment
or prepayment of any LIBOR Loan during a LIBOR Period for such Loan; and

(e) Borrower shall select LIBOR Periods so that there shall be no more
than six (6) separate LIBOR Loans in existence at any one time.

"LIBOR Rate" shall mean for each LIBOR Period, a rate of interest

determined by Agent equal to:

(a) the offered rate for deposits in United States Dollars for the
applicable LIBOR Period which appears on Telerate Page 3750 as of 11:00
a.m., London time, on the second full LIBOR Business Day next preceding
the first day of each LIBOR Period (unless such date is not a Business
Day, in which event the next succeeding Business Day will be used);
divided by

(b) a number equal to 1.0 minus the aggregate (but without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on the day which is two (2) LIBOR Business Days prior to the beginning of such LIBOR Period (including basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve system or other governmental authority having jurisdiction with respect thereto, as now and from time to time in effect) for Eurocurrency funding (currently referred to as "Eurocurrency liabilities" in Regulation D of such Board) which are required to be maintained by a member bank of the Federal Reserve System.

If such interest rates shall cease to be available from Telerate News Service, the LIBOR Rate shall be determined from such financial reporting service or other information as shall be mutually acceptable to Agent and Borrower.

"License" shall mean any Copyright License, Patent License, Trademark

License or other license of rights or interests now held or hereafter acquired by any Credit Party.

"Lien" shall mean any mortgage or deed of trust, pledge, hypothecation,

assignment, deposit arrangement, lien, charge, claim, security interest, easement or encumbrance, or preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including any lease or title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of, or agreement to give, any financing statement perfecting a security interest under the Code or comparable law of any jurisdiction).

"Litigation" shall have the meaning assigned to it in Section 3.13.

"Loan Account" shall have the meaning assigned to it in Section 1.12.

"Loan Documents" shall mean the Agreement, the Notes, the Collateral

Documents, the Intercreditor Agreement, the Master L/C Agreement and all other agreements, instruments, documents and certificates identified in the Closing Checklist executed and delivered to, or in favor of, Agent and/or Lenders and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Credit Party, or any employee of any Credit Party, and delivered to Agent or any Lender in connection with the Agreement or the transactions contemplated hereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to such Agreement as the same may be in effect at any and all times such reference becomes operative.

"Loans" shall mean the Revolving Loan and the Swing Line Loan.

"Margin Stock" shall have the meaning assigned to it in Section 3.10.

"Master L/C Agreement" shall mean that certain Master Agreement for

Documentary Letters of Credit of even date herewith between Borrower and GE
Capital.

"Material Adverse Effect" shall mean a material adverse effect on (a) the

business, assets, operations, prospects or financial or other condition of any
Credit Party, other than the effect of the dissolution of Odyssey Golf, Inc. on
the condition of Odyssey Golf, Inc., (b) Borrower's ability to pay any of the
Loans or any of the other Obligations in accordance with the terms of the
Agreement, (c) the Collateral or Agent's Liens, on behalf of itself and Lenders,
on the Collateral or the priority of such Liens, or (d) Agent's or any Lender's
rights and remedies under the Agreement and the other Loan Documents.

"Material Subsidiary" shall mean Callaway Golf Ball Company, Callaway Golf

Sales Company, Odyssey Golf, Inc., Special Purpose Corporation, Callaway Golf
Europe Ltd., Callaway (Barbados) Foreign Sales Corporation, ERC International
Company, Callaway Golf Korea Ltd., Callaway Golf Canada Ltd. and each Person
which becomes a Subsidiary of Borrower after the date of this Agreement.

"Maturity Date" shall mean, with respect to any Receivable, the due date

for payment therefor specified in the Contract therefor, or, if no date is so
specified, thirty (30) days from the Billing Date.

"Maximum Amount" shall mean, at any particular time, an amount equal to the

Revolving Loan Commitment of all Lenders.

"Mortgaged Property" shall mean one or more parcels of Real Estate

identified on Schedule 1.18 to the Agreement.

"Multiemployer Plan" shall mean a "multiemployer plan" as defined in

Section 4001(a)(3) of ERISA, and to which any Credit Party or ERISA Affiliate is
making, is obligated to make, has made or been obligated to make, contributions
on behalf of participants who are or were employed by any of them.

"Net Borrowing Availability" shall mean as of any date of determination,

the lesser of (i) the Maximum Amount and (ii) the Borrowing Base, in each case
less the sum of the Revolving Loan and Swing Line Loan then outstanding.

"Net Worth" shall mean, with respect to any Person as of any date of

determination, the book value of the assets of such Person, minus (a) reserves

applicable thereto, and minus (b) all of such Person's liabilities on a

consolidated basis (including accrued and deferred income taxes), all as
determined in accordance with GAAP.

"Non-Funding Lender" shall have the meaning assigned to it in Section

9.9(a) (ii).

"Notes" shall mean the Revolving Notes and the Swing Line Note,

collectively.

"Notice of Conversion/Continuation" shall have the meaning assigned to it

in Section 1.5(e) .

"Notice of Revolving Credit Advance" shall have the meaning assigned to it

in Section 1.1(a) .

"Obligations" shall mean all loans, advances, debts, liabilities and

obligations, for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by any Credit Party to Agent or any Lender, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising under the Agreement or any of the other Loan Documents. This term includes all principal, interest (including all interest which accrues after the commencement of any case or proceeding in bankruptcy after the insolvency of, or for the reorganization of, any Credit Party, whether or not allowed in such proceeding), Fees, Charges, expenses, attorneys' fees and any other sum chargeable to any Credit Party under the Agreement or any of the other Loan Documents.

"Other Subsidiary" shall mean each Subsidiary of Borrower which is not a

Material Subsidiary.

"Patent Security Agreements" shall mean the Patent Security Agreements made

in favor of Agent, on behalf of itself and Lenders, by each applicable Credit Party, as amended, modified or supplemented from time to time.

"Patent License" shall mean rights under any written agreement now owned or

hereafter acquired by any Credit Party granting any right with respect to any invention on which a Patent is in existence.

"Patents" shall mean all of the following in which any Credit Party now

holds or hereafter acquires any interest: (a) all letters patent of the United States or any other country, all registrations and recordings thereof, and all applications for letters patent of the United States or any other country, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any State or Territory thereof, or any other country, and (b) all reissues, continuations-in-part or extensions thereof.

"PBGC" shall mean the Pension Benefit Guaranty Corporation or any successor

thereto.

"Permitted Acquisition" shall have the meaning assigned to it in Section

6.1.

"Permitted Encumbrances" shall mean the following encumbrances: (a) Liens

for taxes or assessments or other governmental Charges not yet due and payable; (b) pledges or deposits of money securing statutory obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation (excluding Liens under ERISA); (c) pledges or deposits of money securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which any Credit Party is a party as lessee made in the ordinary course of business; (d) inchoate and unperfected workers', mechanics' or similar liens arising in the ordinary course of business, so long as such Liens attach only to Equipment, Fixtures and/or Real Estate; (e) carriers', warehousemen's, suppliers' or other similar possessory liens arising in the ordinary course of business and securing liabilities in an outstanding aggregate amount not in excess of \$100,000 at any time, so long as such Liens attach only to Inventory; (f) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which any Credit Party is a party; (g) any attachment or judgment lien not constituting an Event of Default under Section 8.1(j); (h)

zoning restrictions, easements, licenses, or other restrictions on the use of any Real Estate or other minor irregularities in title (including leasehold title) thereto, so long as the same do not materially impair the use, value, or marketability of such Real Estate; (i) presently existing or hereinafter created Liens in favor of Agent, on behalf of Lenders; (j) Liens expressly permitted under clauses (b), (c) or (f) of Section 6.7 of the Agreement; and (k) leases

and subleases of Real Estate which do not adversely affect the value thereof.

"Person" shall mean any individual, sole proprietorship, partnership, joint

venture, trust, unincorporated organization, association, corporation, limited liability company, institution, public benefit corporation, other entity or government (whether federal, state, county, city, municipal, local, foreign, or otherwise, including any instrumentality, division, agency, body or department thereof).

"Plan" shall mean, at any time, an employee benefit plan, as defined in

Section 3(3) of ERISA, which any Credit Party maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any Credit Party.

"Pledge Agreements" shall mean the Borrower Pledge Agreement, the Callaway

Golf Sales Company Pledge Agreement and any other pledge agreement entered into after the Effective Date by any Credit Party (as required by the Agreement or any other Loan Document).

"Prior Lender" shall mean the Lenders under (and as defined in) the Prior

Loan Agreement.

"Prior Lender Obligations" shall mean the Obligations under (and as defined

in) the Prior Loan Agreement.

"Prior Loan Agreement" shall mean the Revolving Loan Agreement dated as of

February 4, 1998 (together with such written amendments, modifications and supplements thereto as are provided to Agent prior to the Closing Date) among Borrower, the financial institutions party thereto and Wells Fargo Bank, National Association, as administrative agent.

"Proceeds" shall mean "proceeds," as such term is defined in the Code and,

in any event, shall include (a) any and all proceeds of any insurance, indemnity, warranty or guaranty payable to any Credit Party from time to time with respect to any of the Collateral, (b) any and all payments (in any form whatsoever) made or due and payable to any Credit Party from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any Governmental Authority (or any Person acting under color of governmental authority), (c) any claim of any Credit Party against third parties (i) for past, present or future infringement of any Patent or Patent License, or (ii) for past, present or future infringement or dilution of any Copyright, Copyright License, Trademark or Trademark License, or for injury to the goodwill associated with any Trademark or Trademark License, (d) any recoveries by any Credit Party against third parties with respect to any litigation or dispute concerning any of the Collateral, and (e) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral, upon disposition or otherwise.

"Projections" means Borrower's forecasted consolidated: (a) balance sheets;

(b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, prepared on a basis consistent with the historical Financial Statements of Borrower, together with appropriate supporting details and a statement of underlying assumptions.

"Pro Rata Share" shall mean with respect to all matters relating to any

Lender, the percentage obtained by dividing (i) the Revolving Loan Commitment (including the Swing Line Commitment as a subset of the Swing Line Lender's Revolving Loan Commitment), by (ii) the aggregate Revolving Loan Commitments.

"Public Offering" shall mean a firm underwritten public offering of common

stock registered on form S-1, S-2 or S-3 under the Securities Act of 1933, as amended, by a nationally recognized investment banking firm and after giving effect to which the issuer shall be qualified for listing or quotation on the NASDAQ National Market, the American Stock Exchange or the New York Stock Exchange.

"Qualified Plan" shall mean a Plan which is intended to be tax-qualified

under Section 401(a) of the IRC.

"Qualifying Winter Dating Account Debtor" shall mean, for any year, any

Account Debtor with respect to which, (a) no payment, or part thereof, with respect to any Receivables of such Account Debtor originated during the previous year remained unpaid for more than 30 days past its Maturity Date, or (b) no payment, or part thereof, with respect to any Receivables of such

Account Debtor remained unpaid for more than 30 days past its Maturity Date during the one (1) year period prior to the placement of a Winter Dating Order by such Account Debtor in such year.

"Real Estate" shall have the meaning assigned to it in Section 3.6.

"Receivable" shall mean, with respect to any Person:

(a) indebtedness of such Person (whether constituting an account, Chattel Paper, Document, Instrument or General Intangible) arising from the provision of merchandise, goods or services by a Credit Party to such Person, including the right to payment of any interest or finance charges and other obligations of such Person with respect thereto;

(b) all Liens and property subject thereto from time to time securing or purporting to secure any such indebtedness of such Person;

(c) all guaranties, indemnities and warranties, insurance policies, financing statements and other agreements or arrangements of whatever character from time to time supporting or securing payment of any such indebtedness;

(d) all Collections with respect to any of the foregoing;

(e) all Records with respect to any of the foregoing; and

(f) all proceeds with respect to any of the foregoing.

"Receivables Documents" shall mean (i) the Receivables Purchase Agreement;

(ii) the Transfer Agreement, dated as of February 10, 1999, between Special Purpose Corporation and Callaway Golf Sales Company, (iii) the Transfer Agreement dated as of February 10, 1999 between Odyssey Golf, Inc. and Callaway Golf Sales Company and (iv) the other Related Documents (as defined in the Receivables Purchase Agreement), in each case as the same may from time to time be supplemented, modified, amended, restated or extended.

"Receivables Facility" shall mean the transactions contemplated by the

Receivables Documents.

"Receivables Program Assets" shall mean (a) all Receivables which are

described as being transferred by a Receivables Subsidiary pursuant to the Receivables Documents and (b) all Receivables Related Assets related to such Receivables.

"Receivables Purchase Agreement" shall mean the Receivables Purchase and

Servicing Agreement, dated as of February 10, 1999, among Special Purpose Corporation, Redwood

Receivables Corporation, Borrower, and GE Capital, as supplemented, modified, amended, restated or extended from time to time.

"Receivables Related Assets" shall mean (a) any rights arising under the -----
documentation governing or relating to Receivables (including rights in respect -----
of Liens securing such Receivables and other credit support in respect of such Receivables), (b) any proceeds of any Receivables and any lockboxes or accounts in which such proceeds are deposited, (c) spread accounts and other similar accounts (and any amounts on deposit therein) established in connection with the Receivables Documents, (d) any warranty, indemnity, dilution and other intercompany claim arising out of Receivables Documents and (e) other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable.

"Receivables Subsidiary" shall mean one or more (as applicable) of Callaway -----
Golf Sales Company, Odyssey Golf, Inc. or any other Subsidiary of Borrower which transfers its Receivables Program Assets pursuant to the Receivables Documents.

"Records" shall mean all Contracts and other documents, books, records and -----
other information (including computer programs, tapes, disks, data processing software and related property and rights) prepared and maintained by Borrower or any other Credit Party with respect to the Receivables and the Account Debtors thereunder.

"Refinancing" shall mean the repayment in full by Borrower of the Prior -----
Lender Obligations (other than obligations with respect to letters of credit) on the Closing Date.

"Refunded Swing Line Loan" shall have the meaning assigned to it in Section -----
1.1(b) (iii).

"Reincorporation Merger" shall mean the merger of Borrower with and into a -----
Delaware corporation solely for the purpose of reincorporating Borrower as a Delaware corporation..

"Release" shall mean any release, threatened release, spill, emission, -----
leaking, pumping, pouring, emitting, emptying, escape, injection, deposit, disposal, discharge, dispersal, dumping, leaching or migration of Hazardous Material in the indoor or outdoor environment, including the movement of Hazardous Material through or in the air, soil, surface water, ground water or property.

"Requisite Lenders" shall mean (a) Lenders having more than sixty-six and -----
two-thirds percent (66 2/3%) of the Commitments of all Lenders, or (b) if the Commitments have been terminated, more than sixty-six and two-thirds percent (66 2/3%) of the aggregate outstanding amount of the Loans.

"Reserves" shall mean, with respect to the Borrowing Base of Borrower (a)

reserves established by Agent from time to time against Eligible Inventory or
Eligible Equipment pursuant to Section 5.9, (b) reserves established pursuant to

Section 5.4(c), and (c) such other reserves against Eligible Inventory, Eligible

Equipment or Borrowing Availability of Borrower which Agent may, in its
reasonable judgment, establish from time to time. Without limiting the
generality of the foregoing, Reserves established to ensure the payment of
accrued Interest Expenses or Indebtedness shall be deemed to be a reasonable
exercise of Agent's credit judgment.

"Restricted Payment" shall mean (a) the declaration or payment of any

dividend or the incurrence of any liability to make any other payment or
distribution of cash or other property or assets in respect of a Person's Stock,
(b) any payment on account of the purchase, redemption, defeasance, sinking fund
or other retirement of a Person's Stock or any other payment or distribution
made in respect thereof, either directly or indirectly, (c) any payment or
prepayment of principal of, premium, if any, or interest, fees or other charges
on or with respect to, and any redemption, purchase, retirement, defeasance,
sinking fund or similar payment and any claim for rescission with respect to,
any Subordinated Debt (other than as permitted by Section 6.13); (d) any payment

made to redeem, purchase, repurchase or retire, or to obtain the surrender of,
any outstanding warrants, options or other rights to acquire Stock of such
Person now or hereafter outstanding; (e) any payment of a claim for the
rescission of the purchase or sale of, or for material damages arising from the
purchase or sale of, any shares of such Person's Stock or of a claim for
reimbursement, indemnification or contribution arising out of or related to any
such claim for damages or rescission; (f) any payment, loan, contribution, or
other transfer of funds or other property to any Stockholder of such Person
other than payment of compensation in the ordinary course to stockholders who
are employees of such Person; and (g) any payment of management fees (or other
fees of a similar nature) by such Person to any Stockholder of such Person or
their Affiliates.

"Retiree Welfare Plan" shall mean, at any time, a Plan that is a "welfare

plan" as defined in Section 3(2) of ERISA, that provides for continuing coverage
or benefits for any participant or any beneficiary of a participant after such
participant's termination of employment, other than continuation coverage
provided pursuant to Section 4980B of the IRC and at the sole expense of the
participant or the beneficiary of the participant.

"Revolving Credit Advance" shall have the meaning assigned to it in Section

1.1(a) (i).

"Revolving Lenders" shall mean, as of any date of determination, Lenders

having a Revolving Loan Commitment.

"Revolving Loan" shall mean, at any time, the sum of (i) the aggregate

amount of Revolving Credit Advances outstanding to Borrower plus (ii) the

aggregate Letter of Credit Obligations incurred on behalf of Borrower. Unless
the context otherwise requires, references to the outstanding principal balance
of the Revolving Loan shall include the outstanding balance of

Letter of Credit Obligations (without duplication of deemed Revolving Credit Advances resulting from payment on or pursuant to Letter of Credit Obligations pursuant to paragraph (b) (i) of Annex B).

"Revolving Loan Commitment" shall mean (a) as to any Revolving Lender, the

aggregate commitment of such Revolving Lender to make Revolving Credit Advances (including without duplication Swing Line Advances as a subset of the Swing Line Lender's Revolving Loan Commitment) and/or incur Letter of Credit Obligations as set forth on Annex K to the Agreement or in the most recent Assignment Agreement

executed by such Revolving Lender and (b) as to all Revolving Lenders, the aggregate commitment of all Revolving Lenders to make Revolving Credit Advances (including without duplication Swing Line Advances as a subset of the Swing Line Lender's Revolving Loan Commitment) and/or incur Letter of Credit Obligations, which aggregate commitment shall be One Hundred and Twenty Million Dollars (\$120,000,000) on the Effective Date, as such amount may be adjusted, if at all, from time to time in accordance with the Agreement.

"Revolving Note" shall have the meaning assigned to it in Section

1.1(a) (ii).

"Solvent" shall mean, with respect to any Person on a particular date,

that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay as such debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as litigation, guarantees and pension plan liabilities) at any time shall be computed as the amount which, in light of all the facts and circumstances existing at the time, represents the amount which can be reasonably be expected to become an actual or matured liability.

"Special Purpose Corporation" shall mean Golf Funding Corporation, a

Delaware corporation.

"Stock" shall mean all shares, options, warrants, general or limited

partnership interests or other equivalents (regardless of how designated) of or in a corporation, partnership or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended).

"Subordinated Debt" shall mean any Indebtedness of any Credit Party

subordinated to the Obligations in a manner and form satisfactory to Agent and Lenders in their sole discretion, as to right and time of payment and as to any other rights and remedies thereunder.

"Subsidiaries Security Agreement" shall mean the Security Agreement dated

as of the Closing Date entered into among Agent, on behalf of itself and Lenders, and each Credit Party that is a signatory thereto, as amended by that certain Amendment to Security Agreement dated as of the Effective Date entered into among Agent, on behalf of itself and Lenders, and each Credit Party that is a signatory thereto.

"Subsidiary" shall mean, with respect to any Person, (a) any corporation of

which an aggregate of more than fifty percent (50%) of the outstanding Stock having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether, at the time, Stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned legally or beneficially by such Person and/or one or more Subsidiaries of such Person, or with respect to which any such Person has the right to vote or designate the vote of fifty percent (50%) or more of such Stock whether by proxy, agreement, operation of law or otherwise, and (b) any partnership or limited liability company in which such Person and/or one or more Subsidiaries of such Person shall have an interest (whether in the form of voting or participation in profits or capital contribution) of more than fifty percent (50%) or of which any such Person is a general partner or may exercise the powers of a general partner.

"Subsidiary Guaranty" shall mean the Subsidiary Guaranty of even date

herewith executed by each Credit Party (other than Borrower) in favor of Agent, on behalf of itself and Lenders.

"Supermajority Revolving Lenders" shall mean (a) Lenders having eighty

percent (80%) or more of the Revolving Loan Commitments of all Lenders, or (b) if the Revolving Loan Commitments have been terminated, eighty percent (80%) or more of the aggregate outstanding amount of the Revolving Loan (with the Swing Line Loan being attributed to the Lender making such Loan) and Letter of Credit Obligations.

"Swing Line Advance" has the meaning assigned to it in Section 1.1(b) (i).

"Swing Line Availability" has the meaning assigned to it in Section

1.1(b) (i).

"Swing Line Commitment" shall mean, as to the Swing Line Lender, the

commitment of the Swing Line Lender to make Swing Line Loans as set forth on Annex K to the Agreement, which commitment constitutes a subfacility of the

Revolving Loan Commitment of the Swing Line Lender.

"Swing Line Lender" shall mean GE Capital.

"Swing Line Loan" shall mean at any time, the aggregate amount of Swing

Line Advances outstanding to Borrower.

"Swing Line Note" has the meaning assigned to it in Section 1.1(b)(ii).

"Tangible Net Worth" shall mean, with respect to any Person at any date,

the Net Worth of such Person at such date, excluding, however, from the

determination of the total assets at such date, (a) all goodwill, capitalized
organizational expenses, capitalized research and development expenses,
trademarks, trade names, copyrights, patents, patent applications, licenses and
rights in any thereof, and other intangible items, (b) all unamortized debt
discount and expense, (c) treasury Stock, and (d) any write-up in the book value
of any asset resulting from a revaluation thereof.

"Target" shall have the meaning assigned to it in Section 6.1.

"Taxes" shall mean taxes, levies, imposts, deductions, Charges or

withholdings, and all liabilities with respect thereto, excluding taxes imposed
on or measured by the net income of Agent or a Lender by the jurisdictions under
the laws of which Agent and Lenders are organized or any political subdivision
thereof.

"Termination Date" shall mean the date on which the Loans have been

indefeasibly repaid in full and all other Obligations under the Agreement and
the other Loan Documents have been completely discharged and Letter of Credit
Obligations have been cash collateralized, cancelled or backed by stand-by
letters of credit in accordance with Annex B, and Borrower shall not have any

further right to borrow any monies under the Agreement.

"Third Party Interactives" shall mean all Persons with whom any Credit

Party exchanges data electronically in the ordinary course of business,
including, without limitation, customers, suppliers, third-party vendors,
subcontractors, processors-converters, shippers and warehousemen.

"Title IV Plan" shall mean an employee pension benefit plan, as defined in

Section 3 (2) of ERISA (other than a Multiemployer Plan), which is covered by
Title IV of ERISA, and which any Credit Party or ERISA Affiliate maintains,
contributes to or has an obligation to contribute to on behalf of participants
who are or were employed by any of them.

"Trademark Security Agreements" shall mean the Trademark Security

Agreements made in favor of Agent, on behalf of itself and Lenders, by each
applicable Credit Party, as amended, modified or supplemented from time to time.

"Trademark License" shall mean rights under any written agreement now owned

or hereafter acquired by any Credit Party granting any right to use any
Trademark.

"Trademarks" shall mean all of the following now owned or hereafter

acquired by any Credit Party: (a) all trademarks, trade names, corporate names, business names, trade styles, service marks, logos, other source or business identifiers, prints and labels on which any of the foregoing have appeared or appear, designs and general intangibles of like nature (whether registered or unregistered), now owned or existing or hereafter adopted or acquired, all registrations and recordings thereof, and all applications in connection therewith, including registrations, recordings and applications in the United States Patent and Trademark Office or in any similar office or agency of the United States, any state or territory thereof, or any other country or any political subdivision thereof; (b) all reissues, extensions or renewals thereof; and (c) all goodwill associated with or symbolized by any of the foregoing.

"Unfunded Pension Liability" shall mean, at any time, the aggregate amount,

if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five (5) years following a transaction which might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by any Credit Party or any ERISA Affiliate as a result of such transaction.

"Year 2000 Assessment" shall mean a comprehensive written assessment of the

nature and extent of each Credit Party's material Year 2000 Problems and Year 2000 Date-Sensitive Systems/Components, including, without limitation, Year 2000 Problems regarding data exchanges with Third Party Interactives.

"Year 2000 Corrective Actions" shall mean, as to each Credit Party, all

actions necessary to eliminate such Person's material Year 2000 Problems, including, without limitation, computer code enhancements and revisions, upgrades and replacements of Year 2000 Date-Sensitive Systems/Components, and coordination of such enhancements, revisions, upgrades and replacements with Third Party Interactives.

"Year 2000 Corrective Plan" shall mean, with respect to each Credit Party,

a comprehensive plan to eliminate all of its material Year 2000 Problems on or before September 30, 1999, including without limitation (i) computer code enhancements or revisions, (ii) upgrades or replacements of Year 2000 Date-Sensitive Systems/Components, (iii) test and validation procedures, (iv) an implementation time line and budget and (v) designation of specific employees who will be responsible for planning, coordinating and implementing each phase or subpart of the Year 2000 Corrective Plan.

"Year 2000 Date-Sensitive System/Component" shall mean, as to any Person,

any system software, network software, applications software, data base, computer file, embedded microchip, firmware or hardware that accepts, creates, manipulates, sorts, sequences, calculates, compares or

outputs calendar-related data accurately; such systems and components shall include, without limitation, mainframe computers, file server/client systems, computer workstations, routers, hubs, other network-related hardware, and other computer-related software, firmware or hardware and information processing and delivery systems of any kind and telecommunications systems and other communications processors, security systems, alarms, elevators and HVAC systems.

"Year 2000 Implementation Testing" shall mean, as to each Credit Party, (i)

the performance of test and validation procedures regarding Year 2000 Corrective Actions on a unit basis and on a systemwide basis; (ii) the performance of test and validation procedures regarding data exchanges among the Credit Parties' material Year 2000 Date-Sensitive Systems/Components and data exchanges with Third Party Interactives, and (iii) the design and implementation of additional Corrective Actions, the need for which has been demonstrated by test and validation procedures.

"Year 2000 Problems" shall mean, with respect to each Credit Party,

limitations on the capacity or readiness of any such Credit Party's Year 2000 Date-Sensitive Systems/Components to accurately accept, create, manipulate, sort, sequence, calculate, compare or output calendar date information with respect to calendar year 1999 or any subsequent calendar year beginning on or after January 1, 2000 (including leap year computations), including, without limitation, exchanges of information among Year 2000 Date-Sensitive Systems/Components of the Credit Parties and exchanges of information among the Credit Parties and Year 2000 Date-Sensitive Systems/Components of Third Party Interactives and functionality of peripheral interfaces, firmware and embedded microchips.

All other undefined terms contained in any of the Loan Documents shall, unless the context indicates otherwise, have the meanings provided for by the Code as in effect in the State of New York to the extent the same are used or defined therein. Unless otherwise specified, references in the Agreement or any of the Appendices to a Section, subsection or clause refer to such Section, subsection or clause as contained in the Agreement. The words "herein," "hereof" and "hereunder" and other words of similar import refer to the Agreement as a whole, including all Annexes, Exhibits and Schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in the Agreement or any such Annex, Exhibit or Schedule.

Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Loan Documents) or, in the case of governmental Persons, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations.

Whenever any provision in any Loan Document refers to the knowledge (or an analogous phrase) of any Credit Party, such words are intended to signify that such Credit Party has actual knowledge or awareness of a particular fact or circumstance or that such Credit Party, if it had exercised reasonable diligence, would have known or been aware of such fact or circumstance.

ANNEX B (SECTION 1.2)

TO
CREDIT AGREEMENT

LETTERS OF CREDIT

(a) Issuance. Subject to the terms and conditions of the Agreement, Agent

and Revolving Lenders agree to incur, from time to time prior to the Commitment Termination Date, upon the request of Borrower and for Borrower's account, Letter of Credit Obligations by causing Letters of Credit to be issued (by a bank or other legally authorized Person selected by or acceptable to Agent in its sole discretion (each, an "L/C Issuer")) for Borrower's account and

guaranteed by Agent; provided, however, that if the L/C Issuer is a Revolving

Lender, then such Letters of Credit shall not be guaranteed by Agent but rather each Revolving Lender shall, subject to the terms and conditions hereinafter set forth, purchase (or be deemed to have purchased) risk participations in all such Letters of Credit issued with the written consent of Agent, as more fully described in paragraph (b)(ii) below. The aggregate amount of all such Letter of Credit Obligations shall not at any time exceed the least of (i) Ten Million Dollars (\$10,000,000) (the "L/C Sublimit"), and (ii) the Maximum Amount less the

aggregate outstanding principal balance of the Revolving Credit Advances and the Swing Line Loan, and (iii) the Borrowing Base less the aggregate outstanding

principal balance of the Revolving Credit Advances and the Swing Line Loan. No such Letter of Credit shall have an expiry date which is more than one year following the date of issuance thereof, and neither Agent nor Revolving Lenders shall be under any obligation to incur Letter of Credit Obligations in respect of, or purchase risk participations in, any Letter of Credit having an expiry date which is later than the Commitment Termination Date.

(b)(i) Advances Automatic; Participations. In the event that Agent or any

Revolving Lender shall make any payment on or pursuant to any Letter of Credit Obligation, such payment shall then be deemed automatically to constitute a Revolving Credit Advance under Section 1.1(a) of the Agreement regardless of

whether a Default or Event of Default shall have occurred and be continuing and notwithstanding Borrower's failure to satisfy the conditions precedent set forth in Section 2, and each Revolving Lender shall be obligated to pay its Pro Rata

Share thereof in accordance with the Agreement. The failure of any Revolving Lender to make available to Agent for Agent's own account its Pro Rata Share of any such Revolving Credit Advance or payment by Agent under or in respect of a Letter of Credit shall not relieve any other Revolving Lender of its obligation hereunder to make available to Agent its Pro Rata Share thereof, but no Revolving Lender shall be responsible for the failure of any other Revolving Lender to make available such other Revolving Lender's Pro Rata Share of any such payment.

(ii) If it shall be illegal or unlawful for Borrower to incur Revolving Credit Advances as contemplated by paragraph (b)(i) above because of an Event of Default described in Section 8.1(h) or (i) or otherwise or if it

shall be illegal or unlawful for any Revolving Lender to be deemed to have assumed a ratable share of the reimbursement obligations owed to an L/C

Issuer, or if the L/C Issuer is a Revolving Lender, then (i) immediately and without further action whatsoever, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation equal to such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations in respect of all Letters of Credit then outstanding and (ii) thereafter, immediately upon issuance of any Letter of Credit, each Revolving Lender shall be deemed to have irrevocably and unconditionally purchased from Agent (or such L/C Issuer, as the case may be) an undivided interest and participation in such Revolving Lender's Pro Rata Share (based on the Revolving Loan Commitments) of the Letter of Credit Obligations with respect to such Letter of Credit on the date of such issuance. Each Revolving Lender shall fund its participation in all payments or disbursements made under the Letters of Credit in the same manner as provided in the Agreement with respect to Revolving Credit Advances.

(c) Cash Collateral. If Borrower is required to provide cash collateral

for any Letter of Credit Obligations pursuant to the Agreement prior to the Commitment Termination Date, Borrower will pay to Agent for the benefit of Revolving Lenders cash or cash equivalents acceptable to Agent ("Cash Equivalents") in an amount equal to 105% of the maximum amount then available to -----
be drawn under each applicable Letter of Credit outstanding. Such funds or Cash Equivalents shall be held by Agent in a cash collateral account (the "Cash Collateral Account") maintained at a bank or financial institution acceptable to -----
Agent. The Cash Collateral Account shall be in the name of Borrower and shall be pledged to, and subject to the control of, Agent, for the benefit of Agent and Lenders, in a manner satisfactory to Agent. Borrower hereby pledges and grants to Agent, on behalf of Lenders, a security interest in all such funds and Cash Equivalents held in the Cash Collateral Account from time to time and all proceeds thereof, as security for the payment of all amounts due in respect of the Letter of Credit Obligations and other Obligations, whether or not then due. The Agreement, including this Annex B, shall constitute a security agreement -----
under applicable law.

If any Letter of Credit Obligations, whether or not then due and payable, shall for any reason be outstanding on the Commitment Termination Date, Borrower shall either (i) provide cash collateral therefor in the manner described above, or (ii) cause all such Letters of Credit and guaranties thereof to be canceled and returned, or (iii) deliver a stand-by letter (or letters) of credit in guarantee of such Letter of Credit Obligations, which stand-by letter (or letters) of credit shall be of like tenor and duration (plus thirty (30) additional days) as, and in an amount equal to 105% of the aggregate maximum amount then available to be drawn under, the Letters of Credit to which such outstanding Letter of Credit Obligations relate and shall be issued by a Person, and shall be subject to such terms and conditions, as shall be satisfactory to Agent in its sole discretion.

From time to time after funds are deposited in the Cash Collateral Account by Borrower, whether before or after the Commitment Termination Date, Agent may apply such funds or Cash Equivalents then held in the Cash Collateral Account to the payment of any amounts, in such

order as Agent may elect, as shall be or shall become due and payable by Borrower to Lenders with respect to such Letter of Credit Obligations of Borrower and, upon the satisfaction in full of all Letter of Credit Obligations of Borrower, to any other Obligations then due and payable.

Neither Borrower nor any Person claiming on behalf of or through Borrower shall have any right to withdraw any of the funds or Cash Equivalents held in the Cash Collateral Account, except that upon the termination of all Letter of Credit Obligations and the payment of all amounts payable by Borrower to Lenders in respect thereof, any funds remaining in the Cash Collateral Account shall be applied to other Obligations when due and owing and upon payment in full of such Obligations, any remaining amount shall be paid to Borrower or as otherwise required by law.

(d) Fees and Expenses. Borrower agrees to pay to Agent for the benefit of

Revolving Lenders, as compensation to such Lenders for Letter of Credit Obligations incurred hereunder, (x) all costs and expenses incurred by Agent or any Lender on account of such Letter of Credit Obligations, and (y) for each month during which any Letter of Credit Obligation shall remain outstanding, a fee (the "Letter of Credit Fee") in an amount equal to the Applicable L/C Margin

from time to time in effect multiplied by the maximum amount available from time to time to be drawn under the applicable Letter of Credit. Such fee shall be paid to Agent for the benefit of the Revolving Lenders in arrears, on the first day of each month. In addition, Borrower shall pay to any L/C Issuer, on demand, such fees (including all per annum fees), charges and expenses of such L/C Issuer in respect of the issuance, negotiation, acceptance, amendment, transfer and payment of such Letter of Credit or otherwise payable pursuant to the application and related documentation under which such Letter of Credit is issued.

(e) Request for Incurrence of Letter of Credit Obligations. Borrower shall

give Agent at least two (2) Business Days prior written notice requesting the incurrence of any Letter of Credit Obligation, specifying the date such Letter of Credit Obligation is to be incurred, identifying the beneficiary to which such Letter of Credit Obligation relates and describing the nature of the transactions proposed to be supported thereby. In the case of Letters of Credit to be issued pursuant to a reimbursement agreement, the notice shall be accompanied by the form of the Letter of Credit (which shall be acceptable to the L/C Issuer) to be guaranteed and, to the extent not previously delivered to Agent, copies of all agreements between Borrower and the L/C Issuer pertaining to the issuance of Letters of Credit. In the case of Letters of Credit issued pursuant to the Master L/C Agreement, the notice shall be in the form, and accompanied by such documentation, as is required thereby. Notwithstanding anything contained herein to the contrary, Letter of Credit applications by Borrower and approvals by Agent and the L/C Issuer may be made and transmitted pursuant to electronic codes and security measures mutually agreed upon and established by and among Borrower, Agent and the L/C Issuer.

(f) Obligation Absolute. The obligation of Borrower to reimburse Agent and

Revolving Lenders for payments made with respect to any Letter of Credit Obligation shall be

absolute, unconditional and irrevocable, without necessity of presentment, demand, protest or other formalities, and the obligations of each Revolving Lender to make payments to Agent with respect to Letters of Credit shall be unconditional and irrevocable. Such obligations of Borrower and Revolving Lenders shall be paid strictly in accordance with the terms hereof under all circumstances including the following circumstances:

(i) any lack of validity or enforceability of any Letter of Credit or the Agreement or the other Loan Documents or any other agreement;

(ii) the existence of any claim, set-off, defense or other right which Borrower or any of its Affiliates or any Lender may at any time have against a beneficiary or any transferee of any Letter of Credit (or any Persons or entities for whom any such transferee may be acting), Agent, any Lender, or any other Person, whether in connection with the Agreement, the Letter of Credit, the transactions contemplated herein or therein or any unrelated transaction (including any underlying transaction between Borrower or any of its Affiliates and the beneficiary for which the Letter of Credit was procured);

(iii) any draft, demand, certificate or any other document presented under any Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(iv) payment by Agent (except as otherwise expressly provided in paragraph (g) (ii) (C) below) or any L/C Issuer under any Letter of Credit or guaranty thereof against presentation of a demand, draft or certificate or other document which does not comply with the terms of such Letter of Credit or such guaranty;

(v) any other circumstance or happening whatsoever, which is similar to any of the foregoing; or

(vi) the fact that a Default or an Event of Default shall have occurred and be continuing.

(g) Indemnification; Nature of Lenders' Duties. (i) In addition to amounts

payable as elsewhere provided in the Agreement, Borrower hereby agrees to pay and to protect, indemnify, and save harmless Agent and each Lender from and against any and all claims, demands, liabilities, damages, losses, costs, charges and expenses (including attorneys' fees and allocated costs of internal counsel) which Agent or any Lender may incur or be subject to as a consequence, direct or indirect, of (A) the issuance of any Letter of Credit or guaranty thereof, or (B) the failure of Agent or any Lender seeking indemnification or of any L/C Issuer to honor a demand for payment under any Letter of Credit or guaranty thereof as a result of any act or omission, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority,

in each case other than to the extent solely as a result of the gross negligence or willful misconduct of Agent or such Lender (as finally determined by a court of competent jurisdiction).

(ii) As between Agent and any Lender and Borrower, Borrower assumes all risks of the acts and omissions of, or misuse of any Letter of Credit by beneficiaries of any Letter of Credit. In furtherance and not in limitation of the foregoing, to the fullest extent permitted by law neither Agent nor any Lender shall be responsible: (A) for the form, validity, sufficiency, accuracy, genuineness or legal effect of any document issued by any party in connection with the application for and issuance of any Letter of Credit, even if it should in fact prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged; (B) for the validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign any Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (C) for failure of the beneficiary of any Letter of Credit to comply fully with conditions required in order to demand payment under such Letter of Credit; provided that, in the case of any payment by Agent under any Letter of Credit or

guaranty thereof, Agent shall be liable to the extent such payment was made solely as a result of its gross negligence or willful misconduct (as finally determined by a court of competent jurisdiction) in determining that the demand for payment under such Letter of Credit or guaranty thereof complies on its face with any applicable requirements for a demand for payment under such Letter of Credit or guaranty thereof; (D) for errors, omissions, interruptions or delays in transmission or delivery of any messages, by mail, cable, telegraph, telex or otherwise, whether or not they be in cipher; (E) for errors in interpretation of technical terms; (F) for any loss or delay in the transmission or otherwise of any document required in order to make a payment under any Letter of Credit or guaranty thereof or of the proceeds thereof; (G) for the credit of the proceeds of any drawing under any Letter of Credit or guaranty thereof; and (H) for any consequences arising from causes beyond the control of Agent or any Lender. None of the above shall affect, impair, or prevent the vesting of any of Agent's or any Lender's rights or powers hereunder or under the Agreement.

(iii) Nothing contained herein shall be deemed to limit or to expand any waivers, covenants or indemnities made by Borrower in favor of any L/C Issuer the Master L/C Agreement or in any letter of credit application, reimbursement agreement or similar document, instrument or agreement between Borrower and such L/C Issuer.

ANNEX C (SECTION 1.8)

TO
CREDIT AGREEMENT

CASH MANAGEMENT SYSTEMS

Until transfer to Agent of the Blocked Accounts and Collection Account in accordance with (and as defined in) the Intercreditor Agreement (the date of such transfer being referred to herein as the "Transfer Date"), Borrower and

each other Credit Party shall comply with the requirements of the Cash Management System described in the Receivables Documents. In addition, Borrower and each other Credit Party shall establish and maintain the Cash Management Systems described below (each reference to "Borrower" in this Annex C shall,

unless otherwise specified also be deemed to be a reference to each other Credit Party):

(a) On or before the Transfer Date and until the Termination Date, Borrower shall deposit and cause the Credit Parties to deposit or cause to be deposited promptly, and in any event no later than the first Business Day after the date of receipt thereof, all cash, checks, drafts or other similar items of payment relating to or constituting payments made in respect of any and all Collateral (other than, prior to the Transfer Date, Purchased Property, as defined on the Intercreditor Agreement) into bank accounts in Borrower's name or any such Subsidiary's name (collectively, the "Borrower Accounts") at banks set

forth on Disclosure Schedule (3.19) (each, a "Relationship Bank").

(b) On or before the Effective Date (or such later date as Agent shall consent to in writing), each Relationship Bank shall have entered into tri-party blocked account agreements with Agent, for the benefit of itself and Lenders, and Borrower and Subsidiaries thereof, as applicable, in form and substance acceptable to Agent, which shall become operative on or prior to the Effective Date. Each such blocked account agreement shall provide, among other things, that (i) all items of payment deposited in such account and proceeds thereof are held by such bank as agent or bailee-in-possession for Agent, on behalf of Lenders, (ii) the bank executing such agreement has no rights of setoff or recoupment or any other claim against such account, as the case may be, other than for payment of its service fees and other charges directly related to the administration of such account and for returned checks or other items of payment, and (iii) from and after the Effective Date with respect to banks at which a Borrower Account is located, such bank agrees to forward immediately all amounts in each Borrower Account to the Agent Account and to commence the process of daily sweeps from such Borrower Account into the Agent Account. From and after the Effective Date, Borrower shall not, and shall not cause or permit any Subsidiary thereof to, accumulate or maintain cash in disbursement or payroll accounts as of any date of determination in excess of checks outstanding against such accounts as of that date and amounts necessary to meet minimum balance requirements.

(c) So long as no Default or Event of Default has occurred and is continuing, Borrower may amend Disclosure Schedule (3.19) to add or replace a Relationship Bank or Borrower Account or to replace any Concentration Account or any Disbursement Account; provided, however, that (i) Agent shall have consented in writing in advance to the opening of such account with the relevant bank and (ii) prior to the time of the opening of such account, Borrower and/or the Subsidiaries thereof, as applicable, and such bank shall have executed and delivered to Agent a tri-party blocked account agreement, in form and substance satisfactory to Agent. Borrower shall close any of its accounts (and establish replacement accounts in accordance with the foregoing sentence) promptly and in any event within thirty (30) days of notice from Agent that the creditworthiness of any bank holding an account is no longer acceptable in Agent's reasonable judgment, or as promptly as practicable and in any event within sixty (60) days of notice from Agent that the operating performance, funds transfer and/or availability procedures or performance with respect to accounts or lockboxes of the bank holding such accounts or Agent's liability under any tri-party blocked account agreement with such bank is no longer acceptable in Agent's reasonable judgment.

(d) The Borrower Accounts and the Disbursement Accounts shall be cash collateral accounts, with all cash, checks and other similar items of payment in such accounts securing payment of the Loans and all other Obligations, and in which Borrower and each Subsidiary thereof shall have granted a Lien to Agent, on behalf of itself and Lenders, pursuant to the Borrower Security Agreement and the Subsidiaries Security Agreement.

(e) All amounts deposited in the Agent Account shall be deemed received by Agent in accordance with Section 1.10 of the Agreement and shall be applied (and allocated) by Agent in accordance with Section 1.11 of the Agreement. In no event shall any amount be so applied unless and until such amount shall have been credited in immediately available funds to the Agent Account.

(f) Borrower may maintain, in its name, an account (each a "Disbursement Account" and collectively, the "Disbursement Accounts") at a bank acceptable to Agent into which Agent shall, from time to time, deposit proceeds of Revolving Credit Advances and Swing Line Advances made to Borrower pursuant to Section 1.1 for use by Borrower solely in accordance with the provisions of Section 1.4.

(g) Borrower shall (i) hold in trust for Agent, for the benefit of itself and Lenders, all checks, cash and other items of payment received by Borrower, and (ii) within one (1) Business Day after receipt by Borrower of any checks, cash or other items or payment, deposit the same into a Borrower Account. All proceeds of the sale or other disposition of any Collateral shall be deposited directly into Borrower Accounts.

ANNEX D (SECTION 2.1(A))

TO
CREDIT AGREEMENT

SCHEDULE OF ADDITIONAL CLOSING DOCUMENTS

In addition to, and not in limitation of, the conditions described in Section 2.1 of the Agreement, pursuant to Section 2.1(a), the following items

must be received by Agent in form and substance satisfactory to Agent on or prior to the Effective Date (each capitalized term used but not otherwise defined herein shall have the meaning ascribed thereto in Annex A to the

Agreement):

A. Appendices. All Appendices to the Agreement, in form and substance

satisfactory to Agent.

B. Revolving Notes and Swing Line Note. Duly executed originals of the

Revolving Notes and Swing Line Note for each applicable Lender, dated the Effective Date.

C. Security Agreements. Duly executed originals of the Borrower Security

Agreement and the Subsidiaries Security Agreement, dated as of the Closing Date, and all instruments, documents and agreements executed pursuant thereto, together with executed originals of all amendments, restatements and/or supplements to the Borrower Security Agreement and the Subsidiaries Security Agreement.

D. Insurance. Satisfactory evidence that the insurance policies required

by Section 5.4 are in full force and effect, together with appropriate evidence

showing loss payable and/or additional insured clauses or endorsements, as requested by Agent, in favor of Agent, on behalf of Lenders.

E. Security Interests and Code Filings. (a) Evidence satisfactory to

Agent that Agent (for the benefit of itself and Lenders) has a valid and perfected first priority security interest in the Collateral, including (i) such documents duly executed by each Credit Party (including financing statements under the Code and other applicable documents under the laws of any jurisdiction with respect to the perfection of Liens) as Agent may request in order to perfect its security interests in the Collateral and (ii) copies of Code search reports listing all effective financing statements that name any Credit Party as debtor, together with copies of such financing statements, none of which shall cover the Collateral, except for those relating to the Prior Lender Obligations (all of which shall be terminated on the Closing Date).

(b) Evidence satisfactory to Agent, including copies, of all UCC-1 and other financing statements filed in favor of any Credit Party with respect to each location, if any, at which Inventory may be consigned.

(c) Control Letters from (i) all issuers of uncertificated securities and financial assets held by Borrower, (ii) all securities intermediaries with respect to all securities accounts and securities entitlements of Borrower, and (iii) all futures commission agents and clearing houses with respect to all commodities contracts and commodities accounts held by Borrower.

F. Appraisals. Appraisals of the Appraised Value of the Eligible Real

Estate and Eligible Equipment conducted by appraisers, and in form and substance, satisfactory to Agent.

G. Intellectual Property Security Agreements. Duly executed originals of

Trademark Security Agreements, Copyright Security Agreements and Patent Security Agreements, each dated the Closing Date and signed by each Credit Party which owns Trademarks, Copyrights and/or Patents, as applicable, all in form and substance satisfactory to Agent, together with all instruments, documents and agreements executed pursuant thereto.

H. Reaffirmations. Reaffirmations of the Loan Documents executed by each

Credit Party in favor of Agent, for the benefit of itself and Lenders.

I. Borrowing Base Certificate. Duly executed originals of a Borrowing

Base Certificate from Borrower, dated the Effective Date, reflecting information concerning Eligible Inventory, Eligible Real Estate and Eligible Equipment as of the most recent practicable date.

J. Notice of Revolving Credit Advance. Duly executed originals of a

Notice of Revolving Credit Advance, dated the Effective Date, with respect to the Revolving Credit Advance to be requested by Borrower on the Effective Date.

K. Letter of Direction. Duly executed originals of a letter of direction

from Borrower addressed to Agent, on behalf of itself and Lenders, with respect to the disbursement on the Effective Date of the proceeds of the initial Revolving Credit Advance.

L. Cash Management System; Blocked Account Agreements. Evidence

satisfactory to Agent that, as of the Effective Date, the Cash Management Systems required by Annex C and Cash Management Systems complying with the

Receivables Documents have been established and are currently being maintained in the manner required hereby and by the Receivables Documents.

M. Charter and Good Standing. For each Credit Party, such Person's (a)

charter and all amendments thereto, (b) good standing certificates (including verification of tax status) in its state of incorporation and (c) good standing certificates (including verification of tax status) and certificates of qualification to conduct business in each jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification (unless waived by Agent in its sole discretion), each dated a recent date prior to the Effective Date and certified by the applicable Secretary of State or other authorized Governmental Authority.

N. Bylaws and Resolutions. For each Credit Party, (a) such Person's

bylaws, together with all amendments thereto and (b) resolutions of such
Person's Board of Directors, approving and authorizing the execution, delivery
and performance of the Loan Documents to which such Person is a party and the
transactions to be consummated in connection therewith, each certified as of the
Effective Date by such Person's corporate secretary or an assistant secretary as
being in full force and effect without any modification or amendment.

O. Incumbency Certificates. For each Credit Party, signature and

incumbency certificates of the officers of each such Person executing any of the
Loan Documents, certified as of the Effective Date by such Person's corporate
secretary or an assistant secretary as being true, accurate, correct and
complete.

P. Opinions of Counsel. Duly executed originals of opinions of Gibson

Dunn & Crutcher LLP, counsel for the Credit Parties, and Anne-Marie Oldham,
Associate General Counsel of Borrower, each in form and substance satisfactory
to Agent and its counsel, dated the Effective Date.

Q. Deeds of Trust. Deeds of Trust covering all of the Mortgaged

Properties, together with (a) ALTA lender's extended coverage title insurance
policies regarding each of the Mortgaged Properties, in each case satisfactory
in form and substance to Agent, in its sole discretion; and (b) evidence that
each of the Deeds of Trust has been recorded in all places to the extent
necessary or desirable, in the judgment of Agent, to create a valid and
enforceable first priority lien on each Mortgaged Property in favor of Agent for
the benefit of itself and Lenders.

R. Pledge Agreements. Duly executed originals of each of the Pledge

Agreements accompanied by (as applicable) (a) share certificates representing
all of the outstanding Stock being pledged pursuant to such Pledge Agreement and
stock powers for such share certificates executed in blank and (b) all other
instruments evidencing Indebtedness being pledged pursuant to such Pledge
Agreement, duly endorsed in blank.

S. Appointment of Agent for Service. An appointment of CT Corporation as

each Credit Party's agent for service of process.

T. Solvency Certificate. The Chief Financial Officer of each Credit

Party (other than Callaway Golf Ball Company) shall deliver to Agent for the
benefit of Lenders a certificate as to the matters addressed in Section 3.23 in

form and substance satisfactory to Agent.

U. Fee Letter. Duly executed originals of the GE Capital Fee Letter.

V. Officer's Certificate. Agent shall have received duly executed

originals of a certificate of the Chief Executive Officer and Chief Financial
Officer of Borrower, dated the Effective Date, stating that, since December 31,
1997 (i) no event or condition has occurred or is

existing which could reasonably be expected to have a Material Adverse Effect; (ii) no Litigation has been commenced which, if successful, would have a Material Adverse Effect or could challenge any of the transactions contemplated by the Agreement and the other Loan Documents; and (iii) there has been no material increase in liabilities, liquidated or contingent (except for the CEF Lease Facility or the Receivables Facility), and no material decrease in assets of Borrower or any of its Subsidiaries, other than, in connection with the Receivables Facility or in the case of clauses (i) and (iii), as listed on Disclosure Schedule (3.5) or otherwise permitted by the Agreement.

W. Waivers. Agent, on behalf of Lenders, shall have received landlord

waivers and consents, bailee letters and mortgagee agreements in form and substance satisfactory to Agent, in each case as required pursuant to Section

5.9.

X. Financial Statements (Borrower). Agent shall have received Borrower's

final Financial Statements for its Fiscal Year ended December 31, 1997, audited by PricewaterhouseCoopers, L.L.P. Borrower shall have provided Agent with its current operating statements, a consolidated balance sheet and statement of cash flows, Projections, a Fair Salable Balance Sheet and a Borrowing Base Certificate, in each case certified by its Chief Financial Officer and in form and substance satisfactory to Agent, and Agent shall be satisfied, in its sole discretion, with all of the foregoing. Agent shall have further received a certificate of the Chief Executive Officer and/or the Chief Financial Officer of Borrower, based on its Projections, to the effect that (a) Borrower will be Solvent upon the consummation of the transactions contemplated herein; (b) the Projections are based upon estimates and assumptions stated therein, all of which Borrower believes to be reasonable and fair in light of current conditions and current facts known to Borrower and, as of the Effective Date, reflect Borrower's good faith and reasonable estimates of its future financial performance and of the other information projected therein for the period set forth therein; (c) the Fair Salable Balance Sheet was prepared on a pro forma basis, except that Borrower's assets are set forth therein at their fair salable values on a going concern basis and the liabilities set forth therein include all contingent liabilities of Borrower stated at the reasonably estimated present values thereof; and (d) containing such other statements with respect to the solvency of Borrower and matters related thereto as Agent shall request.

Y. Financial Statements (Other Credit Parties). Each of Callaway Golf

Sales Company and Odyssey Golf, Inc. shall have provided Agent with its current operating statements, a consolidated balance sheet and statement of cash flows and a Fair Salable Balance Sheet, in each case certified by its Chief Financial Officer and in form and substance satisfactory to Agent, and Agent shall be satisfied, in its sole discretion, with all of the foregoing. Agent shall have further received a certificate of the Chief Executive Officer and/or the Chief Financial Officer of Callaway Golf Sales Company and Odyssey Golf, Inc. to the effect that (a) such Credit Party will be Solvent upon the consummation of the transactions contemplated herein; (b) the Fair Salable Balance Sheet was prepared on a pro forma basis, except that such Credit Party's assets are set forth therein at their fair salable values on a going concern basis and the liabilities set forth therein

include all contingent liabilities of such Credit Party stated at the reasonably estimated present values thereof; and (c) containing such other statements with respect to the solvency of such Credit Party and matters related thereto as Agent shall request.

Z. Environmental Reports. Agent shall have received Phase I

Environmental Site Assessment Reports, consistent with American Society of Testing and Materials (ASTM) Standard E 1527-94, and applicable state requirements, on all of the Real Estate, dated no more than 6 months prior to the Effective Date, prepared by environmental engineers satisfactory to Agent, all in form and substance satisfactory to Agent, in its sole discretion; and Agent shall have further received such environmental review and audit reports, including Phase II reports, with respect to the Real Estate of any Credit Party as Agent shall have requested, and Agent shall be satisfied, in its sole discretion, with the contents of all such environmental reports. Agent shall have received letters executed by the environmental firms preparing such environmental reports, in form and substance satisfactory to Agent, authorizing Agent and Lenders to rely on such reports.

AA. Master L/C Agreement. A duly executed original of the Master L/C

Agreement.

BB. Other Documents. Such other certificates, documents and agreements

respecting any Credit Party as Agent may, in its sole discretion, request.

ANNEX E (SECTION 4.1(A))

TO
CREDIT AGREEMENT

FINANCIAL STATEMENTS AND PROJECTIONS -- REPORTING

Borrower shall deliver or cause to be delivered to Agent or to Agent and Lenders, as indicated, the following:

(a) Monthly Financials. To Agent and Lenders, within thirty (30) days

after the end of each Fiscal Month, financial information regarding Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, consisting of consolidated (i) unaudited balance sheets as of the close of such Fiscal Month and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Month; and (ii) unaudited statements of income and cash flows for such Fiscal Month, setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by the certification of the Chief Financial Officer of Borrower that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position and results of operations of Borrower and its Subsidiaries, on a consolidated basis, in each case as at the end of such month and for the period then ended and (ii) any other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default;

(b) Quarterly Financials. To Agent and Lenders, within forty-five (45)

days after the end of each Fiscal Quarter, consolidated and consolidating financial information regarding Borrower and its Subsidiaries, certified by the Chief Financial Officer of Borrower, including (i) unaudited balance sheets as of the close of such Fiscal Quarter and the related statements of income and cash flow for that portion of the Fiscal Year ending as of the close of such Fiscal Quarter and (ii) unaudited statements of income and cash flows for such Fiscal Quarter, in each case setting forth in comparative form the figures for the corresponding period in the prior year and the figures contained in the Projections for such Fiscal Year, all prepared in accordance with GAAP (subject to normal year-end adjustments). Such financial information shall be accompanied by (A) a statement in reasonable detail (each, a "Compliance

Certificate") showing the calculations used in determining compliance with each

of the financial covenants set forth on Annex H which is tested on a quarterly

basis and (B) the certification of the Chief Financial Officer of Borrower that (i) such financial information presents fairly in accordance with GAAP (subject to normal year-end adjustments) the financial position, results of operations and statements of cash flows of Borrower and its Subsidiaries, on both a consolidated and consolidating basis, as at the end of such Fiscal Quarter and for the period then ended, (ii) any

other information presented is true, correct and complete in all material respects and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default. In addition, Borrower shall deliver to Agent and Lenders, within forty-five (45) days after the end of each Fiscal Quarter, unaudited balance sheets as of the close of such Fiscal Quarter for each Other Subsidiary and the executive information package for that Fiscal Quarter prepared for management and the Board of Directors on a basis consistent with past practice.

(c) Operating Plan. To Agent and Lenders, as soon as available, but not

later than forty five (45) days after the end of each Fiscal Year, an annual operating plan for Borrower, certified by the Chief Financial Officer of Borrower, for the following year, which will include a statement of all of the material assumptions on which such plan is based, will include monthly balance sheets and a monthly budget for the following year and will integrate sales, gross profits, operating expenses, operating profit, cash flow projections and Borrowing Availability projections all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, Capital Expenditures and facilities;

(d) Annual Audited Financials. To Agent and Lenders, within ninety (90)

days after the end of each Fiscal Year, audited Financial Statements for Borrower and its Subsidiaries on a consolidated and (unaudited) consolidating basis, consisting of balance sheets and statements of income and retained earnings and cash flows, setting forth in comparative form in each case the figures for the previous Fiscal Year, which Financial Statements shall be prepared in accordance with GAAP, certified without qualification, by an independent certified public accounting firm of national standing or otherwise acceptable to Agent. Such Financial Statements shall be accompanied by (i) a statement prepared in reasonable detail showing the calculations used in determining compliance with each of the financial covenants set forth on Annex

H, (ii) the annual letters to such accountants in connection with their audit

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examination detailing contingent liabilities and material litigation matters, and (iii) the certification of the Chief Executive Officer or Chief Financial Officer of Borrower that all such Financial Statements present fairly in accordance with GAAP the financial position, results of operations and statements of cash flows of Borrower and its Subsidiaries on a consolidated and consolidating basis, as at the end of such year and for the period then ended, and that there was no Default or Event of Default in existence as of such time or, if a Default or Event of Default shall have occurred and be continuing, describing the nature thereof and all efforts undertaken to cure such Default or Event of Default;

(e) Management Letters. To Agent and Lenders, within five (5) Business

Days after receipt thereof by any Credit Party, copies of all management letters, exception reports or similar letters or reports received by such Credit Party from its independent certified public accountants;

(f) Default Notices. To Agent and Lenders, as soon as practicable, and in

any event within five (5) Business Days after an executive officer of Borrower has actual knowledge of the existence of any Default, Event of Default or other event which has had a Material Adverse Effect, telephonic or telecopied notice specifying the nature of such Default or Event of Default or other event, including the anticipated effect thereof, which notice, if given telephonically, shall be promptly confirmed in writing on the next Business Day;

(g) SEC Filings and Press Releases. To Agent and Lenders, promptly upon

their becoming available, copies of: (i) all Financial Statements, reports, notices and proxy statements made publicly available by any Credit Party to its security holders; (ii) all regular and periodic reports and all registration statements and prospectuses, if any, filed by any Credit Party with any securities exchange or with the Securities and Exchange Commission or any governmental or private regulatory authority; and (iii) all press releases and other statements made available by any Credit Party to the public concerning material changes or developments in the business of any such Person;

(h) Subordinated Debt and Equity Notices. To Agent, as soon as

practicable, copies of all material written notices given or received by any Credit Party with respect to any Subordinated Debt or Stock of such Person, and, within two (2) Business Days after any Credit Party obtains knowledge of any matured or unmatured event of default with respect to any Subordinated Debt, notice of such event of default;

(i) Supplemental Schedules. To Agent, supplemental disclosures, if any,

required by Section 5.6 of the Agreement;

(j) Litigation. To Agent in writing, promptly upon learning thereof,

notice of any Litigation commenced or threatened against any Credit Party that (i) seeks damages in excess of \$500,000, (ii) seeks injunctive relief, (iii) is asserted or instituted against any Plan, its fiduciaries or its assets or against any Credit Party or ERISA Affiliate in connection with any Plan, (iv) alleges criminal misconduct by any Credit Party, (v) alleges the violation of any law regarding, or seeks remedies in connection with, any Environmental Liabilities; or (vi) involves any product recall;

(k) Insurance Notices. To Agent, disclosure of losses or casualties

required by Section 5.4 of the Agreement;

(l) Lease Default Notices. To Agent, copies of (i) any and all default

notices received under or with respect to any leased location or public warehouse where Collateral is located, and (ii) such other notices or documents as Agent may request in its reasonable discretion; and

(m) Lease Amendments. To Agent, copies of all material amendments to real

estate leases for 2081 Faraday Avenue, Carlsbad, California.

(n) Reports Under Receivables Purchase Agreement. To Agent and Lenders,

promptly after delivery thereof pursuant to the Receivables Purchase Agreement,
copies of the Monthly Report (as defined in the Receivables Purchase Agreement)
and any notices delivered pursuant to clause (f) of Annex 5.02(a) or clause (d)

of Annex 7.07 (or any comparable or successor provision) of the Receivables

Purchase Agreement.

(o) Other Documents. To Agent and Lenders, such other financial and other

information respecting any Credit Party's business or financial condition as
Agent or any Lender shall, from time to time, request.

ANNEX F (SECTION 4.1(B))

TO
CREDIT AGREEMENT

COLLATERAL REPORTS

Borrower shall deliver or cause to be delivered the following:

(a) To Agent, upon its request, and in no event less frequently than five (5) Business Days after the end of each Fiscal Month (together with a copy of all or any part of such delivery requested by any Lender in writing after the Effective Date), each of the following:

(i) a Borrowing Base Certificate with respect to Borrower, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(ii) with respect to Borrower, a summary of Inventory by location and type with a supporting perpetual Inventory report, in each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion; and

(iii) with respect to Borrower, a monthly trial balance showing Receivables outstanding aged from invoice due date as follows: 1 to 30 days, 31 to 60 days, 61 to 90 days and 91 days or more, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(b) To Agent, at the time of delivery of each of the monthly Financial Statements delivered pursuant to Annex E, a reconciliation of the Receivables

trial balance and month-end Inventory reports of Borrower to Borrower's general ledger and monthly Financial Statements delivered pursuant to such Annex E, in

each case accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(c) To Agent, at the time of delivery of each of the annual Financial Statements delivered pursuant to Annex E, (i) a listing of government contracts

of Borrower subject to the Federal Assignment of Claims Act of 1940; (ii) a list of any applications for the registration of any Patent, Trademark or Copyright with the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency which any Credit Party thereof has filed in the prior Fiscal Quarter, and (iii) a summary of all Equipment and sales thereof by department and type, accompanied by such supporting detail and documentation as shall be requested by Agent in its reasonable discretion;

(d) To Agent, the results of each physical verification, if any, which Borrower or any of its Subsidiaries may in their discretion have made, or caused any other Person to have made on their behalf, of all or any portion of their Inventory (and, if a Default or an Event of Default shall have occurred and be continuing, Borrower shall, upon the request of Agent, conduct, and deliver the results of, such physical verifications as Agent may require);

(e) To Agent, within five (5) Business Days after entering into an agreement to consummate an Eligible Real Estate Transaction as a result of which, when considered together with all other Eligible Real Estate Transactions entered into by Borrower since the date of the most recent notice delivered pursuant to this clause (e), (or, if no such notice has been delivered, since

the Effective Date) the aggregate fair market value of all Eligible Real Estate is reasonably expected to be reduced by at least \$1,000,000, notice describing the applicable Eligible Real Estate Transactions, the Eligible Real Estate affected thereby and the anticipated change in fair market value of such Eligible Real Estate;

(f) To Agent, as promptly as practicable after consummation of the Eligible Real Estate Transaction which triggered the requirement to deliver notice to Agent pursuant to clause (e) of this Annex F, an appraisal of the fair market

value of, (i) all Eligible Real Estate required to be described in the notice and (ii) if identified in the notice and so requested by Borrower, all other Eligible Real Estate whose then fair market value is either greater or less than the Appraised Value then in effect, which appraisal shall be conducted by an appraiser, and be in form and substance, satisfactory to Agent;

(g) To Agent, within five (5) Business Days after a sale of Equipment which, when considered together with all other sales of Equipment by all Credit Parties since the date of the most recent notice delivered pursuant to this

clause (g) (or, if no such notice has been delivered, since the Effective Date),

has a value (measured, for each item of Equipment which is the subject of such sales, at the greater of the sales price therefor, the net book value thereof or (if known) the orderly liquidation value thereof at the time of sale) of at least \$1,000,000, notice describing the Equipment affected thereby and the consideration received therefor, provided that if the Appraised Value of

Eligible Real Estate of Borrower located at 2180 Rutherford Road, Carlsbad, California, is at least \$20,000,000, then no notice shall be required to be delivered pursuant to this clause (f) until the aggregate value of all Equipment

sold since the Effective Date is at least \$5,000,000;

(h) To Agent, if requested by Agent, as promptly as practicable after Agent's request therefor, an appraisal of the orderly liquidation value of all Eligible Equipment, which appraisal shall be conducted by an appraiser, and be in form and substance, satisfactory to Agent;

(i) To Agent, such appraisals of its assets as Agent may request at any time after the occurrence and during the continuance of a Default or an Event of Default, such appraisals to be conducted by an appraiser, and in form and substance, satisfactory to Agent; and

(j) Such other reports, statements and reconciliations with respect to the Borrowing Base or Collateral of any or all Credit Parties as Agent shall from time to time request in its reasonable discretion.

ANNEX G (SECTION 6.10)

TO
CREDIT AGREEMENT

MORTGAGED PROPERTY INSURANCE

With respect to each Mortgaged Property, Borrower shall maintain such insurance, with carriers at all times satisfactory to Agent and in such amounts and for such periods as Agent shall require, including, but not limited to, (i) comprehensive general public liability insurance in an amount not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate covering personal injury and death; and (ii) property insurance regarding loss or damage by fire, lightning, windstorm, explosion, and loss or damage by flood, if the Mortgaged Property is in an area designated by the Secretary of Housing and Urban Development as an area having special flood hazards, in form complying with the "insurance purchase requirement" of the Flood Disaster Protection Act of 1973, as amended and such other hazards, casualties and contingencies (including broad form boiler and machinery insurance, as applicable) as are normally and usually covered by extended coverage policies in effect where such Mortgaged Property is located, on a replacement cost basis, with a waiver of depreciation, in an amount not less than 100 percent of the insurable value (based upon replacement cost) of the Mortgaged Property with a deductible clause, if any, not exceeding \$10,000 and containing an "Ordinance of Law Coverage" endorsement for no less than 10% of the full replacement cost of such Mortgaged Property (collectively for each Mortgaged Property, a "Mortgaged Property Insurance Policy"); provided, that each Mortgaged Property Insurance Policy shall provide by way of endorsement, rider or otherwise that no such Mortgaged Property Insurance Policy shall be canceled, endorsed, altered, or reissued to effect a change in coverage unless such insurer shall have first given Agent 30 days prior written notice thereof.

Each Mortgaged Property Insurance Policy and renewals thereof shall be in a form acceptable to Agent and shall include a standard mortgagee clause in favor of and in form acceptable to Agent. Agent shall have the right to hold each Mortgaged Property Insurance Policy, and Borrower shall promptly furnish to Agent all renewal notices and all receipts of paid premiums. At least 30 days prior to the expiration date of any Mortgaged Property Insurance Policy, Borrower shall deliver to Agent a renewal policy in form satisfactory to Agent.

Notwithstanding Section 5.4(c), above, in the event of loss to any Mortgaged Property, (i) Borrower shall give immediate written notice to the insurance carrier and to Agent; (ii) Borrower hereby authorizes and empowers Agent as attorney-in-fact for Borrower to make proof of loss, to adjust and compromise any claim, and to appear in and prosecute any action arising under, any Mortgaged Property Insurance Policy; to collect and receive applicable proceeds, and to deduct therefrom Agent's expenses incurred in the collection of such proceeds; provided however, that nothing contained in this Section 5.4(d) shall require Agent to incur any expense or take any action hereunder; (iii) Borrower authorizes Agent, at Agent's option, (x) to hold any Mortgaged

Property Insurance Policy proceeds to be used to reimburse Borrower for the cost of reconstruction or repair of the Mortgaged Property, or (y) subject to the immediately following paragraph, to apply such proceeds to the payment of the Obligations.

In the event of loss to any Mortgaged Property, Agent shall not exercise Agent's option to apply Mortgaged Property Insurance Policy proceeds to the payment of the Obligations if all of the following conditions are met: (i) no Event of Default is occurring; (ii) Agent determines that there will be sufficient funds to restore and repair the Mortgaged Property to the Pre-existing Condition (as hereinafter defined); (iii) Agent determines that restoration and repair of the Mortgaged Property to the Pre-existing Condition will be completed within one year of the date of the loss or casualty to the Mortgaged Property, (iv) Borrower furnishes to Agent evidence satisfactory to Agent that Borrower will continue to successfully operate its business notwithstanding the occurrence of any such fire or other casualty; and (v) Agent is reasonably satisfied that the Mortgaged Property can be restored and repaired as nearly as possible to the condition it was in immediately prior to such casualty and in compliance with all applicable zoning, building and other laws and codes (the "Pre-existing Condition").

If the Mortgaged Property Insurance Policy proceeds are held by Agent to reimburse Borrower for the cost of restoration and repair of the Mortgaged Property, then Borrower shall restore the Mortgaged Property to its Pre-Existing Condition or such other condition as Agent may approve in writing, and Borrower shall promptly begin such restoration and at all times thereafter diligently prosecute such restoration to completion. Agent may, at Agent's option, condition disbursement of said proceeds to Borrower on Agent's approval of such plans and specifications of an architect satisfactory to Agent, contractor's cost estimates, architect's certificates, waivers of liens, sworn statements of mechanics and materialmen and such other evidence of costs, percentage completion of construction, application of payments, and satisfaction of liens as Agent may reasonably require. If the Mortgaged Property Insurance Policy proceeds are applied to the payment of any of the Obligations, any such application of proceeds shall not extend or postpone the due dates of any payment of any of the Obligations. If any Mortgaged Property is sold at foreclosure or pursuant to power of sale or if Agent or any Lender acquires title to the Mortgaged Property, such Agent or Lender shall have all of the right, title and interest of Borrower in and to any Mortgaged Property Insurance Policy and unearned premiums thereon and in and to the proceeds resulting from any damage to the Mortgaged Property prior to such sale or acquisition.

If Borrower at any time or times hereafter shall fail to obtain or maintain any Mortgaged Property Insurance Policy required in this Section 5.4(d) or to pay all premiums relating thereto, Agent may at any time or times thereafter obtain and maintain any such Mortgaged Property Insurance Policy and pay such premiums and take any other action with respect thereto which Agent deems advisable. Agent shall have no obligation to obtain such insurance or pay any premiums therefor. By doing so, Agent shall not be deemed to have waived any Default or Event of Default arising from Borrower's failure to maintain such insurance or pay any premiums

therefor. All sums so disbursed, including attorneys' fees, court costs and other charges related thereto, shall be payable on demand by Borrower to Agent and shall be additional Obligations hereunder secured by the Collateral.

ANNEX H (SECTION 6.10)

TO
CREDIT AGREEMENT

FINANCIAL COVENANTS

Borrower shall not breach or fail to comply with any of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Tangible Net Worth. Borrower and its Subsidiaries on a consolidated basis shall maintain at all times Tangible Net Worth equal to or greater than the sum of (i) \$275,000,000, plus (ii) fifty percent (50%) of cumulative net income (but without subtracting net losses for any Fiscal Quarter for which there was no net income) for each Fiscal Quarter from January 1, 1999 to the date of determination, plus (iii) fifty percent (50%) of the net cash proceeds of Stock issued by Borrower after January 1, 1999.

(b) Minimum EBITDA. Borrower and its Subsidiaries shall have on a consolidated basis EBITDA for the Fiscal Quarter ending March 31, 1999 of no less than \$10,000,000.

(c) Minimum Fixed Charge Coverage Ratio. Borrower and its Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-month period then ended (or with respect to the Fiscal Quarters ending on or before September 30, 1999, the period commencing on January 1, 1999 and ending on the last day of such Fiscal Quarter) of not less than the following:

- 1.00 for the Fiscal Quarter ending June 30, 1999;
- 1.00 for the Fiscal Quarter ending September 30, 1999;
- 1.00 for the Fiscal Quarter ending December 31, 1999;
- 1.00 for the Fiscal Quarter ending March 31, 2000;
- 1.00 for the Fiscal Quarter ending June 30, 2000;
- 1.25 for each Fiscal Quarter thereafter.

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Loan Document, then Borrower, Agent and Lenders agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating Borrower's and its Subsidiaries' financial condition shall be the same after such

Accounting Changes as if such Accounting Changes had not been made; provided,

however, that the agreement of Requisite Lenders to any required amendments of such provisions shall be sufficient to bind all Lenders. "Accounting Changes"

means (a) changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (b) changes in accounting principles concurred in by Borrower's certified public accountants; (c) purchase accounting adjustments under A.P.B. 16 and/or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (d) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made subsequent to the Effective Date (including capitalization of costs and expenses or payment of pre-Effective Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period. If Agent, Borrower and Requisite Lenders agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Loan Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. If Agent, Borrower and Requisite Lenders cannot agree upon the required amendments within thirty (30) days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Loan Documents shall be prepared, delivered and made without regard to the underlying Accounting Change.

ANNEX I (SECTION 9.9(D))

TO
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CREDIT AGREEMENT

LENDERS' WIRE TRANSFER INFORMATION

For General Electric Capital Corporation:

Banker's Trust
1 Banker's Trust Place
New York, NY 10006

Account Name: GECC/CAF Depository
Account Number: 50232854
ABA Number: 021001033
Reference: CFW3273

For American National Bank and Trust Company of Chicago:

American National Bank
120 South LaSalle Street, 8th Floor
Chicago, IL 60603

Account Number: 103103007
ABA Number: 071000770
Reference: Callaway Golf
Attention: Team 2

For BankAmerica Business Credit, Inc.:

Bank of America
555 California Street
San Francisco, CA 94104

Account Name: BankAmerica Business Credit, Inc.
Account Number: 12575-03561
ABA Number: 121000358
Reference: Callaway golf

For Key Corporate Capital Inc.:

Key Bank
127 Public Square, 6th Floor
Cleveland, OH 44114

Account Number: G/L 114010305700
ABA Number: 041001039
Reference: Callaway
Attention: Commercial Loans - Specialty

For National City Commercial Finance, Inc.:

National City Bank,
Cleveland, Ohio

Account Number: 3790116
ABA Number: 041000124
Reference: Callaway
Attention: National City Commercial Finance, Kate George

For National Westminster Bank Plc:

Chase Manhattan Bank
New York

Account Name: NatWest Plc - Commercial Lending
Account Number: 0011012440
ABA Number: 021000021
Reference: Callaway golf

LIBOR Loans

Chase Manhattan Bank
New York
Account Name: NatWest Global financial Markets
Account Number: 0011008505
Chips ABA Number: 0002
Reference: Callaway Golf

ANNEX J (SECTION 11.10)

TO
CREDIT AGREEMENT

NOTICE ADDRESSES

(A) If to Agent or GE Capital, at

General Electric Capital Corporation
350 South Beverly Drive, Suite 200
Beverly Hills, CA 90212
Attention: Portfolio Manager, Callaway Golf Company
Telecopier No.: (310) 785-0664
Telephone No.: (310) 203-0335

With copies to:

General Electric Capital Corporation
201 High Ridge Road
Stamford, Connecticut 06927-5100
Attention: Corporate Counsel-Commercial Finance
Telecopier No.: (203) 316-7889
Telephone No.: (203) 316-7552

and

Sidley & Austin
555 West Fifth Street
Los Angeles, CA 90013
Attention: Edward D. Eddy, III
Telecopier No.: (213) 896-6600
Telephone No.: (213) 896-6000

(B) If to Borrower, at

Callaway Golf Company
2285 Rutherford Road
Carlsbad, CA 92008
Attention: David A. Rane, Chief Financial Officer
Telecopier No.: (760) 929-8120
Telephone No.: (760) 930-5897

With copies to:

Callaway Golf Company
2285 Rutherford Road
Carlsbad, CA 92008
Attention: Steven C. McCracken, General Counsel
Telecopier No.: (760) 929-8120
Telephone No.: (760) 930-5590

and

Gibson, Dunn & Crutcher LLP
333 South Grand Avenue
Los Angeles, CA 90071-3197
Attention: Dennis B. Arnold
Telecopier No.: (213) 229-6864
Telephone No.: (213) 229-7864

(C) If to Lenders, at

American National Bank and Trust Company of Chicago
120 South LaSalle Street, 8th Floor
Chicago, IL 60603
Attention: Richard Jonscher
Telecopier No.: (312) 661-5736
Telephone No.: (312) 661-6929

BankAmerica Business Credit, Inc.
55 South Lake Avenue, Suite 900
Pasadena, CA 91101
Attention: Richard Burke
Telecopier No.: (626) 578-6143
Telephone No.: (626) 578-6095

Key Corporate Capital Inc.
127 Public Square, 6th Floor
Cleveland, OH 44114-1306
Attention: Jeff Evans
Telecopier No.: (216) 689-4077
Telephone No.: (216) 689-4392

National City Commercial Finance, Inc.
1965 E. Sixth Street, Suite 400
Cleveland, OH 44114-2214
Attention: Jim Jaworski
Telecopier No.: (216) 575-2516
Telephone No.: (216) 575-9555

National Westminster Bank Plc
Global Financial Markets Operations
Commercial Loans
Kings Cross House
200 Pentonville Road
London N1 9HL
England
Attention: Karl Salessel / Eileen Harper
Telecopier No.: 011-44-171-239-8623 ./ 8041
Telephone No.: 011-44-171-239-8257

and

National Westminster Bank Plc
Global Financial Markets Operations
Commercial Loans
65 East 55th Street, 24th Floor
New York, NY 10022
Attention: Evonne Wearing/Sheila Shaw/L. Rivera
Telecopier No.: (212) 401-1407/1406/1404
Telephone No.: (212) 401-1494

ANNEX K (FROM ANNEX A -COMMITMENTS DEFINITION)
TO

CREDIT AGREEMENT

Lender -----	Revolving Loan ----- Commitment -----	Pro Rata Share -----
General Electric Capital Corporation	\$42,000,000 (including a Swing Line Commitment of \$5,000,000)	35.0000%
American National Bank and Trust Company of Chicago	\$21,250,000	17.7083%
BankAmerica Business Credit, Inc.	\$17,000,000	14.1667%
Key Corporate Capital, Inc.	\$17,000,000	14.1667%
National Westminster Bank Plc	\$12,750,000	10.6250%
National City Commercial Finance, Inc.	\$10,000,000	8.3333%

RECEIVABLES TRANSFER AGREEMENT

Dated as of February 10, 1999,

by and among

ODYSSEY GOLF, INC.

and

CALLAWAY GOLF SALES COMPANY

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THIS RECEIVABLES TRANSFER AGREEMENT ("Agreement") is entered into as

of February 10, 1999, by and among CALLAWAY GOLF SALES COMPANY, a California corporation, as purchaser of Receivables ("CGS") and ODYSSEY GOLF, INC., a California corporation, as seller of Receivables ("Odyssey").

RECITALS

A. Odyssey intends to sell, and CGS intends to purchase, all such trade receivables.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to them in Annex X.

Section 1.02 Rules of Construction. For purposes of this Agreement, the rules of construction set forth in Annex X shall govern. All Appendices hereto, or expressly identified to this Agreement, are incorporated herein by reference and, taken together with this Agreement, shall constitute but a single agreement.

ARTICLE II.

TRANSFERS OF RECEIVABLES

Section 2.01 Agreement to Transfer.

(a) Receivables Transfers. Subject to the terms and conditions hereof, Odyssey agrees to sell (without recourse except to the extent specifically provided herein) to CGS on the Business Day following the Closing Date (the "Transfer Date") all Receivables owned by it on the Transfer Date (each such Receivable individually, a "Odyssey Sold Receivable," and collectively, the "Odyssey Sold Receivables"), and CGS agrees to purchase the Odyssey Sold Receivables on the Transfer Date. The Transfer shall be evidenced by a certificate of assignment substantially in the form of Exhibit 2.01(a) ("Receivables Assignment"), and Odyssey and CGS shall execute and deliver the Receivables Assignment on or before the Closing Date.

(b) Payment of Purchase Price. In consideration for the Sale of

Odyssey Sold Receivables hereunder, CGS shall pay to Odyssey on the Transfer Date an amount equal to (i) not less than ninety-five percent (95%) and not more than ninety-eight percent (98%) of the fair market value of the Odyssey Sold Receivables (the "Odyssey Sale Price"). The Odyssey Sale Price shall be reflected upon a letter agreement executed by the parties hereto which shall recite the fair market value of the Odyssey Sold Receivables, as reflected upon the books and records, on and as of the Transfer Date, as well as the percentage applied thereto to calculate the Odyssey Sale Price. All payments by CGS under this Section 2.01(b) shall be effected by means of a wire transfer not later

than 12:00 noon (New York time) on the Closing Date.

(c) Ownership of Odyssey Sold Receivables. On and after the Transfer

Date and after giving effect to the Transfers to be made on such date, CGS shall own the Odyssey Sold Receivables and Odyssey shall not take any action inconsistent with such ownership nor shall Odyssey claim any ownership interest in such Odyssey Sold Receivables.

(d) Reconstruction of Odyssey General Trial Balance. If at any time

Odyssey fails to generate its Odyssey General Trial Balance, CGS shall have the right to reconstruct such Odyssey General Trial Balance so that a determination of the Odyssey Sold Receivables can be made pursuant to Section 2.01(a).

Odyssey agrees to cooperate with such reconstruction, including by delivery to CGS, upon CGS's request, of copies of all Contracts and Records.

Section 2.02 Grant of Security Interest. The parties hereto intend

that the Transfer shall constitute a purchase and sale, and not a loan. Notwithstanding anything to the contrary set forth in this Section 2.02, if a

court of competent jurisdiction determines that any transaction provided for herein constitutes a loan and not a purchase and sale, then the parties hereto intend that this Agreement shall constitute a security agreement under applicable law and that Odyssey shall be deemed to have granted, and Odyssey does hereby grant, to CGS a first priority Lien in and to all of Odyssey's right, title and interest in, to and under the Odyssey Sold Receivables.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01 Conditions to Transfer. The Transfer hereunder shall

be subject to satisfaction of each of the following conditions precedent (any one or more of which may be waived in writing by each of CGS and the Operating Agent):

(a) Transfer Agreement; Other Documents. This Agreement or

counterparts hereof shall have been duly executed by, and delivered to, Odyssey and CGS, and CGS shall have received such documents, instruments, agreements and legal opinions as CGS shall request in

connection with the transactions contemplated by this Agreement, including all those identified in the Schedule of Documents, each in form and substance satisfactory to CGS.

(b) Governmental Approvals. CGS shall have received (i) satisfactory

evidence that Odyssey has obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby and thereby or (ii) an Officer's Certificate from Odyssey in form and substance satisfactory to CGS affirming that no such consents or approvals are required.

(c) Compliance with Laws. Odyssey shall be in compliance in all

material respects with all applicable foreign, federal, state and local laws and regulations, including those specifically referenced in Section 4.02(f).

(d) Purchase Agreement Conditions. Each of those conditions precedent

set forth in Article III of the Purchase Agreement shall have been satisfied or

waived in writing as provided therein.

(e) Representations and Warranties. The representations and

warranties of Odyssey contained herein shall be true and correct as of the Transfer Date, both before and after giving effect to such Transfer and to the application of the Odyssey Sale Price therefor, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement.

The acceptance by Odyssey of the Odyssey Sale Price for the Odyssey Sold Receivables on the Transfer Date shall be deemed to constitute, as of the Transfer Date, a representation and warranty by Odyssey that the conditions in this Section 3.01 have been satisfied. Upon any such acceptance, title to the

Odyssey Sold Receivables sold on the Transfer Date shall be vested absolutely in CGS, whether or not such conditions were in fact so satisfied.

ARTICLE IV.

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.01 Representations and Warranties of Odyssey. To induce

CGS to purchase the Odyssey Sold Receivables, Odyssey makes the following representations and warranties to CGS, each and all of which shall survive the execution and delivery of this Agreement.

(a) Corporate Existence; Compliance with Law. Odyssey (i) is a

corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such

qualification, except where failure to be so qualified would not result in the exposure of Odyssey to losses, damages or liabilities in excess of \$100,000; (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax laws and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Executive Offices; Collateral Locations; Corporate or Other Names;

FEIN. As of the Closing Date, the current location of Odyssey's chief executive

office, principal place of business, other offices, and the locations of its records concerning the Odyssey Sold Receivables are set forth in Schedule

4.01(b) and none of such locations have changed within the past 12 months.

During the prior five years, except as set forth in Schedule 4.01(b), Odyssey

has not been known as or used any corporate, fictitious or trade name. In addition, Schedule 4.01(b) lists the federal employer identification number of

Odyssey.

(c) Corporate Power, Authorization, Enforceable Obligations. The

execution, delivery and performance by Odyssey of this Agreement and the other Related Documents to which it is a party and the creation of all Liens provided for herein and therein and, solely with respect to clause (vii) below, the

exercise by CGS, the Operating Agent or the Collateral Agent of any of its rights and remedies under any Related Document to which it is a party: (i) are within such Person's corporate power; (ii) have been duly authorized by all necessary or proper corporate and shareholder action; (iii) do not contravene any provision of such Person's charter or bylaws; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of such Person; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 3.01(b), all of which will have been duly

obtained, made or complied with prior to the Closing Date. On or prior to the Closing Date, each of the Related Documents shall have been duly executed and delivered by Odyssey that it is a party thereto and each such Related Document shall then constitute a legal, valid and binding obligation of Odyssey, enforceable against it in accordance with its terms.

(d) No Litigation. No Litigation is now pending or, to the knowledge

of Odyssey, threatened against Odyssey that (i) challenges Odyssey's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity

or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the Transfer, Purchase or pledge of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents or (iii) has a reasonable risk of being determined adversely to Odyssey and that, if so determined, could have a Material Adverse Effect. Except as set forth on Schedule 4.01(d), as of the Closing Date there

is no litigation pending or threatened that seeks damages in excess of \$1,000,000 or injunctive relief against, or alleges criminal misconduct by, Odyssey.

(e) Solvency. Both before and after giving effect to (i) the

transactions contemplated by this Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, Odyssey is and will be Solvent.

(f) Material Adverse Effect. Between December 31, 1997 and the

Closing Date, (i) Odyssey has not incurred any obligations, contingent or non-contingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, other than, with respect to a Material Adverse Effect as listed on Schedule 4.01(f), (ii) no

contract, lease or other agreement or instrument has been entered into by Odyssey or has become binding upon the such Person's assets and no law or regulation applicable to Odyssey has been adopted that has had or could reasonably be expected to have a Material Adverse Effect on such Person, and (iii) Odyssey is not in default and to the knowledge of Odyssey after diligent inquiry, no third party is in default under any material contract, lease or other agreement or instrument to which Odyssey is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1997 and the Closing Date no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect, other than, with respect to a Material Adverse Effect as listed on Schedule 4.01(f).

(g) Ownership of Receivables. Odyssey owns each Receivable originated

by it free and clear of any Adverse Claim (other than Permitted Encumbrances) and, from and after the Transfer Date, CGS will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in each Transferred Receivable purchased or otherwise acquired on such date, free and clear of any Adverse Claim or restrictions on transferability. As of the Closing Date, none of the properties and assets of Odyssey are subject to any Liens other than Permitted Encumbrances and Credit Facility Liens, and there are no facts, circumstances or conditions known to Odyssey that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances and Credit Facility Liens. Odyssey has received all assignments, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect Odyssey's right, title and interest in and to the Receivables originated by it and its other properties and assets.

(h) Ventures, Subsidiaries and Affiliates; Outstanding Stock. Except

as set forth in Schedule 4.01(h), Odyssey does not have any Subsidiaries, is not engaged in any joint venture or partnership with any other Person, nor is an Affiliate of any other Person. All of the

issued and outstanding Stock of Odyssey is owned by each of the Stockholders in the amounts set forth on Schedule 4.01(h). Except as set forth on Schedule 4.01(h), there are no outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which Odyssey may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries.

(i) Taxes. All material tax returns, reports and statements,

including information returns, required by any Governmental Authority to be filed by Odyssey have been filed with the appropriate Governmental Authority. All Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts which are being contested in accordance with Section 4.02(l) or

have been included as a liability on the most recent consolidated balance sheet prepared by the Parent Guarantor which has been provided to CGS and delivered to CGS, the Operating Agent and the Collateral Agent pursuant to the Purchase Agreement. Proper and accurate amounts have been withheld by Odyssey from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws or have been included as a liability on the most recent consolidated balance sheet prepared by the Parent Guarantor which has been provided to CGS and delivered to CGS, the Operating Agent and the Collateral Agent pursuant to the Purchase Agreement. All amounts withheld have been timely paid to the respective Governmental Authorities. Schedule 4.01(i) sets forth as of the Closing Date (i) those taxable years for

which Odyssey's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and (ii) any assessments or threatened assessments in connection with such audit or otherwise currently outstanding. Except as described on Schedule 4.01(i), Odyssey has not executed or filed with

the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. Odyssey and its predecessors are not liable for any Charges: (A) under any agreement (including any tax sharing agreements) or (B) to the best of Odyssey's knowledge, as a transferee. As of the Closing Date, Odyssey has not agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, that would have a Material Adverse Effect.

(j) Intellectual Property. As of the Closing Date, Odyssey owns or

has rights to use all intellectual property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it. To the knowledge of Odyssey after diligent inquiry, such Person conducts its business and affairs without infringement of or interference with any intellectual property of any other Person.

(k) Full Disclosure. No information contained in this Agreement, any

of the other Related Documents, or any written statement furnished by or on behalf of Odyssey to CGS, the Operating Agent or the Collateral Agent pursuant to the terms of this Agreement or any of the other Related Documents contains any untrue statement of a material fact or omits or will omit to

state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

(l) Notices to Obligors. Odyssey has directed all Obligors of Odyssey

Sold Receivables to remit all payments with respect to such Receivables to an office of CGS.

(m) ERISA.

(i) Schedule 4.01(m) lists all Title IV Plans, Multiemployer

Plans, ESOPs and Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest IRS/DOL 5500-series form for each such Plan, have been delivered to CGS. Each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA. Neither Odyssey nor an ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Neither Odyssey nor any ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 4975 of the IRC, in connection with any Plan that would subject Odyssey to a material tax on prohibited transactions imposed by Section 4975 of the IRC.

(ii) Except as set forth in Schedule 4.01(m): (A) no Title IV

Plan has any Unfunded Pension Liability; (B) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (C) there are no pending or, to the knowledge of Odyssey, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (D) neither Odyssey nor an ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (E) within the last five years no Title IV Plan with Unfunded Pension Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of Odyssey or ERISA Affiliate; (F) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by S&P or an equivalent rating by another nationally recognized rating agency.

(n) Brokers. No broker or finder acting on behalf of Odyssey was

employed or utilized in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby and Odyssey does not have any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

(o) Margin Regulations. Neither Odyssey nor any of its respective

Subsidiaries is engaged, or will engage, principally or as one of its important activities, in the business of

extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). Odyssey does not own any Margin Stock and no

portion of the Odyssey Sale Price will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Debt that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any portion of such proceeds to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. The extensions of credit contemplated by the Credit Facility as in effect on the date hereof do not violate, and neither Odyssey nor any of its Subsidiaries will take or permit to be taken any action that might cause any Related Document or the Credit Facility to violate any regulation of the Federal Reserve Board.

(p) Nonapplicability of Bulk Sales Laws. No transaction contemplated

by this Agreement or any of the other Related Documents requires compliance with any bulk sales act or similar law.

(q) Securities Act and Investment Company Act Exemptions. The

purchase of Odyssey Sold Receivables under this Agreement will constitute (i) a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act and (ii) a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act.

(r) Government Regulation. Odyssey is not an "investment company" or

an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act. Odyssey is not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Debt or to perform its obligations hereunder. The purchase or acquisition of the Odyssey Sold Receivables by CGS hereunder, the application of the Odyssey Sale Price therefor and the consummation of the transactions contemplated by this Agreement and the other Related Documents will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

(s) Books and Records; Minutes. The bylaws or the certificate or

articles of incorporation of Odyssey require it to maintain (i) books and records of account and (ii) minutes of the meetings and other proceedings of its Stockholders and board of directors.

(t) Deposit and Disbursement Accounts. Schedule 4.01(t) lists all

banks and other financial institutions at which Odyssey maintains deposit or other bank accounts as of the Closing Date, including the Lockbox Account or any Blocked Accounts, and such schedule correctly identifies the name, address and telephone number of each depository, the name in which

the account is held, a description of the purpose of the account, and the complete account number therefor.

(u) Representations and Warranties in Other Related Documents. Each

of the representations and warranties of Odyssey contained in the Related Documents (other than this Agreement) is true and correct in all material respects and Odyssey hereby makes each such representation and warranty to, and for the benefit of, CGS, GFC, the Operating Agent and the Collateral Agent as if the same were set forth in full herein.

(v) Receivables. With respect to each Odyssey Sold Receivable

designated as an Eligible Receivable in any Investment Base Certificate delivered on or after the Transfer Date of such Odyssey Sold Receivable:

(i) such Receivable satisfies the criteria for an Eligible Receivable;

(ii) prior to its Transfer to CGS such Receivable was owned by Odyssey free and clear of any Adverse Claim (other than Permitted Encumbrances), and Odyssey had the full right, power and authority to sell, contribute, assign, transfer and pledge its interest therein as contemplated under this Agreement and the other Related Documents and, upon such Transfer, CGS will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in such Receivable, free and clear of any Adverse Claim and, following such Transfer, such Receivable will not be subject to any Adverse Claim as a result of any action or inaction on the part of Odyssey;

(iii) the Transfer of each such Receivable pursuant to this Agreement and the Receivables Assignment executed by Odyssey constitutes, as applicable, a valid sale, contribution, transfer, assignment, setover and conveyance to CGS of all right, title and interest of Odyssey in and to such Receivable; and

(iv) Odyssey has no knowledge of any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have caused it to expect that any payments on such Receivable will not be paid in full when due or to expect any other Material Adverse Effect.

The representations and warranties described in this Section 4.01 shall survive

the Transfer of the Odyssey Sold Receivables to CGS, any subsequent assignment of the Odyssey Sold Receivables by CGS, and the termination of this Agreement and the other Related Documents and shall continue until the indefeasible payment in full of all Odyssey Sold Receivables.

Section 4.02 Affirmative Covenants of Odyssey. Odyssey covenants

and agrees that, unless otherwise consented to by CGS and the Operating Agent, from and after the Closing Date and until the Odyssey Collection Date:

(a) Offices and Records. Odyssey shall maintain its principal place

of business and chief executive office and the office at which it keeps its Records at the respective locations specified in Schedule 4.01(b) or, upon 30

days' prior written notice to CGS, at such other location in a jurisdiction where all action requested by CGS, GFC, the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 8.13 shall have been taken with respect

to the Odyssey Sold Receivables. Odyssey shall also maintain each location where Odyssey Collateral is located and each office at which it stores its Records only at the respective locations specified in Schedule 4.01(b) or at

such other substituted or additional locations with respect to which Odyssey shall, prior to establishing such location, (x) have notified CGS, GFC, the Purchaser, the Operating Agent and the Collateral Agent thereof and (y) have taken all actions necessary or otherwise requested by CGS, GFC, the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 8.13 with

respect to the Odyssey Sold Receivables and the Odyssey Collateral. Odyssey shall at its own cost and expense, for not less than three years from the date on which each Odyssey Sold Receivable was originated, or for such longer period as may be required by law, maintain adequate Records with respect to such Odyssey Sold Receivable, including records of all payments received, credits granted and merchandise returned with respect thereto.

(b) Access. The CGS Originator shall, at its own expense and during

normal business hours, from time to time upon one Business Day's prior notice and as frequently as CGS, the Servicer, the Operating Agent or the Collateral Agent determines to be appropriate: (i) provide CGS, the Operating Agent or the Collateral Agent and any of their respective officers, employees and agents access to its properties, facilities, advisors and employees (including officers) of Odyssey and to the Odyssey Collateral, (ii) permit CGS, the Operating Agent or the Collateral Agent and any of their respective officers, employees and agents, to inspect, audit and make extracts from Odyssey's books and records, including all Records maintained by Odyssey, (iii) permit CGS, the Operating Agent or the Collateral Agent and their respective officers, employees and agents, to inspect, review and evaluate the Odyssey Sold Receivables and other Odyssey Collateral, and (iv) permit CGS, the Operating Agent or the Collateral Agent and their respective officers, employees and agents to discuss matters relating to the Odyssey Sold Receivables or Odyssey's performance under this Agreement or the affairs, finances and accounts of Odyssey with any of its officers, directors, employees, representatives or agents (in each case, with those Persons having knowledge of such matters) and with its independent certified public accountants. If an Incipient Termination Event or a Termination Event shall have occurred and be continuing, or the Operating Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems the Purchaser's rights or interests in the Odyssey Sold Receivables or the Odyssey Collateral insecure, Odyssey shall, at its own expense, provide such access at all times and without advance notice and provide CGS, the Operating Agent or the Collateral Agent with access to its suppliers and customers. Odyssey shall make available to CGS, the Operating Agent or the Collateral Agent and their respective counsel, as quickly as is possible under the circumstances, originals or copies of all books and records, including Records maintained by Odyssey, that CGS, the Operating Agent or the Collateral Agent may request. Odyssey shall deliver any document or instrument necessary for CGS, the Operating Agent or the Collateral Agent, as they may from time to time request, to obtain records from any service

bureau or other Person that maintains records for Odyssey, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by Odyssey.

(c) Compliance With Credit and Collection Policies. Odyssey shall

comply in all material respects with the Credit and Collection Policies applicable to each Odyssey Sold Receivable and the Contracts therefor, and with the terms of such Receivables and Contracts.

(d) Assignment. Odyssey agrees that, to the extent permitted under

the Purchase Agreement, CGS may assign all of its right, title and interest in, to and under the Odyssey Sold Receivables and this Agreement, including its right to exercise the remedies set forth in Section 4.04. Odyssey agrees that, -----
upon any such assignment, the assignee thereof may enforce directly, without joinder of CGS, all of the obligations of Odyssey hereunder, including any obligations of Odyssey set forth in Sections 4.02(d), 4.04, 5.01 and 8.14.

(e) Deposit of Collections. Odyssey shall deposit and cause their

respective Subsidiaries to deposit or cause to be deposited promptly into the Lockbox Account or a Blocked Account, and in any event no later than the first Business Day after receipt thereof, all Collections it or they may receive in respect of Odyssey Sold Receivables.

(f) Notice of Material Event. Odyssey shall promptly inform CGS in

writing of the occurrence of any of the following, in each case setting forth the details thereof and what action, if any, Odyssey proposes to take with respect thereto:

(i) the commencement of a case or proceeding by or against Odyssey seeking a decree or order in respect of Odyssey (A) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (B) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for the Odyssey or for any substantial part of such Person's assets, or (C) ordering the winding-up or liquidation of the affairs of Odyssey; or

(ii) (A) any Adverse Claim made or asserted against any of the Odyssey Sold Receivables of which it becomes aware or (B) any determination that a Odyssey Sold Receivable designated as an Eligible Receivable in an Investment Base Certificate or otherwise was not an Eligible Receivable at the time of such designation.

(g) Adjustments to Odyssey Sale Price. If on any day the Billed

Amount of any Odyssey Sold Receivable is reduced as a result of any Dilution Factors, and the amount of such reduction exceeds the amount, if any, of Dilution Factors taken into account in the calculation of the Odyssey Sale Price for such Odyssey Sold Receivable, Odyssey shall make a cash payment to CGS in the amount of such excess by remitting such amount to the Collection Account in accordance with the terms of the Purchase Agreement.

Section 4.03 Negative Covenants of Odyssey. Odyssey covenants and

agrees that, without the prior written consent of CGS and the Operating Agent,
from and after the Closing Date and until the Odyssey Collection Date:

(a) Liens. Odyssey shall not create, incur, assume or permit to exist

any Adverse Claim on or with respect to the Odyssey Sold Receivables or any of
its other properties or assets (whether now owned or hereafter acquired) except
for the Liens set forth in Schedule 4.03(b), other Permitted Encumbrances and

Credit Facility Liens.

(b) Modifications of Receivables or Contracts. Odyssey shall not

extend, amend, forgive, discharge, compromise, cancel or otherwise modify the
terms of any Odyssey Sold Receivable, or amend, modify or waive any term or
condition of any Contract therefor.

(c) Sale Characterization. Odyssey shall not make statements or

disclosures or prepare any financial statements for any purpose, including for
federal income tax, reporting or accounting purposes, that shall account for the
transactions contemplated by this Agreement in any manner other than with
respect to the Sale of each Odyssey Sold Receivable, as a true sale or absolute
assignment of its full right, title and ownership interest in such Odyssey Sold
Receivable to CGS.

(d) Actions Affecting Rights. Odyssey shall not: (i) take any

action, or fail to take any action, if such action or failure to take action may
interfere with the enforcement of any rights hereunder or under the other
Related Documents, including rights with respect to the Odyssey Sold
Receivables; (ii) waive or alter any rights with respect to the Odyssey Sold
Receivables (or any agreement or instrument relating thereto); or (iii) fail to
pay any tax, assessment, charge, fee or other obligation of Odyssey with respect
to the Odyssey Sold Receivables, or fail to defend any action, if such failure
to pay or defend may adversely affect the priority or enforceability of the
perfected title of CGS to and the sole record and beneficial ownership interest
of CGS in the Odyssey Sold Receivables or, prior to their Transfer hereunder,
Odyssey's right, title or interest therein.

(e) Change to Credit and Collection Policies. Odyssey shall not fail

to comply with, and no change shall be made to, the Credit and Collection
Policies without the prior written consent of CGS and the Operating Agent.

(f) Adverse Tax Consequences. Odyssey shall not take or permit to be

taken any action (other than with respect to actions taken or to be taken solely
by a Governmental Authority), or fail or neglect to perform, keep or observe any
of its obligations hereunder or under the other Related Documents, that would
have the effect directly or indirectly of subjecting any payment to CGS or
holders of the Commercial Paper who are residents of the United States of
America to withholding taxation.

(g) No Proceedings. From and after the Closing Date and until the

date one year plus one day following the date on which the Commercial Paper with
the latest maturity has

been indefeasibly paid in full in cash, Odyssey shall not, directly or indirectly, institute or cause to be instituted against CGS any proceeding of the type referred to in Sections 9.01(c) and 9.01(d) of the Purchase Agreement.

Section 4.04 Breach of Representations, Warranties or Covenants.

Upon discovery by Odyssey or CGS that any representation or warranty in Sections

4.01(g) and (v) (other than a representation, warranty or covenant relating to

the absence of Dilution Factors), was not true with respect to any Sold Receivable as of the Transfer Date, the party discovering the same shall give prompt written notice thereof to the other parties hereto. Odyssey may, at any time on any Business Day, or shall, if requested by notice from CGS, on the first Business Day following receipt of such notice, repurchase such Odyssey Sold Receivable from CGS for cash, in an amount equal to the Billed Amount of such Odyssey Sold Receivable minus the sum of (A) Collections received in

respect thereof and (B) the amount of any Dilution Factors taken into account in the calculation of the Odyssey Sale Price therefor. Notwithstanding the foregoing, if any Receivable is not paid in full on account of any Dilution Factors, Odyssey's repurchase obligation under this Section 4.04 with respect to

such Receivable shall be reduced by the amount of any such Dilution Factors taken into account in the calculation of the Odyssey Sale Price therefor. Upon any such repurchase by Odyssey, CGS shall, without any further action, be deemed to have reconveyed all of its right, title and interest in and to such Odyssey Sold Receivable to Odyssey without recourse, representation or warranty. CGS shall, at Odyssey's expense, take any action Odyssey may reasonably request to further evidence such reconveyance.

ARTICLE V.

INDEMNIFICATION AND WAIVER

Section 5.01 Indemnification. Without limiting any other rights

that CGS or any of its Stockholders, officers, directors, employees, attorneys, agents or representatives (each, an "CGS Indemnified Person") may have hereunder

or under applicable law, Odyssey hereby agrees to indemnify and hold harmless each CGS Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such CGS Indemnified Person in connection with or arising out of the transactions contemplated under this Agreement or under any other Related Document, any actions or failures to act in connection therewith, including any and all legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Related Documents, or in respect of any Odyssey Sold Receivable or any Contract therefor or the use by Odyssey of the Odyssey Sale Price therefor; provided, that Odyssey shall not be liable for any

indemnification to a CGS Indemnified Person to the extent that any such Indemnified Amounts result solely from (a) such CGS Indemnified Person's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction, (b) recourse for uncollectible or uncollected Odyssey Sold Receivables, or (c) any income tax or franchise tax incurred by any CGS Indemnified Person, except to the extent that the incurrence of any such tax results from a breach of or default under this Agreement

or any other Related Document. Without limiting the generality of the foregoing, Odyssey shall pay on demand to each CGS Indemnified Person any and all Indemnified Amounts relating to or resulting from:

(i) reliance on any representation or warranty made or deemed made by Odyssey (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by Odyssey pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;

(ii) the failure by Odyssey to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Odyssey Sold Receivable or Contract therefor, or the nonconformity of any Odyssey Sold Receivable or the Contract therefor with any such applicable law, rule or regulation;

(iii) the failure to vest and maintain vested in or to Transfer to CGS, or any action taken or omitted by Odyssey which impairs the vesting in or Transfer to CGS of, valid and properly perfected title to and sole record and beneficial ownership of the Receivables that constitute Odyssey Sold Receivables, together with all Collections in respect thereof, free and clear of any Adverse Claim;

(iv) any dispute, claim, offset or defense of any Obligor (other than its discharge in bankruptcy or a dispute, claim, offset or defense which is finally determined by a court of competent jurisdiction to be non-meritorious) to the payment of any Receivable that is the subject of the Transfer hereunder (including a defense based on such Receivable or the Contract therefor not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms but excluding discounts to, or other Dilution Factors that reduce, the Billed Amount thereof), except to the extent that such dispute, claim, offset or defense results solely from any action or inaction on the part of CGS;

(v) any products liability claim or other claim arising out of or in connection with merchandise, insurance or services that is the subject of any Contract;

(vi) any failure by Odyssey to cause the filing of, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or any other applicable laws with respect to any Receivable that is the subject of the Transfer hereunder, whether at the time of the Transfer or at any subsequent time;

(vii) any failure by Odyssey to perform, keep or observe any of its duties or obligations hereunder, under any other Related Document or under any Contract related to a Odyssey Sold Receivable, including the commingling of Collections with respect to Odyssey Sold Receivables by Odyssey at any time with the funds of any other Person;

(viii) any investigation, Litigation or proceeding related to this Agreement or the use of the Odyssey Sale Price obtained in connection with any Sale or the ownership of Receivables or Collections with respect thereto or in respect of any Receivable or Contract, except to the extent any such investigation, Litigation or proceeding relates to a matter involving a CGS Indemnified Person for which neither Odyssey nor its Affiliates (other than CGS) is at fault, as finally determined by a court of competent jurisdiction; or

(ix) any claim brought by any Person other than a CGS Indemnified Person arising from any activity by Odyssey or any of its Affiliates in servicing, administering or collecting any Odyssey Sold Receivables.

NO CGS INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

Section 5.02 Intentionally Omitted.

ARTICLE VI.

Intentionally Omitted.

ARTICLE VII

COLLATERAL SECURITY

Section 7.01 Security Interest. To secure the prompt and complete

payment, performance and observance of any and all recourse and indemnity obligations of the Odyssey to CGS, including those set forth in Sections

4.02(g), 4.04, 5.01 and 8.14, and to induce CGS to enter into this Agreement in

accordance with the terms and conditions hereof, Odyssey hereby grants, assigns, conveys, pledges, hypothecates and transfers to CGS a Lien upon all of Odyssey's

right, title and interest in, to and under the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of, Odyssey (including under any trade names, styles or derivations of Odyssey), and whether owned by or consigned by or to, or leased from or to, Odyssey, and regardless of where located (all of which being hereinafter collectively referred to as the "Odyssey Collateral"):

(a) all accounts, inventory, general intangibles, investment property, chattel paper, documents, and instruments, whether or not specifically assigned to CGS;

(b) all books and records (including customer lists, credit files, computer programs, tapes, disks, data processing software and other related property and rights) pertaining to the foregoing;

(c) all monies, securities and other property now or hereafter in the possession or custody of, or in transit to, CGS, for any purpose (including safekeeping, collection or pledge), from or for Odyssey, or as to which Odyssey may have any right or power, and all of CGS's credits and balances with Odyssey existing at any time; and

(d) to the extent not otherwise included, all proceeds and products of the foregoing and all accessions to, and substitutions and replacements for, each of the foregoing; provided, that the Odyssey Collateral shall not include any general intangibles and instruments in which a Lien is not granted as a result of the terms of the Subsidiaries Security Agreement delivered pursuant to (and defined in) the Credit Agreement.

Section 7.02 Other Collateral; Rights in Receivables. Nothing

contained in this Article VII shall limit the rights of CGS in and to any other

collateral that may have been or may hereafter be granted to CGS by Odyssey or any third party pursuant to any other agreement or the rights of Odyssey under any of the Odyssey Sold Receivables.

ARTICLE VII

MISCELLANEOUS

Section 8.01 Notices. Except as otherwise provided herein, whenever

it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with

such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 8.01), (c)

one Business Day after deposit with a reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number set forth under its name on the signature page hereof or to such other address (or facsimile number) as may be substituted by notice given as herein provided; provided, that each such declaration or other communication

shall be deemed to have been validly delivered to the Collateral Agent under this Agreement upon delivery to the Operating Agent in accordance with the terms of this Section 8.01. The giving of any notice required hereunder may be waived

in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than CGS) designated in any written communication provided hereunder to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. Notwithstanding the foregoing, whenever it is provided herein that a notice is to be given to any other party hereto by a specific time, such notice shall only be effective if actually received by such party prior to such time, and if such notice is received after such time or on a day other than a Business Day, such notice shall only be effective on the immediately succeeding Business Day.

Section 8.02 No Waiver; Remedies. CGS's failure, at any time or

times, to require strict performance by Odyssey of any provision of this Agreement or the Receivables Assignment shall not waive, affect or diminish any right of CGS thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of any breach or default hereunder shall not suspend, waive or affect any other breach or default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of Odyssey contained in this Agreement or any Receivables Assignment, and no breach or default by Odyssey hereunder or thereunder, shall be deemed to have been suspended or waived by CGS unless such waiver or suspension is by an instrument in writing signed by an officer of or other duly authorized signatory of CGS and directed to Odyssey, specifying such suspension or waiver. CGS's rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that CGS may have under any other agreement, including the other Related Documents, by operation of law or otherwise. Recourse to the Odyssey Collateral shall not be required.

Section 8.03 Successors and Assigns. This Agreement shall be

binding upon and shall inure to the benefit of Odyssey (including a debtor-in-possession on its behalf) and CGS and their respective successors, transferees, endorsees and permitted assigns, except as otherwise provided herein. Odyssey may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of CGS, GFC, the Operating Agent and the Collateral Agent. Any such purported assignment, transfer, hypothecation or other conveyance by Odyssey without the prior express written consent of CGS, GFC, the Operating Agent and the Collateral Agent shall be void. Odyssey acknowledges that, to the extent permitted under the Purchase Agreement, CGS may assign its rights granted hereunder,

including the benefit of any indemnities under Article V, and upon such

assignment, such assignee shall have, to the extent of such assignment, all rights of CGS hereunder and, to the extent permitted under the Purchase Agreement, may in turn assign such rights. Odyssey agrees that, upon any such assignment, such assignee may enforce directly, without joinder of CGS, the rights set forth in this Agreement. All such assignees, including parties to the Purchase Agreement in the case of any assignment to such parties, shall be third party beneficiaries of, and shall be entitled to enforce CGS's rights and remedies under, this Agreement to the same extent as if they were parties hereto. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of Odyssey and CGS with respect to the transactions contemplated hereby and, except for CGS, GFC, the Operating Agent and the Collateral Agent, no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement. The rights of CGS, the Operating Agent and the Collateral Agent hereunder with respect to the "Lenders" and the "Agent" party to the Credit Facility are subject to the Intercreditor Agreement to the extent provided therein.

Section 8.04 Termination; Survival of Obligations.

(a) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date.

(b) Except as otherwise expressly provided herein or in any other Related Document, no termination or cancellation (regardless of cause or procedure) of any commitment made by CGS under this Agreement shall in any way affect or impair the obligations, duties and liabilities of Odyssey or the rights of CGS relating to any unpaid portion of any and all recourse and indemnity obligations of Odyssey to CGS, including those set forth in Sections

4.04, 5.01 and 8.14, due or not due, liquidated, contingent or unliquidated or

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any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Facility Termination Date. Except as otherwise expressly provided herein or in any other Related Document, all undertakings, agreements, covenants, warranties and representations of or binding upon Odyssey, and all rights of CGS hereunder, all as contained in the Related Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the rights and

remedies pursuant to Section 4.04, the indemnification and payment provisions of

Article V, and the provisions of Sections 4.03(f), 8.03, 8.12 and 8.14 shall be

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continuing and shall survive any termination of this Agreement.

Section 8.05 Complete Agreement; Modification of Agreement. This

Agreement and the other Related Documents constitute the complete agreement between the parties with respect to the subject matter hereof and thereof, supersede all prior agreements and understandings relating to the subject matter hereof and thereof, and may not be modified, altered or amended except as set forth in Section 8.06.

Section 8.06 Amendments and Waivers. No amendment, modification,

termination or waiver of any provision of this Agreement or any of the other Related Documents, or any consent to any departure by Odyssey therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto and CGS, the Operating Agent and the Collateral Agent. No consent or demand in any case shall, in itself, entitle any party to any other consent or further notice or demand in similar or other circumstances.

SECTION 8.07 GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY

TRIAL.

(A) THIS AGREEMENT AND EACH RELATED DOCUMENT (EXCEPT TO THE EXTENT THAT ANY RELATED DOCUMENT EXPRESSLY PROVIDES TO THE CONTRARY) AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAW PROVISIONS THEREOF) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

(B) EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THEM PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY RELATED DOCUMENT; PROVIDED, THAT EACH PARTY HERETO ACKNOWLEDGES

THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE BOROUGH OF MANHATTAN IN NEW YORK CITY; PROVIDED FURTHER, THAT

NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE CGS FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF CGS. EACH PARTY HERETO SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON

CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF

AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PARTY AT THE

ADDRESS SET FORTH BENEATH ITS NAME ON THE SIGNATURE PAGES HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PARTY'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL, PROPER POSTAGE PREPAID. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(C) BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 8.08 Counterparts. This Agreement may be executed in any

number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Section 8.09 Severability. Wherever possible, each provision of

this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 8.10 Section Titles. The section titles and table of

contents contained in this Agreement are provided for ease of reference only and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

Section 8.11 No Setoff. Odyssey's obligations under this Agreement

shall not be affected by any right of setoff, counterclaim, recoupment, defense or other right Odyssey might have against CGS, the Operating Agent or the Collateral Agent, all of which rights are hereby expressly waived by Odyssey.

Section 8.12 Confidentiality.

(a) Except to the extent otherwise required by applicable law, as required to be filed publicly with the Securities and Exchange Commission, or unless each Affected Party shall otherwise consent in writing, Odyssey and CGS agree to maintain the confidentiality of this Agreement (and all drafts hereof and documents ancillary hereto) in its communications with third parties other than any Affected Party or any CGS Indemnified Person and otherwise and not to disclose, deliver or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or a CGS Indemnified Person.

(b) Odyssey agrees that it shall not (and shall not permit any of its Subsidiaries to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the Related Documents without the prior written consent of CGS and each Affected Party (which consent shall not be unreasonably withheld) unless such news release or public announcement is required by law, in which case Odyssey shall consult with CGS and each Affected Party prior to the issuance of such news release or public announcement. Odyssey may, however, disclose the general terms of the transactions contemplated by this Agreement and the Related Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

Section 8.13 Further Assurances.

(a) Odyssey shall, at its sole cost and expense, upon request of CGS, the Operating Agent or the Collateral Agent, promptly and duly execute and deliver any and all further instruments and documents and take such further actions that may be necessary or desirable or that CGS, the Operating Agent or the Collateral Agent may request to carry out more effectively the provisions and purposes of this Agreement or any other Related Document or to obtain the full benefits of this Agreement and of the rights and powers herein granted, including (i) using its best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of CGS of any Odyssey Sold Receivable, and (ii) filing any financing or continuation statements under the UCC with respect to the ownership interests granted hereunder or under any other Related Document. Odyssey hereby authorizes CGS, CGS, the Operating Agent or the Collateral Agent to file any such financing or continuation statements without the signature of Odyssey to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement or of any notice or financing statement covering the Odyssey Sold Receivables shall be sufficient as a notice or financing statement where permitted by law.

(b) If Odyssey fails to perform any agreement or obligation under this Section 8.13, CGS, GFC, the Operating Agent or the Collateral Agent may (but ----- shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of CGS, GFC, the Operating Agent or the Collateral Agent incurred in connection

therewith shall be payable by Odyssey upon demand of CGS, GFC, the Operating Agent or the Collateral Agent.

Section 8.14 Fees and Expenses. In addition to its indemnification

obligations pursuant to Article V, Odyssey agrees to pay on demand all costs and

expenses incurred by CGS in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Related Documents, including the fees and out-of-pocket expenses of CGS's counsel, advisors, consultants and auditors retained in connection with the transactions contemplated thereby and advice in connection therewith, and Odyssey agrees to pay all costs and expenses, if any (including attorneys' fees and expenses but excluding any costs of enforcement or collection of the Odyssey Sold Receivables), in connection with the enforcement of this Agreement and the other Related Documents.

* * *

IN WITNESS WHEREOF, the parties have caused this Receivables Transfer Agreement to be executed by their respective duly authorized representatives, as of the date first above written.

CALLAWAY GOLF SALES COMPANY

By: /s/ David A. Rane

Name:
Title:
2285 Rutherford Road
Carlsbad, California 92008-8815
Facsimile No.: (760) 929-8120

ODYSSEY GOLF, INC.

By: /s/ David A. Rane

Name:
Title:
2285 Rutherford Road
Carlsbad, California 92008-8815
Facsimile No.: (760) 929-8120

EXHIBIT 2.01(a)

RECEIVABLES ASSIGNMENT

THIS RECEIVABLES ASSIGNMENT (the "Receivables Assignment") is entered
into as of February 10, 1999, by and between Odyssey Golf, Inc. ("Odyssey") and
Callaway Golf Sales Company ("CGS").

1. We refer to that certain Receivables Transfer Agreement (the "Odyssey Transfer Agreement") of even date herewith among Odyssey and CGS. All of the terms, covenants and conditions of the Odyssey Transfer Agreement are hereby made a part of this Receivables Assignment and are deemed incorporated herein in full. Unless otherwise defined herein, capitalized terms or matters of construction defined or established in Odyssey Transfer Agreement shall be applied herein as defined or established therein.

2. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Odyssey hereby sells to CGS, without recourse, except as provided in Section 4.04 of the Odyssey Transfer Agreement, all of Odyssey's right, title and interest in, to and under all Odyssey Sold Receivables transferred by Odyssey to CGS under the Odyssey Transfer Agreement.

3. Subject to the terms and conditions of the Odyssey Transfer Agreement, Odyssey hereby covenants and agrees to sign, sell, execute and deliver, or cause to be signed, sold, executed and delivered, and to do or make, or cause to be done or made, upon request of CGS and at Odyssey's expense, any and all agreements, instruments, papers, deeds, acts or things, supplemental, confirmatory or otherwise, as may be reasonably required by CGS for the purpose of or in connection with acquiring or more effectively vesting in CGS or evidencing the vesting in CGS of the property, rights, title and interests of Odyssey sold hereunder or intended to be sold hereunder.

4. Wherever possible, each provision of this Receivables Assignment shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Receivables Assignment shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Receivables Assignment.

5. THIS RECEIVABLES ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, the parties have caused this Receivables Assignment to be executed by their respective officers thereunto duly authorized, as of the day and year first above written.

CALLAWAY GOLF SALES COMPANY

ODYSSEY GOLF, INC.

By: _____
Name:
Title:

By: _____
Name:
Title:

RECEIVABLES TRANSFER AGREEMENT

Dated as of February 10, 1999,

by and among

CALLAWAY GOLF COMPANY,
as Parent Guarantor,

CALLAWAY GOLF SALES COMPANY,
as the CGS Originator and as Servicer,

and

GOLF FUNDING CORPORATION,

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THIS RECEIVABLES TRANSFER AGREEMENT ("Agreement") is entered into as

of February 10, 1999, by and among CALLAWAY GOLF SALES COMPANY, a California
corporation ("CGS"), as transferor of Receivables (the "CGS Originator") and as

a servicer hereunder (the "Servicer"), CALLAWAY GOLF COMPANY, a California

corporation (the "Parent Guarantor") and GOLF FUNDING CORPORATION, a California

corporation ("GFC").

RECITALS

A. The CGS Originator owns all of the outstanding Stock of GFC.

B. GFC has been formed for the sole purpose of purchasing, or otherwise acquiring by capital contribution, and reselling to the Purchaser, all domestic trade receivables originated by the CGS Originator.

C. The CGS Originator intends to sell, and GFC intends to purchase, all such trade receivables, from time to time, as described herein.

D. In addition, the CGS Originator may, from time to time, contribute capital to GFC in the form of Contributed Receivables or cash (in such capacity, a "Stockholder Originator").

E. The Parent Guarantor is the parent of the CGS Originator and as such will derive direct and indirect economic benefits from the sale of the trade receivables described above in Recital C.

F. In order to induce GFC to enter into this Agreement, the Parent Guarantor has agreed to guarantee the CGS Originator's obligations under this Agreement.

G. In order to effectuate the purposes of this Agreement, GFC desires to appoint Callaway Golf Sales Company to service, administer and collect the receivables acquired by GFC pursuant to this Agreement and Callaway Golf Sales Company is willing to act in such capacity as the Servicer hereunder on the terms and conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

DEFINITIONS AND INTERPRETATION

Section 1.01 Definitions. Capitalized terms used and not otherwise

defined herein shall have the meanings ascribed to them in Annex X.

Section 1.02 Rules of Construction. For purposes of this Agreement,

the rules of construction set forth in Annex X shall govern. All Appendices

hereto, or expressly identified to this Agreement, are incorporated herein by reference and, taken together with this Agreement, shall constitute but a single agreement.

ARTICLE II.

TRANSFERS OF RECEIVABLES

Section 2.01 Agreement to Transfer.

(a) Receivables Transfers. Subject to the terms and conditions

hereof, the CGS Originator agrees to sell or contribute (without recourse except to the extent specifically provided herein) to GFC on the Business Day following the Closing Date and on each Business Day thereafter (each such date, a "Transfer Date") all Receivables owned by it on each such Transfer Date, and GFC

agrees to purchase or acquire as a capital contribution all such Receivables on each such Transfer Date. All such Transfers shall be evidenced by a certificate of assignment substantially in the form of Exhibit 2.01(a) (a "Receivables

Assignment"), and the CGS Originator and GFC shall execute and deliver the

Receivables Assignment on or before the Closing Date.

(b) Determination of Sold Receivables. On and as of each Transfer

Date, those Receivables sold to, and purchased by, GFC shall consist of those Receivables owned by the CGS Originator and identified by the Servicer for sale to GFC (each such Receivable individually, a "Sold Receivable," and

collectively, the "Sold Receivables") such that the Sale Price of all Sold

Receivables shall not exceed the amount of cash available to GFC for the payment thereof.

(c) Payment of Purchase Price. In consideration for each Sale of

Sold Receivables hereunder, GFC shall pay to the CGS Originator on the Transfer Date therefor the Sale Price therefor in Dollars in immediately available funds. All payments by GFC under this Section 2.01(c) shall be effected by means of a

wire transfer not later than 12:00 noon (New York time) on the day when due to the Agent Account.

(d) Determination of Contributed Receivables. To the extent that on

and as of any Transfer Date, Receivables which do not constitute Transferred Receivables have not been identified as Sold Receivables pursuant to Section

2.01(b), then the CGS Originator shall, unless

it has delivered an Election Notice to GFC, effect transfer of such Receivables by contributing such Receivables to GFC as a capital contribution (each such contributed Receivable individually, a "Contributed Receivable," and collectively, the "Contributed Receivables"). If the CGS Originator elects not to contribute Receivables to GFC on any Transfer Date, the CGS Originator shall deliver to GFC not later than 5:00 p.m. (New York time) on the Business Day immediately preceding such Transfer Date a notice of such election (each such notice, an "Election Notice").

(e) Ownership of Transferred Receivables. On and after each Transfer Date and after giving effect to the Transfers to be made on each such date, GFC shall own the Transferred Receivables and the CGS Originator shall not take any action inconsistent with such ownership nor shall the CGS Originator claim any ownership interest in such Transferred Receivables.

(f) Reconstruction of General Trial Balance. If at any time the CGS Originator fails to generate its General Trial Balance, GFC shall have the right to reconstruct such General Trial Balance so that a determination of the Sold Receivables can be made pursuant to Section 2.01(b). The CGS Originator agrees to cooperate with such reconstruction, including by delivery to GFC, upon GFC's request, of copies of all Contracts and Records.

(g) Servicing of Receivables. So long as no Event of Servicer Termination shall have occurred and be continuing and no Successor Servicer has assumed the responsibilities and obligations of the Servicer pursuant to Section 11.02 of the Purchase Agreement, GFC and the CGS Originator hereby appoint the Servicer, in a manner consistent with Article VII of the Purchase Agreement, to

(i) conduct the servicing, administration and collection of the Transferred Receivables and shall take, or cause to be taken, all such actions as may be necessary or advisable to service, administer and collect the Transferred Receivables, all in accordance with (A) the terms of the Purchase Agreement, (B) customary and prudent servicing procedures for trade receivables of a similar type and (C) all applicable laws, rules and regulations, and (ii) hold all Contracts and other documents and incidents relating to the Transferred Receivables in trust for the benefit of GFC, as the owner thereof, and for the sole purpose of facilitating the servicing of the Transferred Receivables in accordance with the terms of the Purchase Agreement.

Section 2.02 Grant of Security Interest. The parties hereto intend that each Transfer shall constitute a purchase and sale or capital contribution, as applicable, and not a loan. Notwithstanding anything to the contrary set forth in this Section 2.02, if a court of competent jurisdiction determines that any transaction provided for herein constitutes a loan and not a purchase and sale or capital contribution, as applicable, then the parties hereto intend that this Agreement shall constitute a security agreement under applicable law and that the CGS Originator shall be deemed to have granted, and the CGS Originator does hereby grant, to GFC a first priority Lien in and to all of the CGS Originator's right, title and interest in, to and under the Transferred Receivables.

Section 2.03 Guaranty of Obligations of the CGS Originator. The

Parent Guarantor hereby unconditionally guarantees to GFC, and its respective successors, endorsees, transferees and assigns (including without limitation the Purchaser, the Operating Agent and the Collateral Agent), the prompt payment and performance of the obligations of CGS as the CGS Originator and as the Servicer under the Purchase Agreement, this Agreement and each other Related Document (the "Guaranteed Obligations"). The Parent Guarantor agrees that its

obligations shall be primary, absolute and unconditional, irrespective of, and unaffected by:

(a) the genuineness, validity, regularity, enforceability or any future amendment of, or change in the Purchase Agreement, this Agreement, any other Related Document or any other agreement, document or instrument to which CGS (whether as CGS Originator or as Servicer) and/or the Parent Guarantor is or may become a party;

(b) the absence of any action to enforce the obligations of CGS under the Purchase Agreement, this Agreement or any other Related Document or the waiver or consent by GFC with respect to any of the provisions hereof or thereof;

(c) the existence, value or condition of, or failure to perfect its Lien against, any Transfer Agreement Collateral or any action or the absence of any action, by GFC or its assigns in respect thereof (including, without limitation, the release of any such security);

(d) the insolvency of CGS; or

(e) any other action or circumstances which might otherwise constitute a legal or equitable discharge or defense of a surety or guarantor,

it being agreed by the Parent Guarantor that its obligations under the Purchase Agreement, this Agreement and the other Related Documents shall not be discharged until the Termination Date or thereafter to the extent provided in

Section 8.04. The Parent Guarantor agrees that any notice or directive given at

any time to GFC which is inconsistent with the waiver in the immediately preceding sentence shall be null and void and may be ignored by GFC and, in addition, may not be pleaded or introduced as evidence in any litigation relating to the Purchase Agreement, this Agreement or any other Related Document for the reason that such pleading or introduction would be at variance with the written terms of this Agreement, unless GFC (with the prior written consent of the Purchaser, the Operating Agent and the Collateral Agent) has specifically agreed otherwise in writing. It is agreed among the Parent Guarantor and GFC that the foregoing waivers are of the essence of the transaction contemplated by the Related Documents and that, but for this Section 2.03 and such waivers, GFC

would decline to enter into this Agreement, and the Purchaser, the Operating Agent and the Collateral Agent would decline to enter into the Purchase Agreement.

Section 2.04 Enforcement of Parent Guaranty. The guaranty set forth

in Section 2.03 is a guaranty of payment and not a guaranty of collection. In

no event shall GFC have any

obligation (although it is entitled, at its option) to proceed against the CGS Originator or any Transfer Agreement Collateral before seeking satisfaction from the Parent Guarantor, and GFC may proceed, prior or subsequent to, or simultaneously with, the enforcement of GFC's rights hereunder, to exercise any right or remedy which it may have against the Transfer Agreement Collateral, as a result of any Lien it may have as security.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01 Conditions to Initial Transfer. The initial Transfer

hereunder shall be subject to satisfaction of each of the following conditions precedent (any one or more of which may be waived in writing by each of GFC and the Operating Agent):

(a) Transfer Agreement; Other Documents. This Agreement or

counterparts hereof shall have been duly executed by, and delivered to, the CGS Originator, the Parent Guarantor and GFC, and GFC shall have received such documents, instruments, agreements and legal opinions as GFC shall request in connection with the transactions contemplated by this Agreement, including all those identified in the Schedule of Documents, each in form and substance satisfactory to GFC.

(b) Governmental Approvals. GFC shall have received (i) satisfactory

evidence that the CGS Originator and the Parent Guarantor have obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Related Documents and the consummation of the transactions contemplated hereby and thereby or (ii) an Officer's Certificate from each of the CGS Originator and the Parent Guarantor in form and substance satisfactory to GFC affirming that no such consents or approvals are required.

(c) Compliance with Laws. The CGS Originator and the Parent Guarantor

shall be in compliance in all material respects with all applicable foreign, federal, state and local laws and regulations, including those specifically referenced in Section 4.02(f).

(d) Purchase Agreement Conditions. Each of those conditions precedent

set forth in Article III of the Purchase Agreement shall have been satisfied or waived in writing as provided therein.

Section 3.02 Conditions to all Transfers. Each Transfer hereunder

(including the initial Transfer) shall be subject to satisfaction of the following further conditions precedent as of the Transfer Date therefor:

(a) the representations and warranties of the CGS Originator and the Parent Guarantor contained herein or in any other Related Document shall be true and correct as of such

Transfer Date, both before and after giving effect to such Transfer and to the application of the Sale Price therefor, except to the extent that any such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement;

(b) no Incipient Termination Event or Termination Event shall have occurred and be continuing or would result after giving effect to such Transfer or the application of the Sale Price therefor; and

(c) the CGS Originator and the Parent Guarantor shall have taken such other action, including delivery of approvals, consents, opinions, documents and instruments to GFC as GFC may request.

The acceptance by the CGS Originator of the Sale Price for the Sold Receivables on any Transfer Date shall be deemed to constitute, as of any such Transfer Date, a representation and warranty by the CGS Originator that the conditions in this Section 3.02 have been satisfied. Upon any such acceptance, title to the

transferred receivables sold or contributed on such Transfer Date shall be vested absolutely in GFC, whether or not such conditions were in fact so satisfied.

ARTICLE IV.

REPRESENTATIONS, WARRANTIES AND COVENANTS

Section 4.01 Representations and Warranties of the CGS Originator

and the Parent Guarantor. To induce GFC to purchase the Sold Receivables and

to acquire the Contributed Receivables, the CGS Originator and the Parent Guarantor make the following representations and warranties to GFC, each and all of which shall survive the execution and delivery of this Agreement.

(a) Corporate Existence; Compliance with Law. Each of the CGS

Originator and the Parent Guarantor (i) is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification, except where failure to be so qualified would not result in the exposure of either the CGS Originator or the Parent Guarantor to losses, damages or liabilities in excess of \$100,000; (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding ERISA, Environmental Laws, tax laws and other laws, is in compliance with all applicable provisions of

law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Executive Offices; Collateral Locations; Corporate or Other Names;

FEIN. As of the Closing Date, the current location of each of the CGS

Originator's and the Parent Guarantor's chief executive office, principal place of business, other offices, the warehouses and premises within which any Transfer Agreement Collateral is stored or located, and the locations of its records concerning the Transfer Agreement Collateral are set forth in Schedule

4.01(b) and none of such locations have changed within the past 12 months.

During the prior five years, except as set forth in Schedule 4.01(b), the CGS

Originator and the Parent Guarantor have not been known as or used any corporate, fictitious or trade name. In addition, Schedule 4.01(b) lists the

federal employer identification numbers of the CGS Originator and of the Parent Guarantor.

(c) Corporate Power, Authorization, Enforceable Obligations. The

execution, delivery and performance by each of the CGS Originator and the Parent Guarantor of this Agreement and the other Related Documents to which it is a party and the creation of all Liens provided for herein and therein and, solely with respect to clause (vii) below, the exercise by GFC, the Purchaser, the

Operating Agent or the Collateral Agent of any of its rights and remedies under any Related Document to which it is a party: (i) are within such Person's corporate power; (ii) have been duly authorized by all necessary or proper corporate and shareholder action; (iii) do not contravene any provision of such Person's charter or bylaws; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person is a party or by which such Person or any of its property is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of such Person; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 3.01(b), all of which will have been duly obtained, made

or complied with prior to the Closing Date. On or prior to the Closing Date, each of the Related Documents shall have been duly executed and delivered by each of the CGS Originator and the Parent Guarantor that is a party thereto and each such Related Document shall then constitute a legal, valid and binding obligation of the CGS Originator and the Parent Guarantor, as applicable, enforceable against it in accordance with its terms.

(d) No Litigation. No Litigation is now pending or, to the knowledge

of the CGS Originator or the Parent Guarantor, threatened against either the CGS Originator or the Parent Guarantor that (i) challenges either the CGS Originator's or the Parent Guarantor's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the Transfer, Purchase or pledge of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents or (iii) has a reasonable risk of being determined adversely to the CGS Originator or the Parent

Guarantor and that, if so determined, could have a Material Adverse Effect. Except as set forth on Schedule 4.01(d), as of the Closing Date there is no

Litigation pending or threatened that seeks damages in excess of \$1,000,000 or injunctive relief against, or alleges criminal misconduct by, the CGS Originator or the Parent Guarantor.

(e) Solvency. Both before and after giving effect to (i) the

transactions contemplated by this Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, each of the CGS Originator and the Parent Guarantor is and will be Solvent.

(f) Material Adverse Effect. Between December 31, 1997 and the

Closing Date, (i) each of the CGS Originator and the Parent Guarantor has not incurred any obligations, contingent or non-contingent liabilities, liabilities for Charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, other than, with respect to a Material Adverse Effect as listed on Schedule 4.01(f), (ii) no contract, lease or other agreement or instrument

has been entered into by the CGS Originator or the Parent Guarantor or has become binding upon the such Person's assets and no law or regulation applicable to the CGS Originator or the Parent Guarantor has been adopted that has had or could reasonably be expected to have a Material Adverse Effect on such Person, and (iii) neither the CGS Originator nor the Parent Guarantor is in default and to the knowledge of each of the CGS Originator and the Parent Guarantor after diligent inquiry, no third party is in default under any material contract, lease or other agreement or instrument to which the CGS Originator or Parent Guarantor is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1997 and the Closing Date no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect, other than, with respect to a Material Adverse Effect as listed on Schedule 4.01(f).

(g) Ownership of Receivables; Liens. The CGS Originator owns each

Receivable originated by it free and clear of any Adverse Claim (other than Permitted Encumbrances) and, from and after each Transfer Date, GFC will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in each Transferred Receivable purchased or otherwise acquired on such date, free and clear of any Adverse Claim or restrictions on transferability. As of the Closing Date, none of the properties and assets of the CGS Originator are subject to any Liens other than Permitted Encumbrances and Credit Facility Liens, and there are no facts, circumstances or conditions known to the CGS Originator that may result in any Liens (including Liens arising under Environmental Laws) other than Permitted Encumbrances and Credit Facility Liens. The CGS Originator has received all assignments, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect the CGS Originator's right, title and interest in and to the Receivables originated by it and its other properties and assets. The Liens granted to GFC pursuant to Section 7.01 will

at all times be fully perfected first priority Liens in and to the Transfer Agreement Collateral, subject only to Permitted Encumbrances and Credit Facility Liens.

(h) Ventures, Subsidiaries and Affiliates; Outstanding Stock. Except

as set forth in Schedule 4.01(h), neither the CGS Originator nor the Parent

Guarantor has any Subsidiaries, is engaged in any joint venture or partnership with any other Person, or is an Affiliate of any other Person. All of the issued and outstanding Stock of each of the CGS Originator and the Parent Guarantor is owned by each of the Stockholders in the amounts set forth on Schedule 4.01(h). Except as set forth on Schedule 4.01(h), there are no

outstanding rights to purchase, options, warrants or similar rights or agreements pursuant to which either the CGS Originator or the Parent Guarantor may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries.

(i) Taxes. All material tax returns, reports and statements,

including information returns, required by any Governmental Authority to be filed by the Parent Guarantor or the CGS Originator have been filed with the appropriate Governmental Authority. All Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts which are being contested in accordance with Section 4.02(1) or have been included as a liability on the most

recent consolidated balance sheet prepared by the Parent Guarantor which has been provided to GFC and delivered to the Purchaser, the Operating Agent and the Collateral Agent pursuant to the Purchase Agreement. Proper and accurate amounts have been withheld by each of the CGS Originator and the Parent Guarantor from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws or have been included as a liability on the most recent consolidated balance sheet prepared by the Parent Guarantor which has been provided to GFC and delivered to the Purchaser, the Operating Agent and the Collateral Agent pursuant to the Purchase Agreement. All amounts withheld have been timely paid to the respective Governmental Authorities. Schedule 4.01(i) sets forth as of the

Closing Date (i) those taxable years for which each of the CGS Originator's and the Parent Guarantor's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and (ii) any assessments or threatened assessments in connection with such audit or otherwise currently outstanding. Except as described on Schedule 4.01(i), neither the CGS Originator nor the

Parent Guarantor has executed or filed with the IRS or any other Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. Each of the CGS Originator and the Parent Guarantor and its respective predecessors are not liable for any Charges: (A) under any agreement (including any tax sharing agreements) or (B) to the best of the CGS Originator's knowledge, as a transferee. As of the Closing Date, neither the CGS Originator nor the Parent Guarantor has agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, that would have a Material Adverse Effect.

(j) Intellectual Property. As of the Closing Date, each of the CGS

Originator and the Parent Guarantor owns or has rights to use all intellectual property necessary to continue to conduct its business as now or heretofore conducted by it or proposed to be conducted by it. To the knowledge of each of the CGS Originator and the Parent Guarantor after diligent inquiry,

such Person conducts its business and affairs without infringement of or interference with any intellectual property of any other Person.

(k) Full Disclosure. No information contained in this Agreement, any

of the other Related Documents, or any written statement furnished by or on behalf of either the CGS Originator or the Parent Guarantor to GFC, the Purchaser, the Operating Agent or the Collateral Agent pursuant to the terms of this Agreement or any of the other Related Documents contains any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

(l) Notices to Obligors. The CGS Originator has directed all Obligors

of Transferred Receivables and shall instruct all future Obligors of such Receivables, to remit all payments with respect to such Receivables only (A) by check or money order mailed to an office of the Servicer or (B) by check, money order, wire transfer or moneygram to one or more of the Blocked Accounts.

(m) ERISA.

(i) Schedule 4.01(m) lists all Title IV Plans, Multiemployer

Plans, ESOPs and Retiree Welfare Plans. Copies of all such listed Plans, together with a copy of the latest IRS/DOL 5500-series form for each such Plan, have been delivered to GFC. Each Qualified Plan has been determined by the IRS to qualify under Section 401 of the IRC, the trusts created thereunder have been determined to be exempt from tax under the provisions of Section 501 of the IRC, and nothing has occurred that would cause the loss of such qualification or tax-exempt status. Each Plan is in compliance with the applicable provisions of ERISA and the IRC, including the timely filing of all reports required under the IRC or ERISA. Neither the CGS Originator, the Parent Guarantor nor an ERISA Affiliate has failed to make any contribution or pay any amount due as required by either Section 412 of the IRC or Section 302 of ERISA or the terms of any such Plan. Neither the CGS Originator nor any ERISA Affiliate has engaged in a "prohibited transaction," as defined in Section 4975 of the IRC, in connection with any Plan that would subject either the CGS Originator or the Parent Guarantor to a material tax on prohibited transactions imposed by Section 4975 of the IRC.

(ii) Except as set forth in Schedule 4.01(m): (A) no Title IV

Plan has any Unfunded Pension Liability; (B) no ERISA Event or event described in Section 4062(e) of ERISA with respect to any Title IV Plan has occurred or is reasonably expected to occur; (C) there are no pending or, to the knowledge of either the CGS Originator or the Parent Guarantor, threatened claims (other than claims for benefits in the normal course), sanctions, actions or lawsuits, asserted or instituted against any Plan or any Person as fiduciary or sponsor of any Plan; (D) neither the CGS Originator, the Parent Guarantor nor an ERISA Affiliate has incurred or reasonably expects to incur any liability as a result of a complete or partial withdrawal from a Multiemployer Plan; (E) within the last five years no Title IV Plan with Unfunded Pension

Liabilities has been transferred outside of the "controlled group" (within the meaning of Section 4001(a)(14) of ERISA) of the CGS Originator, Parent Guarantor or ERISA Affiliate; (F) no liability under any Title IV Plan has been satisfied with the purchase of a contract from an insurance company that is not rated AAA by S&P or an equivalent rating by another nationally recognized rating agency.

(n) Brokers. No broker or finder acting on behalf of either the CGS

Originator or the Parent Guarantor was employed or utilized in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby and neither the CGS Originator nor the Parent Guarantor has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

(o) Margin Regulations. Neither the CGS Originator nor the Parent

Guarantor nor any of their respective Subsidiaries is engaged, or will engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). The CGS Originator does not own any Margin Stock. Neither

the Parent Guarantor nor any of its Subsidiaries owns any Margin Stock (other than investments by the Parent Guarantor permitted by Section 6.2(i) of the Credit Agreement as in effect on the date hereof). The extensions of credit contemplated by the Credit Facility as in effect on the date hereof do not violate, and neither the CGS Originator nor the Parent Guarantor or any of its Subsidiaries will take or permit to be taken any action that might cause any Related Document or the Credit Facility to violate any regulation of the Federal Reserve Board.

(p) Nonapplicability of Bulk Sales Laws. No transaction contemplated

by this Agreement or any of the other Related Documents requires compliance with any bulk sales act or similar law.

(q) Securities Act and Investment Company Act Exemptions. Each

purchase of Transferred Receivables under this Agreement will constitute (i) a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act and (ii) a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act.

(r) Government Regulation. Neither the CGS Originator nor the Parent

Guarantor is an "investment company" or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act. Neither the CGS Originator nor the Parent Guarantor is subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act, or any other federal or state statute that restricts or limits its ability to incur Debt or to perform its obligations hereunder. The purchase or acquisition of the Transferred Receivables by GFC hereunder, the application of the

Sale Price therefor and the consummation of the transactions contemplated by this Agreement and the other Related Documents will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

(s) Books and Records; Minutes. The bylaws or the certificate or

articles of incorporation of the CGS Originator require it to maintain (i) books and records of account and (ii) minutes of the meetings and other proceedings of its Stockholders and board of directors.

(t) Deposit and Disbursement Accounts. Schedule 4.01(t) lists all

banks and other financial institutions at which the CGS Originator maintains deposit or other bank accounts as of the Closing Date, including any Blocked Accounts, and such schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

(u) Representations and Warranties in Other Related Documents. Each

of the representations and warranties of the CGS Originator and the Parent Guarantor contained in the Related Documents (other than this Agreement) is true and correct in all material respects and each of the CGS Originator and the Parent Guarantor hereby makes each such representation and warranty to, and for the benefit of, the Purchaser, the Operating Agent and the Collateral Agent as if the same were set forth in full herein.

(v) Receivables. With respect to each Transferred Receivable

designated as an Eligible Receivable in any Investment Base Certificate delivered on or after the Transfer Date of such Transferred Receivable:

(i) such Receivable satisfies the criteria for an Eligible Receivable;

(ii) prior to its Transfer to GFC such Receivable was owned by the CGS Originator free and clear of any Adverse Claim (other than Permitted Encumbrances), and the CGS Originator had the full right, power and authority to sell, contribute, assign, transfer and pledge its interest therein as contemplated under this Agreement and the other Related Documents and, upon such Transfer, GFC will acquire valid and properly perfected title to and the sole record and beneficial ownership interest in such Receivable, free and clear of any Adverse Claim and, following such Transfer, such Receivable will not be subject to any Adverse Claim as a result of any action or inaction on the part of the CGS Originator;

(ii) the Transfer of each such Receivable pursuant to this Agreement and the Receivables Assignment executed by the CGS Originator constitutes, as applicable, a valid sale, contribution, transfer, assignment, setover and conveyance to GFC of all right, title and interest of the CGS Originator in and to such Receivable; and

(iv) the CGS Originator has no knowledge of any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have caused it to expect that any payments on such Receivable will not be paid in full when due or to expect any other Material Adverse Effect.

The representations and warranties described in this Section 4.01 shall survive

the Transfer of the Transferred Receivables to GFC, any subsequent assignment of the Transferred Receivables by GFC, and the termination of this Agreement and the other Related Documents and shall continue until the indefeasible payment in full of all Transferred Receivables.

Section 4.02 Affirmative Covenants of the CGS Originator and the

Parent Guarantor. The CGS Originator and the Parent Guarantor covenant and

agree that, unless otherwise consented to by GFC and the Operating Agent, from and after the Closing Date and until the Termination Date:

(a) Offices and Records. The CGS Originator shall maintain its

principal place of business and chief executive office and the office at which it keeps its Records at the respective locations specified in Schedule 4.01(b)

or, upon 30 days' prior written notice to GFC, at such other location in a jurisdiction where all action requested by GFC, the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 8.13 shall have been taken

with respect to the Transferred Receivables. The CGS Originator shall also maintain each location where Transfer Agreement Collateral is located and each office at which it stores its Records only at the respective locations specified in Schedule 4.01(b) or at such other substituted or additional locations with

respect to which the CGS Originator shall, prior to establishing such location, (x) have notified GFC, the Purchaser, the Operating Agent and the Collateral Agent thereof and (y) have taken all actions necessary or otherwise requested by GFC, the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 8.13 with respect to the Transferred Receivables and the Originator

Collateral. The CGS Originator shall at its own cost and expense, for not less than three years from the date on which each Transferred Receivable was originated, or for such longer period as may be required by law, maintain adequate Records with respect to such Transferred Receivable, including records of all payments received, credits granted and merchandise returned with respect thereto.

(b) Access. The CGS Originator shall, at its own expense and during

normal business hours, from time to time upon one Business Day's prior notice and as frequently as GFC, the Servicer, the Operating Agent or the Collateral Agent determines to be appropriate: (i) provide GFC, the Servicer, the Operating Agent or the Collateral Agent and any of their respective officers, employees and agents access to its properties (including properties of the CGS Originator utilized in connection with the collection, processing or servicing of the Transferred Receivables), facilities, advisors and employees (including officers) of the CGS Originator and to the Transfer Agreement Collateral, (ii) permit GFC, the Servicer, the Operating Agent or the Collateral Agent and any of their respective officers, employees and agents, to inspect, audit and make extracts from the CGS Originator's books and records, including all Records maintained by

the CGS Originator, (iii) permit GFC, the Servicer, the Operating Agent or the Collateral Agent and their respective officers, employees and agents, to inspect, review and evaluate the Transferred Receivables and other Transfer Agreement Collateral, and (iv) permit GFC, the Servicer, the Operating Agent or the Collateral Agent and their respective officers, employees and agents to discuss matters relating to the Transferred Receivables or the CGS Originator's performance under this Agreement or the affairs, finances and accounts of the CGS Originator with any of its officers, directors, employees, representatives or agents (in each case, with those Persons having knowledge of such matters) and with its independent certified public accountants. If an Incipient Termination Event or a Termination Event shall have occurred and be continuing, or the Operating Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems the Purchaser's rights or interests in the Transferred Receivables or the Transfer Agreement Collateral insecure, the CGS Originator shall, at its own expense, provide such access at all times and without advance notice and provide GFC, the Servicer, the Operating Agent or the Collateral Agent with access to its suppliers and customers. The CGS Originator shall make available to GFC, the Servicer, the Operating Agent or the Collateral Agent and their respective counsel, as quickly as is possible under the circumstances, originals or copies of all books and records, including Records maintained by the CGS Originator, that GFC, the Servicer, the Operating Agent or the Collateral Agent may request. The CGS Originator shall deliver any document or instrument necessary for GFC, the Servicer, the Operating Agent or the Collateral Agent, as they may from time to time request, to obtain records from any service bureau or other Person that maintains records for the CGS Originator, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by the CGS Originator.

(c) Communication with Accountants. Each of the CGS Originator and

the Parent Guarantor authorizes GFC, the Servicer, the Operating Agent and the Collateral Agent to communicate directly with its independent certified public accountants, and authorizes and shall instruct those accountants and advisors to disclose and make available to GFC, the Servicer, the Operating Agent and the Collateral Agent any and all financial statements and other supporting financial documents, schedules and information relating to the CGS Originator or the Parent Guarantor (including copies of any issued management letters) with respect to the business, financial condition and other affairs of such Person. The CGS Originator and the Parent Guarantor agree to render to GFC, the Servicer, the Operating Agent and the Collateral Agent at such Person's own cost and expense, such clerical and other assistance as may be reasonably requested with regard to the foregoing. If any Termination Event shall have occurred and be continuing, the CGS Originator shall, promptly upon request therefor, assist GFC in delivering to the Operating Agent and the Collateral Agent Records reflecting activity through the close of business on the Business Day immediately preceding the date of such request.

(d) Compliance With Credit and Collection Policies. The CGS

Originator and the Parent Guarantor shall comply in all material respects with the Credit and Collection Policies applicable to each Transferred Receivable and the Contracts therefor, and with the terms of such Receivables and Contracts.

(e) Assignment. The CGS Originator and the Parent Guarantor agree

that, to the extent permitted under the Purchase Agreement, GFC may assign all of its right, title and interest in, to and under the Transferred Receivables, the GFC Loans and this Agreement, including its right to exercise the remedies set forth in Section 4.04. The CGS Originator and the Parent Guarantor agree

that, upon any such assignment, the assignee thereof may enforce directly, without joinder of GFC, all of the obligations of the CGS Originator and the Parent Guarantor hereunder, including any obligations of the CGS Originator or the Parent Guarantor set forth in Sections 4.02(o), 4.04, 5.01 and 8.14.

(f) Compliance with Agreements and Applicable Laws. Each of the CGS

Originator and the Parent Guarantor shall perform each of its obligations under this Agreement and the other Related Documents and comply with all federal, state and local laws and regulations applicable to it and the Receivables, including those relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy, licensing, taxation, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to so comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(g) Maintenance of Existence and Conduct of Business. Each of the CGS

Originator and the Parent Guarantor shall: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder and in accordance with the terms of its certificate or articles of incorporation and bylaws; (iii) at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, including all licenses, permits, charters and registrations, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (iv) transact business only in such corporate and trade names as are set forth in Schedule 4.02(g) or, upon 30 days'

prior written notice to GFC, in such other corporate or trade names with respect to which all action requested by GFC, the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 8.13 shall have been taken with respect to

the Transferred Receivables.

(h) Notice of Material Event. Each of the CGS Originator and the

Parent Guarantor shall promptly inform GFC in writing of the occurrence of any of the following, in each case setting forth the details thereof and what action, if any, the CGS Originator or the Parent Guarantor proposes to take with respect thereto:

(i) any Litigation commenced or threatened against the CGS Originator or the Parent Guarantor or with respect to or in connection with all or any portion of the Transferred Receivables that (A) seeks damages or penalties in an uninsured amount in excess of \$500,000 in any one instance or \$1,000,000 in the aggregate,

(B) seeks injunctive relief, (C) is asserted or instituted against any Plan, its fiduciaries or its assets or against the CGS Originator or any ERISA Affiliate in connection with any Plan, (D) alleges criminal misconduct by the CGS Originator or the Parent Guarantor, or (E) would, if determined adversely, have a Material Adverse Effect;

(ii) the commencement of a case or proceeding by or against the CGS Originator or the Parent Guarantor seeking a decree or order in respect of the CGS Originator or the Parent Guarantor (A) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (B) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for the CGS Originator or the Parent Guarantor or for any substantial part of such Person's assets, or (C) ordering the winding-up or liquidation of the affairs of the CGS Originator or the Parent Guarantor;

(iii) the receipt of notice that (A) the CGS Originator or the Parent Guarantor is being placed under regulatory supervision, (B) any license, permit, charter, registration or approval used in the conduct of business of the CGS Originator or the Parent Guarantor is to be, or may be, suspended or revoked if such suspension or revocation may have a Material Adverse Effect, or (C) the CGS Originator or the Parent Guarantor is to cease and desist any practice, procedure or policy employed by the CGS Originator or the Parent Guarantor in the conduct of its business if such cessation may have a Material Adverse Effect;

(iv) (A) any Adverse Claim made or asserted against any of the Transferred Receivables of which it becomes aware or (B) any determination that a Transferred Receivable designated as an Eligible Receivable in an Investment Base Certificate or otherwise was not an Eligible Receivable at the time of such designation; or

(v) any other event, circumstance or condition that has had or could reasonably be expected to have a Material Adverse Effect.

(i) Use of Proceeds. The CGS Originator shall utilize the proceeds

of (i) the Sale Price obtained by it for each Sale made by it hereunder and (ii) any GFC Loan solely for general corporate purposes and to pay any related expenses payable by the CGS Originator under this Agreement and the other Related Documents in connection with the transactions contemplated hereby and thereby and for no other purpose.

(j) Separate Identity.

(i) The CGS Originator and the Parent Guarantor shall maintain corporate records and books of account separate from those of GFC.

(ii) The financial statements of CGS and its consolidated Subsidiaries and of the Parent Guarantor and its consolidated Subsidiaries shall disclose the effects of the CGS Originator's transactions in accordance with GAAP and, in addition, disclose that (A) GFC's sole business consists of the purchase or acceptance through capital contribution of the Receivables from the CGS Originator and the subsequent resale of such Receivables to the Purchaser, (B) GFC is a separate corporate entity with its own separate creditors who will be entitled, upon its liquidation, to be satisfied out of GFC's assets prior to any value in GFC becoming available to GFC's equityholders and (C) the assets of GFC are not available to pay creditors of the CGS Originator, the Parent Guarantor or any Affiliate of either of them.

(iii) The resolutions, agreements and other instruments underlying the transactions described in this Agreement shall be continuously maintained by the CGS Originator and the Parent Guarantor as official records.

(iv) The CGS Originator and the Parent Guarantor shall maintain an arm's-length relationship with GFC and shall not hold themselves out as being liable for the Debts of GFC.

(v) The CGS Originator and the Parent Guarantor shall keep its assets and its liabilities wholly separate from those of GFC.

(vi) Each of the CGS Originator and the Parent Guarantor shall conduct its business solely in its own name through its duly Authorized Officers or agents and in a manner designed not to mislead third parties as to the separate identity of the CGS Originator or the Parent Guarantor (as the case may be).

(vii) The CGS Originator and the Parent Guarantor shall not mislead third parties by conducting or appearing to conduct business on behalf of GFC or expressly or impliedly representing or suggesting that either the CGS Originator or the Parent Guarantor is liable or responsible for the Debts of GFC or that the assets of either the CGS Originator or the Parent Guarantor are available to pay the creditors of GFC.

(viii) The CGS Originator and the Parent Guarantor shall cause operating expenses and liabilities of GFC to be paid from GFC's own funds.

(ix) The CGS Originator and the Parent Guarantor shall at all times have stationery and other business forms and a mailing address and telephone number separate from those of GFC.

(x) The CGS Originator and the Parent Guarantor shall at all times limit its transactions with GFC only to those expressly permitted hereunder or under any other Related Document.

(k) ERISA. Each of the CGS Originator and the Parent Guarantor shall

give GFC and the Operating Agent prompt written notice of any event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(l) Payment, Performance and Discharge of Obligations.

(i) Subject to Section 4.02(1)(ii), the CGS Originator shall

pay, perform and discharge or cause to be paid, performed and discharged all of its obligations and liabilities, including all taxes, assessments and governmental Charges upon its income and properties and all lawful claims for labor, materials, supplies and services, promptly when due.

(ii) The CGS Originator may in good faith contest, by appropriate proceedings, the validity or amount of any Charges or claims described in Section 4.02(1)(i); provided, that (A) adequate reserves with respect to

such contest are maintained on the books of the CGS Originator, in accordance with GAAP, (B) such contest is maintained and prosecuted continuously and with diligence, (C) none of the Transfer Agreement Collateral may become subject to forfeiture or loss as a result of such contest, (D) no Lien may be imposed to secure payment of such Charges or claims other than inchoate tax liens and (E) GFC has advised the CGS Originator in writing that GFC reasonably believes that nonpayment or nondischarge thereof could not reasonably be expected to have or result in a Material Adverse Effect.

(m) Deposit of Collections. The CGS Originator and the Parent

Guarantor shall deposit and cause their respective Subsidiaries to deposit or cause to be deposited promptly into a Blocked Account, and in any event no later than the first Business Day after receipt thereof, all Collections it or they may receive in respect of Transferred Receivables.

(n) Accounting Changes. If any Accounting Changes occur and such

changes result in a change in the standards or terms used herein, then the parties hereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of such Persons and their Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made. If the parties hereto agree upon the required amendments to this Agreement, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained herein shall, only to the extent of such Accounting Change, refer to GAAP consistently applied after giving effect to the implementation of such Accounting Change. If such parties cannot agree upon the required amendments within 30 days following the date of implementation of any Accounting Change, then all financial statements delivered and all standards and terms used herein shall be prepared, delivered and used without regard to the underlying Accounting Change.

(o) Adjustments to Sale Price. If on any day the Billed Amount of

any Transferred Receivable is reduced as a result of any Dilution Factors, and the amount of such reduction exceeds the amount, if any, of Dilution Factors taken into account in the calculation of the Sale Price for such Transferred Receivable, the CGS Originator shall make a cash payment to GFC in the amount of such excess by remitting such amount to the Collection Account in accordance with the terms of the Purchase Agreement.

Section 4.03 Negative Covenants of the CGS Originator and the Parent

Guarantor. The CGS Originator and the Parent Guarantor covenant and agree that,

without the prior written consent of GFC and the Operating Agent, from and after the Closing Date and until the Termination Date:

(a) Sale of Stock and Assets. Neither the CGS Originator nor the

Parent Guarantor shall sell, transfer, convey, assign (by operation of law or otherwise) or otherwise dispose of, or assign any right to receive income in respect of, any of its properties or other assets, including capital Stock, any Transferred Receivable or Contract therefor, any of its rights with respect to any Account or any other Transfer Agreement Collateral (except (i) for sales of inventory in the ordinary course of business, (ii) as expressly permitted by this Agreement, any of the other Related Documents or the Intercreditor Agreement and (iii) as expressly permitted by the Credit Agreement as in effect on the date hereof).

(b) Liens. The CGS Originator shall not create, incur, assume or

permit to exist any Adverse Claim on or with respect to the CGS Originator's Receivables or any of its other properties or assets (whether now owned or hereafter acquired) except for the Liens set forth in Schedule 4.03(b), other

Permitted Encumbrances and Credit Facility Liens. The Parent Guarantor shall not create, incur, assume or permit to exist any Adverse Claim on or with respect to any of its properties or assets (whether now owned or hereafter acquired) except as expressly permitted by the Credit Agreement as in effect on the date hereof. In addition, neither the CGS Originator nor the Parent Guarantor shall become a party to any agreement, note, indenture or instrument or take any other action that would prohibit the creation of a Lien on any of its properties or other assets in favor of GFC as additional collateral for the recourse and indemnity obligations of the CGS Originator to GFC hereunder, including those obligations set forth in Sections 4.02(o), 4.04 and 5.01, except as otherwise expressly

permitted by this Agreement or any of the other Related Documents or the Intercreditor Agreement.

(c) Modifications of Receivables or Contracts. The CGS Originator

shall not extend, amend, forgive, discharge, compromise, cancel or otherwise modify the terms of any Transferred Receivable, or amend, modify or waive any term or condition of any Contract therefor.

(d) Sale Characterization. Neither the CGS Originator nor the Parent

Guarantor shall make statements or disclosures or prepare any financial statements for any purpose, including for federal income tax, reporting or accounting purposes, that shall account for

the transactions contemplated by this Agreement in any manner other than (i) with respect to the Sale of each Sold Receivable originated by the CGS Originator, as a true sale or absolute assignment of its full right, title and ownership interest in such Transferred Receivable to GFC and (ii) with respect to the Transfer of each Contributed Receivable originated by the CGS Originator, as a contribution to the stated capital of GFC.

(e) Capital Structure and Business. Other than as permitted by the

Credit Agreement as in effect on the date hereof, neither the CGS Originator nor the Parent Guarantor shall: (i) make any changes in any of its business objectives, purposes or operations that could have or result in a Material Adverse Effect, (ii) make any change in its capital structure as described on Schedule 4.01(h), including the issuance of any shares of Stock, warrants or

other securities convertible into Stock or any revision of the terms of its outstanding Stock, or (iii) amend, supplement or otherwise modify its certificate or articles of incorporation or bylaws in a manner that could have or result in a Material Adverse Effect. Other than as permitted by the Credit Agreement as in effect on the date hereof, neither the CGS Originator nor the Parent Guarantor shall engage in any business other than the businesses currently engaged in by it.

(f) Actions Affecting Rights. Neither the CGS Originator nor the

Parent Guarantor shall: (i) take any action, or fail to take any action, if such action or failure to take action may interfere with the enforcement of any rights hereunder or under the other Related Documents, including rights with respect to the Transferred Receivables; (ii) waive or alter any rights with respect to the Transferred Receivables (or any agreement or instrument relating thereto); or (iii) fail to pay any tax, assessment, charge, fee or other obligation of the CGS Originator with respect to the Transferred Receivables, or fail to defend any action, if such failure to pay or defend may adversely affect the priority or enforceability of the perfected title of GFC to and the sole record and beneficial ownership interest of GFC in the Transferred Receivables or, prior to their Transfer hereunder, the CGS Originator's right, title or interest therein.

(g) ERISA. Neither the CGS Originator nor the Parent Guarantor

shall, nor shall the CGS Originator or the Parent Guarantor cause or permit any ERISA Affiliate to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(h) Change to Credit and Collection Policies. Neither the CGS

Originator nor the Parent Guarantor shall fail to comply with, and no change shall be made to, the Credit and Collection Policies without the prior written consent of GFC and the Operating Agent.

(i) Adverse Tax Consequences. The CGS Originator shall not take or

permit to be taken any action (other than with respect to actions taken or to be taken solely by a Governmental Authority), or fail or neglect to perform, keep or observe any of its obligations hereunder or under the other Related Documents, that would have the effect directly or indirectly of subjecting any payment to GFC, the Purchaser or holders of the Commercial Paper who are residents of the United States of America to withholding taxation.

(j) No Proceedings. From and after the Closing Date and until the

date one year plus one day following the date on which the Commercial Paper with the latest maturity has been indefeasibly paid in full in cash, neither the CGS Originator nor the Parent Guarantor shall, directly or indirectly, institute or cause to be instituted against GFC any proceeding of the type referred to in Sections 9.01(c) and 9.01(d) of the Purchase Agreement.

Section 4.04 Breach of Representations, Warranties or Covenants.

Upon discovery by the CGS Originator, the Parent Guarantor or GFC that any representation or warranty described in Sections 4.01(g) or (v) (other than a

representation, warranty or covenant relating to the absence of Dilution Factors) was not true with respect to any Transferred Receivable as of the Transfer Date therefor, the party discovering the same shall give prompt written notice thereof to the other parties hereto. The CGS Originator may, at any time on any Business Day, or shall, if requested by notice from GFC, on the first Business Day following receipt of such notice, either (a) repurchase such Transferred Receivable from GFC for cash, (b) transfer ownership of a new Eligible Receivable or new Eligible Receivables to GFC on such Business Day, or (c) in the case of a Stockholder Originator, make a capital contribution in cash to GFC by remitting the amount (the "Rejected Amount") of such capital

contribution to the Collection Account in accordance with the terms of the Purchase Agreement, in each case in an amount equal to the Billed Amount of such Transferred Receivable minus the sum of (A) Collections received in respect

thereof and (B) the amount of any Dilution Factors taken into account in the calculation of the Sale Price therefor. Notwithstanding the foregoing, if any Receivable is not paid in full on account of any Dilution Factors, the CGS Originator's repurchase obligation under this Section 4.04 with respect to such

Receivable shall be reduced by the amount of any such Dilution Factors taken into account in the calculation of the Sale Price therefor. Upon any such repurchase by the CGS Originator, GFC shall, without any further action, be deemed to have reconveyed all of its right, title and interest in and to such Transferred Receivable to the CGS Originator without recourse, representation or warranty. GFC shall, at the CGS Originator's expense, take any action the CGS Originator may reasonably request to further evidence such reconveyance.

Section 4.05 Additional Covenants of the Parent Guarantor. The

Parent Guarantor covenants and agrees that, without the prior written consent of GFC and the Operating Agent, from and after the Closing Date and until the Termination Date:

(a) Restricted Payments. Other than as expressly permitted by the

Credit Agreement as in effect on the date hereof, the Parent Guarantor shall not, nor shall the Parent Guarantor permit any of its Subsidiaries to, enter into any lending or borrowing transaction with any other Person, advance credit to any Person, declare any dividends, repurchase any Stock, return any capital, or make any other payment or distribution of cash or other property or assets in respect of its Stock.

(b) Indebtedness. Other than as expressly permitted by the Credit

Agreement as in effect on the date hereof, the Parent Guarantor shall not, nor shall the Parent Guarantor permit any of its Subsidiaries to, create, incur, assume or permit to exist any Debt.

(c) Mergers, Subsidiaries, Etc. Other than as expressly permitted by

the Credit Agreement as in effect on the date hereof, the Parent Guarantor shall not, nor shall the Parent Guarantor permit any of its Subsidiaries to, directly or indirectly, by operation of law or otherwise, (i) form or acquire any Subsidiary, or (ii) merge with, consolidate with, acquire all or substantially all of the assets of capital Stock of, or otherwise combine with or acquire, any Person.

(d) Financial Covenants. The Parent Guarantor shall comply with the

covenants set forth in Annex W.

(e) Operating Plan. As soon as available, but not later than forty

five (45) days after the end of each Fiscal Year, the Parent Guarantor shall deliver to GFC and the Servicer (and the Servicer shall deliver to the Purchaser and the Operating Agent in accordance with the Purchase Agreement) an annual operating plan for the Parent Guarantor certified by its Chief Financial Officer, for the following year, which will include a statement of all of the material assumptions on which such plan is based, will include monthly balance sheets and a monthly budget for the following year and will integrate sales, gross profits, operating expenses, operating profit, cash flow projections and credit availability projections all prepared on the same basis and in similar detail as that on which operating results are reported (and in the case of cash flow projections, representing management's good faith estimates of future financial performance based on historical performance), and including plans for personnel, capital expenditures and facilities.

ARTICLE V.

INDEMNIFICATION AND WAIVER

Section 5.01 Indemnification. Without limiting any other rights

that GFC or any of its Stockholders, officers, directors, employees, attorneys, agents or representatives (each, an "GFC Indemnified Person") may have hereunder

or under applicable law, the CGS Originator and the Parent Guarantor hereby agrees to indemnify and hold harmless each GFC Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such GFC Indemnified Person in connection with or arising out of the transactions contemplated under this Agreement or under any other Related Document, any actions or failures to act in connection therewith, including any and all legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Related Documents, or in respect of any Transferred Receivable or any Contract therefor or the use by the CGS Originator of the Sale Price therefor or the proceeds of any GFC Loan; provided, that the CGS Originator and the Parent Guarantor shall not be liable

for any indemnification to a

GFC Indemnified Person to the extent that any such Indemnified Amounts result solely from (a) such GFC Indemnified Person's gross negligence or willful misconduct, as finally determined by a court of competent jurisdiction, (b) recourse for uncollectible or uncollected Transferred Receivables, or (c) any income tax or franchise tax incurred by any GFC Indemnified Person, except to the extent that the incurrence of any such tax results from a breach of or default under this Agreement or any other Related Document. Without limiting the generality of the foregoing, the CGS Originator and the Parent Guarantor shall pay on demand to each GFC Indemnified Person any and all Indemnified Amounts relating to or resulting from:

(i) reliance on any representation or warranty made or deemed made by the CGS Originator or the Parent Guarantor (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by the CGS Originator or the Parent Guarantor pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;

(ii) the failure by the CGS Originator or the Parent Guarantor to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation;

(iii) the failure to vest and maintain vested in or to Transfer to GFC, or any action taken or omitted by the CGS Originator which impairs the vesting in or Transfer to GFC of, valid and properly perfected title to and sole record and beneficial ownership of the Receivables that constitute Transferred Receivables, together with all Collections in respect thereof, free and clear of any Adverse Claim;

(iv) any dispute, claim, offset or defense of any Obligor (other than its discharge in bankruptcy or a dispute, claim, offset or defense which is finally determined by a court of competent jurisdiction to be non-meritorious) to the payment of any Receivable that is the subject of a Transfer hereunder (including a defense based on such Receivable or the Contract therefor not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms but excluding discounts to, or other Dilution Factors that reduce, the Billed Amount thereof), or any other claim resulting from the sale of the merchandise or services giving rise to such Receivable or the furnishing or failure to furnish such merchandise or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by CGS acting as a Servicer), except to the extent that such dispute, claim, offset or defense results solely from any action or inaction on the part of GFC;

(v) any products liability claim or other claim arising out of or in connection with merchandise, insurance or services that is the subject of any Contract;

(vi) any failure by the CGS Originator to cause the filing of, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or any other applicable laws with respect to any Receivable that is the subject of a Transfer hereunder, whether at the time of any such Transfer or at any subsequent time;

(vii) any failure by the CGS Originator (individually or as the Servicer) to perform, keep or observe any of its duties or obligations hereunder, under any other Related Document or under any Contract related to a Transferred Receivable, including the commingling of Collections with respect to Transferred Receivables by the CGS Originator at any time with the funds of any other Person;

(viii) any investigation, Litigation or proceeding related to this Agreement or the use of the Sale Price obtained in connection with any Sale or the ownership of Receivables or Collections with respect thereto or in respect of any Receivable or Contract, except to the extent any such investigation, Litigation or proceeding relates to a matter involving a GFC Indemnified Person for which neither the CGS Originator, the Parent Guarantor nor any of their respective Affiliates (other than GFC) is at fault, as finally determined by a court of competent jurisdiction; or

(ix) any claim brought by any Person other than a GFC Indemnified Person arising from any activity by the CGS Originator or any of its Affiliates in servicing, administering or collecting any Transferred Receivables.

NO GFC INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY OTHER PARTY TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

Section 5.02 Waiver. In addition to the waivers contained in Section

2.03 hereof, the Parent Guarantor waives, and agrees that it shall not at any
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time insist upon, plead or in any manner whatever claim or take the benefit or advantage of, any appraisal, valuation, stay, extension, marshaling of assets or redemption laws, or exemption, whether now or at any time hereafter in force, which may delay, prevent or otherwise affect the performance by the Parent Guarantor of its Guaranteed Obligations or the enforcement by GFC or its assigns of the Guaranteed Obligations. The Parent Guarantor hereby waives diligence, presentment and demand (whether for non-payment or protest or of acceptance, maturity, extension of time, change in

nature or form of the Guaranteed Obligations, acceptance of further security, release of further security, composition or agreement arrived at as to the amount of, or the terms of, the Guaranteed Obligations, notice of adverse change in the CGS Originator's financial condition or any other fact which might increase the risk to the Parent Guarantor) with respect to any of the Guaranteed Obligations or all other demands whatsoever and waive the benefit of all provisions of law which are or might be in conflict with the terms of this Agreement. The Parent Guarantor represents, warrants and agrees that, as of the date hereof, its obligations under this Agreement are not subject to any offsets or defenses against GFC or the CGS Originator of any kind. The Parent Guarantor further agrees that its obligations shall not be subject to any counterclaims, offsets or defenses against GFC or against the CGS Originator of any kind which may arise in the future.

ARTICLE VI.

GFC LOANS TO THE CGS ORIGINATOR

Section 6.01 GFC Loans. Subject to the terms and conditions hereof

and upon request of the CGS Originator, GFC agrees to make advances available to the CGS Originator from time to time until the Facility Termination Date, to the extent of its available funds (each, an "GFC Loan"). The aggregate principal

amount of GFC Loans outstanding shall not exceed at any time the Maximum Purchase Limit. Until the Facility Termination Date, the CGS Originator may from time to time borrow, repay and reborrow; provided, that no such GFC Loans

may be made if, after giving effect thereto, (a) an Incipient Termination Event, a Termination Event, an Incipient Servicer Termination Event or an Event of Servicer Termination shall have occurred and be continuing or (b) a Purchase Excess would exist.

Section 6.02 Notices Relating to GFC Loans. Each GFC Loan and each

repayment thereof shall be made upon the provision of notice by the CGS Originator to GFC. Any such notice must be given in writing on or before the Business Day immediately preceding the day the proposed GFC Loan is to be made or repaid (which shall be a Business Day). Each such notice of borrowing or repayment shall specify the amount of GFC Loans to be borrowed or repaid and the borrowing or repayment date thereof.

Section 6.03 Disbursement of Loan Proceeds. GFC shall, no later

than 12:00 noon (New York time) on the date specified for each GFC Loan hereunder, transfer the amount of the GFC Loan to be made on such date to an account previously designated by the CGS Originator by wire transfer or otherwise in immediately available funds.

Section 6.04 CGS Originator Note.

(a) The CGS Originator shall execute and deliver to GFC a single promissory note to evidence GFC Loans made by GFC hereunder, which note shall be dated the Closing Date and be substantially in the form of Exhibit 6.04(a) (the

"CGS Note"). The CGS Note shall

represent the CGS Originator's obligation to pay the amount of the Maximum Purchase Limit or, if less, the aggregate unpaid principal amount of all GFC Loans made to the CGS Originator together with interest thereon as prescribed in Section 6.06.

(b) GFC shall record on a schedule attached to the CGS Note (which schedule may be computer generated) with respect to each GFC Loan: (i) the date and principal amount thereof and (ii) each payment and repayment of principal thereof. The balance as reflected on such schedule shall be presumptive evidence of the amounts due and owing to GFC by the CGS Originator; provided,

that any failure of GFC to record a notation on the schedule to the CGS Note as aforesaid or any error in so recording shall not limit or otherwise affect the obligation of the CGS Originator to repay GFC Loans in accordance with their respective terms as set forth herein.

Section 6.05 Principal Repayments. It is the intention of the

parties hereto that the GFC Loans shall represent advances against future dividends to be declared from time to time by GFC and that, whenever GFC declares such a dividend, the amount of such dividend shall be credited against all principal and interest owing by the CGS Originator to GFC under the GFC Loans before such dividends may be paid in cash, and; provided, that all such

dividends shall first be credited against accrued and unpaid interest before being credited to principal. Any amount so repaid may, subject to the terms and conditions hereof, be reborrowed hereunder. The GFC Loans shall not be repayable except in accordance with the foregoing provisions of this paragraph.

Section 6.06 Interest.

(a) The CGS Originator shall pay interest to GFC, in arrears on each applicable Interest Payment Date, at the rate shown in The Wall Street Journal as the "Prime Rate" on such date (the "Interest Rate") on the unpaid principal amount of each GFC Loan for the period commencing on and including the date of such GFC Loan until but excluding the date such GFC Loan is paid in full.

(b) If any payment on any GFC Loan becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension.

(c) All computations of interest shall be made by GFC on the basis of a 360 day year, in each case for the actual number of days occurring in the period for which such interest is payable. The Interest Rate shall be determined (i) on the first Business Day immediately prior to the Closing Date for calculation of the Interest Rate for the period from the Closing Date through the end of the first calendar month following the Closing Date, and (ii) as of the last Business Day of each month for use in calculating the interest that is payable for the following calendar month, and the Interest Rate so determined shall be utilized for such calendar

month. Each determination by GFC of an interest rate hereunder shall be final, binding and conclusive on the CGS Originator (absent manifest error).

(d) The CGS Originator shall pay interest at the applicable Interest Rate on unpaid interest, on any GFC Loan or any installment thereof, and on any other amount payable by the CGS Originator hereunder (to the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof to (but excluding) the date the same is indefeasibly paid in full.

Section 6.07 Receipt of Payments. All payments of principal,

interest and other amounts (including indemnities) payable by the CGS Originator to GFC under this Agreement shall be made in Dollars, in immediately available funds, to GFC not later than 12:00 noon (New York time), on the due date therefor. Any such payment made on such date but after such time shall, if the amount paid bears interest, be deemed to have been made on, and interest shall continue to accrue and be payable thereon until, the next succeeding Business Day. All payments under this Article VI and under the CGS Note shall be made

without setoff or counterclaim and in such amounts as may be necessary in order that all such payments shall not be less than the amounts otherwise specified to be paid under this Agreement and the CGS Note.

Section 6.08 Separateness From Transfer of Receivables. The parties

hereto acknowledge and agree that GFC Loans made by GFC to the CGS Originator hereunder are separate and distinct transactions from the Transfer of Receivables by the CGS Originator to GFC hereunder and are not intended to derogate from the expressed intention of the parties regarding the characterization of the Transfers of the Transferred Receivables made hereunder as purchases and sales or capital contributions, as applicable, and not as secured transactions.

ARTICLE VII

COLLATERAL SECURITY

Section 7.01 Security Interest. To secure the prompt and complete

payment, performance and observance of any and all recourse and indemnity obligations of the CGS Originator to GFC, including those set forth in Sections

4.02(o), 4.04, 5.01 and 8.14, and to induce GFC to enter into this Agreement in

accordance with the terms and conditions hereof, the CGS Originator and the Parent Guarantor hereby grant, assign, convey, pledge, hypothecate and transfer to GFC a Lien upon all of the CGS Originator's and the Parent Guarantor's right, title and interest in, to and under the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of, either the CGS Originator or the Parent Guarantor (including under any trade names, styles or derivations of the CGS Originator or the Parent Guarantor), and whether owned by or consigned by or to, or leased from or to, the CGS Originator or the Parent Guarantor, and regardless of where located (all of which being hereinafter collectively referred to as the "Transfer Agreement Collateral"):

(a) all accounts, inventory, general intangibles, investment property, chattel paper, documents, and instruments, whether or not specifically assigned to GFC;

(b) all books and records (including customer lists, credit files, computer programs, tapes, disks, data processing software and other related property and rights) pertaining to the foregoing;

(c) all monies, securities and other property now or hereafter in the possession or custody of, or in transit to, GFC, for any purpose (including safekeeping, collection or pledge), from or for the CGS Originator, or as to which the CGS Originator may have any right or power, and all of GFC's credits and balances with the CGS Originator existing at any time; and

(d) to the extent not otherwise included, all proceeds and products of the foregoing and all accessions to, and substitutions and replacements for, each of the foregoing; provided, that the Transfer Agreement Collateral shall not include any general intangibles and instruments in which a Lien is not granted as a result of the terms of the Subsidiaries Security Agreement delivered pursuant to (and defined in) the Credit Agreement.

Section 7.02 Other Collateral; Rights in Receivables. Nothing

contained in this Article VII shall limit the rights of GFC in and to any other

collateral that may have been or may hereafter be granted to GFC by the CGS Originator or any third party pursuant to any other agreement or the rights of GFC under any of the Transferred Receivables.

ARTICLE VII

MISCELLANEOUS

Section 8.01 Notices. Except as otherwise provided herein, whenever

it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by telecopy or other similar facsimile transmission (with such telecopy or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section

8.01), (c) one Business Day after deposit with a reputable overnight courier

with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number set forth under its name on the signature page hereof or to such other address (or facsimile number) as may be substituted by notice given as herein provided;

provided, that each such declaration or other communication shall be deemed to

have been validly delivered to the Collateral Agent under this Agreement upon delivery to the Operating Agent in accordance with the terms of this Section

8.01. The giving of any notice required hereunder may be waived in writing

by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than GFC) designated in any written communication provided hereunder to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. Notwithstanding the foregoing, whenever it is provided herein that a notice is to be given to any other party hereto by a specific time, such notice shall only be effective if actually received by such party prior to such time, and if such notice is received after such time or on a day other than a Business Day, such notice shall only be effective on the immediately succeeding Business Day.

Section 8.02 No Waiver; Remedies. GFC's failure, at any time or

times, to require strict performance by the CGS Originator or the Parent Guarantor of any provision of this Agreement or any Receivables Assignment shall not waive, affect or diminish any right of GFC thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of any breach or default hereunder shall not suspend, waive or affect any other breach or default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of the CGS Originator or the Parent Guarantor contained in this Agreement or any Receivables Assignment, and no breach or default by the CGS Originator or the Parent Guarantor hereunder or thereunder, shall be deemed to have been suspended or waived by GFC unless such waiver or suspension is by an instrument in writing signed by an officer of or other duly authorized signatory of GFC and directed to the CGS Originator or the Parent Guarantor, as applicable, specifying such suspension or waiver. GFC's rights and remedies under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that GFC may have under any other agreement, including the other Related Documents, by operation of law or otherwise. Recourse to the Transfer Agreement Collateral shall not be required.

Section 8.03 Successors and Assigns. This Agreement shall be

binding upon and shall inure to the benefit of the CGS Originator and the Parent Guarantor (including a debtor-in-possession on behalf of either of them) and GFC and their respective successors, transferees, endorsees and permitted assigns, except as otherwise provided herein. The CGS Originator may not assign, transfer, hypothecate or otherwise convey its rights, benefits, obligations or duties hereunder without the prior express written consent of GFC, the Purchaser, the Operating Agent and the Collateral Agent. Any such purported assignment, transfer, hypothecation or other conveyance by the CGS Originator without the prior express written consent of GFC, the Purchaser, the Operating Agent and the Collateral Agent shall be void. The Parent Guarantor may not assign, sell, hypothecate or otherwise transfer any interest in or obligation under this Agreement. The CGS Originator and the Parent Guarantor acknowledge that, to the extent permitted under the Purchase Agreement, GFC may assign its rights granted hereunder, including the benefit of any indemnities under Article

V and any of its rights in the Transfer Agreement

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Collateral granted under Article VII, and upon such assignment, such assignee

shall have, to the extent of such assignment, all rights of GFC hereunder and, to the extent permitted under the Purchase Agreement, may in turn assign such rights. The CGS Originator and the Parent Guarantor each agree that, upon any such assignment, such assignee may enforce directly, without joinder of GFC, the rights set forth in this Agreement. All such assignees, including parties to the Purchase Agreement in the case of any assignment to such parties, shall be third party beneficiaries of, and shall be entitled to enforce GFC's rights and remedies under, this Agreement to the same extent as if they were parties hereto. The terms and provisions of this Agreement are for the purpose of defining the relative rights and obligations of the CGS Originator, the Parent Guarantor and GFC with respect to the transactions contemplated hereby and, except for the Purchaser, the Operating Agent and the Collateral Agent, no Person shall be a third party beneficiary of any of the terms and provisions of this Agreement. The rights of the Purchaser, the Operating Agent and the Collateral Agent hereunder with respect to the "Lenders" and the "Agent" party to the Credit Facility are subject to the Intercreditor Agreement to the extent provided therein.

Section 8.04 Termination; Survival of Obligations.

(a) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date.

(b) Except as otherwise expressly provided herein or in any other Related Document, no termination or cancellation (regardless of cause or procedure) of any commitment made by GFC under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the CGS Originator or the Parent Guarantor or the rights of GFC relating to any unpaid portion of any and all recourse and indemnity obligations of the CGS Originator or the Parent Guarantor to GFC, including those set forth in Sections 4.02(o), 4.04, 5.01 and 8.14, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Facility Termination Date. Except as otherwise expressly provided herein or in any other Related Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the CGS Originator or the Parent Guarantor, and all rights of GFC hereunder, all as contained in the Related Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the rights and remedies pursuant to Sections 4.02(o), 4.04, the indemnification and payment provisions of Article V, and the provisions of Sections 4.03(j), 8.03, 8.12 and 8.14 shall be continuing and shall survive any termination of this Agreement.

Section 8.05 Complete Agreement; Modification of Agreement. This

Agreement and the other Related Documents constitute the complete agreement between the parties with respect to the subject matter hereof and thereof, supersede all prior agreements and

understandings relating to the subject matter hereof and thereof, and may not be modified, altered or amended except as set forth in Section 8.06.

Section 8.06 Amendments and Waivers. No amendment, modification,

termination or waiver of any provision of this Agreement or any of the other Related Documents, or any consent to any departure by the CGS Originator or the Parent Guarantor therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto and the Purchaser, the Operating Agent and the Collateral Agent. No consent or demand in any case shall, in itself, entitle any party to any other consent or further notice or demand in similar or other circumstances.

SECTION 8.07 GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF JURY

TRIAL.

(A) THIS AGREEMENT AND EACH RELATED DOCUMENT (EXCEPT TO THE EXTENT THAT ANY RELATED DOCUMENT EXPRESSLY PROVIDES TO THE CONTRARY) AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAW PROVISIONS THEREOF) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

(B) EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THEM PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY RELATED DOCUMENT; PROVIDED, THAT EACH PARTY HERETO ACKNOWLEDGES

THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE BOROUGH OF MANHATTAN IN NEW YORK CITY; PROVIDED FURTHER, THAT

NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE GFC FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE TRANSFER AGREEMENT COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS OF THE CGS ORIGINATOR OR THE PARENT GUARANTOR ARISING HEREUNDER, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF GFC. EACH PARTY HERETO SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION,

IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF

SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PARTY AT THE ADDRESS SET FORTH BENEATH ITS NAME ON THE SIGNATURE PAGES HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PARTY'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL, PROPER POSTAGE PREPAID. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(C) BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 8.08 Counterparts. This Agreement may be executed in any

number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Section 8.09 Severability. Wherever possible, each provision of

this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 8.10 Section Titles. The section titles and table of

contents contained in this Agreement are provided for ease of reference only and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

Section 8.11 No Setoff. The CGS Originator's and the Parent

Guarantor's obligations under this Agreement shall not be affected by any right of setoff, counterclaim, recoupment, defense or other right the CGS Originator or the Parent Guarantor might have against GFC, the Purchaser, the Operating Agent or the Collateral Agent, all of which rights are hereby expressly waived by the CGS Originator and the Parent Guarantor .

Section 8.12 Confidentiality.

(a) Except to the extent otherwise required by applicable law, as required to be filed publicly with the Securities and Exchange Commission, or unless each Affected Party shall otherwise consent in writing, the CGS Originator, the Parent Guarantor and GFC agree to maintain the confidentiality of this Agreement (and all drafts hereof and documents ancillary hereto) in its communications with third parties other than any Affected Party or any GFC Indemnified Person and otherwise and not to disclose, deliver or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or a GFC Indemnified Person.

(b) Each of the CGS Originator and the Parent Guarantor agrees that it shall not (and shall not permit any of its Subsidiaries to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the Related Documents without the prior written consent of GFC and each Affected Party (which consent shall not be unreasonably withheld) unless such news release or public announcement is required by law, in which case the CGS Originator shall consult with GFC and each Affected Party prior to the issuance of such news release or public announcement. The CGS Originator may, however, disclose the general terms of the transactions contemplated by this Agreement and the Related Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

Section 8.13 Further Assurances.

(a) Each the CGS Originator and the Parent Guarantor shall, at its sole cost and expense, upon request of GFC, the Purchaser, the Operating Agent or the Collateral Agent, promptly and duly execute and deliver any and all further instruments and documents and take such further actions that may be necessary or desirable or that GFC, the Purchaser, the Operating Agent or the Collateral Agent may request to carry out more effectively the provisions and purposes of this Agreement or any other Related Document or to obtain the full benefits of this Agreement and of the rights and powers herein granted, including (i) using its best efforts to secure all consents and approvals necessary or appropriate for the assignment to or for the benefit of GFC of any Transferred Receivable or Transfer Agreement Collateral held by the CGS Originator or in which the CGS Originator has any rights not heretofore assigned, (ii) filing any financing or continuation statements under the UCC with respect to the ownership interests or Liens granted hereunder or under any other Related Document, and (iii) transferring the Transfer

Agreement Collateral to GFC's possession if such Transfer Agreement Collateral consists of chattel paper or instruments or if a Lien upon such Transfer Agreement Collateral can be perfected only by possession, or if otherwise requested by GFC. The CGS Originator hereby authorizes GFC, the Purchaser, the Operating Agent or the Collateral Agent to file any such financing or continuation statements without the signature of the CGS Originator to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement or of any notice or financing statement covering the Transferred Receivables, the Transfer Agreement Collateral or any part thereof shall be sufficient as a notice or financing statement where permitted by law. If any amount payable under or in connection with any of the Transfer Agreement Collateral is or shall become evidenced by any instrument, such instrument, other than checks and notes received in the ordinary course of business, shall be duly endorsed in a manner satisfactory to GFC immediately upon the CGS Originator's receipt thereof and promptly delivered to GFC.

(b) If the CGS Originator or the Parent Guarantor fail to perform any agreement or obligation under this Section 8.13, GFC, the Purchaser, the

Operating Agent or the Collateral Agent may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the reasonable expenses of GFC, the Purchaser, the Operating Agent or the Collateral Agent incurred in connection therewith shall be payable by the CGS Originator or the Parent Guarantor, as applicable, upon demand of GFC, the Purchaser, the Operating Agent or the Collateral Agent.

Section 8.14 Fees and Expenses. In addition to its indemnification

obligations pursuant to Article V, the CGS Originator agrees to pay on demand

all costs and expenses incurred by GFC in connection with the negotiation, preparation, execution and delivery of this Agreement and the other Related Documents, including the fees and out-of-pocket expenses of GFC's counsel, advisors, consultants and auditors retained in connection with the transactions contemplated thereby and advice in connection therewith, and the CGS Originator agrees to pay all costs and expenses, if any (including attorneys' fees and expenses but excluding any costs of enforcement or collection of the Transferred Receivables), in connection with the enforcement of this Agreement and the other Related Documents.

* * *

IN WITNESS WHEREOF, the parties have caused this Receivables Transfer Agreement to be executed by their respective duly authorized representatives, as of the date first above written.

CALLAWAY GOLF SALES COMPANY,
as CGS Originator and as Servicer

By: /s/ David A. Rane

Name:
Title:
2285 Rutherford Road
Carlsbad, California 92008-8815
Facsimile No.: (760) 929-8120

GOLF FUNDING CORPORATION

By: /s/ David A. Rane

Name:
Title:
2285 Rutherford Road
Carlsbad, California 92008-8815

CALLAWAY GOLF COMPANY,
as Parent Guarantor

By: /s/ David A. Rane

Name:
Title:
2285 Rutherford Road
Carlsbad, California 92008-8815
Facsimile No.: (760) 929-8120

EXHIBIT 2.01(a)

Form of

RECEIVABLES ASSIGNMENT

THIS RECEIVABLES ASSIGNMENT (the "Receivables Assignment") is entered

into as of February 10, 1999, by and between Callaway Golf Sales Company (the
"CGS Originator") and Golf Funding Corporation ("GFC").

1. We refer to that certain Receivables Transfer Agreement (the "CGS

Transfer Agreement") of even date herewith among the CGS Originator and GFC.

All of the terms, covenants and conditions of the CGS Transfer Agreement are
hereby made a part of this Receivables Assignment and are deemed incorporated
herein in full. Unless otherwise defined herein, capitalized terms or matters
of construction defined or established in the CGS Transfer Agreement shall be
applied herein as defined or established therein.

2. For good and valuable consideration, the receipt and sufficiency
of which are hereby acknowledged, the CGS Originator hereby sells or contributes
to GFC, without recourse, except as provided in Sections 4.02(o) and 4.04 of the

CGS Transfer Agreement, all of the CGS Originator's right, title and interest
in, to and under all Transferred Receivables transferred from time to time by
the CGS Originator to GFC under the CGS Transfer Agreement.

3. Subject to the terms and conditions of the CGS Transfer
Agreement, the CGS Originator hereby covenants and agrees to sign, sell or
contribute, as applicable, execute and deliver, or cause to be signed, sold or
contributed, executed and delivered, and to do or make, or cause to be done or
made, upon request of GFC and at the CGS Originator's expense, any and all
agreements, instruments, papers, deeds, acts or things, supplemental,
confirmatory or otherwise, as may be reasonably required by GFC for the purpose
of or in connection with acquiring or more effectively vesting in GFC or
evidencing the vesting in GFC of the property, rights, title and interests of
the CGS Originator sold or contributed hereunder or intended to be sold or
contributed hereunder.

4. Wherever possible, each provision of this Receivables Assignment
shall be interpreted in such a manner as to be effective and valid under
applicable law, but if any provision of this Receivables Assignment shall be
prohibited by or invalid under applicable law, such provision shall be
ineffective only to the extent of such prohibition or invalidity without
invalidating the remainder of such provision or the remaining provisions of this
Receivables Assignment.

5. THIS RECEIVABLES ASSIGNMENT SHALL BE GOVERNED BY, AND CONSTRUED
AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS

OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING
CONFLICT OF LAWS, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, the parties have caused this Receivables
Assignment to be executed by their respective officers thereunto duly
authorized, as of the day and year first above written.

CALLAWAY GOLF SALES COMPANY

GOLF FUNDING CORPORATION

By: _____
Name:
Title:

By: _____
Name:
Title:

EXHIBIT 6.04(a)

Form of

CGS NOTE

\$80,000,000

February __, 1999

FOR VALUE RECEIVED, on demand, the undersigned, Callaway Golf Sales Company, a California corporation (the "CGS Originator"), hereby promises to pay

to the order of Golf Funding Corporation, a California corporation (the "Lender"), or its assigns, at 2285 Rutherford Road, Carlsbad, California 92008-

8815, or at such other place as the holder of this CGS Note ("Note") may

designate from time to time in writing, in lawful money of the United States of America and in immediately available funds, the principal amount of EIGHTY MILLION DOLLARS (\$80,000,000), or, if less, the aggregate unpaid principal amount of all GFC Loans (as defined in the CGS Transfer Agreement referred to below) made to the CGS Originator, together with interest thereon from time to time from the Closing Date (as defined in the CGS Transfer Agreement) at the rate provided therein.

The date, amount and interest rate of each GFC Loan made by the Lender to the CGS Originator, and each payment made by or on behalf of the CGS Originator on account of the principal thereof, shall be recorded by the Lender on its books and, prior to any transfer of this Note, endorsed by the Lender on the schedule attached hereto or any continuation thereof.

All capitalized terms, unless otherwise defined herein, shall have the meanings assigned to them in the Receivables Transfer Agreement of even date herewith (as the same may be subsequently amended, restated or otherwise modified, the "CGS Transfer Agreement") by and among the CGS Originator and GFC.

This Note is issued pursuant to the CGS Transfer Agreement, is the CGS Note referred to therein, and is entitled to the benefit of the provisions set forth therein, to which reference is hereby made for a statement of all of the terms and conditions under which the GFC Loans are made. All of the terms, covenants and conditions of the CGS Transfer Agreement and all other instruments evidencing the indebtedness hereunder, including the other Related Documents, are hereby made a part of this Note and are deemed incorporated herein in full.

The CGS Transfer Agreement provides for prepayments of GFC Loans upon the terms and conditions specified therein. Interest on the outstanding principal amount of this Note shall be paid until such principal amount is paid in full at the Interest Rate and at such times as are specified in the CGS Transfer Agreement.

If any payment or prepayment on this Note becomes due and payable on a day other than a Business Day, the maturity thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest thereon shall be payable at the Interest Rate during such extension.

In no contingency or event whatsoever, whether by reason of advancement of the proceeds hereof or otherwise, shall the amount paid or agreed to be paid to Lender for the use, forbearance or detention of money advanced hereunder exceed the highest rate of interest permissible under law (the "Maximum Lawful Rate"). In the event that a court of competent jurisdiction

determines that Lender has charged or received interest hereunder in excess of the Maximum Lawful Rate, the amount of interest payable hereunder shall be equal to the amount payable under the Maximum Lawful Rate; provided, that if at any

time thereafter the amount of interest payable to Lender hereunder is less than the amount payable under the Maximum Lawful Rate, the CGS Originator shall continue to pay interest hereunder at the Maximum Lawful Rate until such time as the total interest received by Lender from the making of GFC Loans hereunder is equal to the total interest that Lender would have received had the amount of interest payable to Lender hereunder been (but for the operation of this paragraph) the amount of interest payable from the Closing Date. Thereafter, the amount of interest payable hereunder shall be the amount determined in accordance with the terms hereof unless and until the amount so calculated again exceeds the amount payable under the Maximum Lawful Rate, in which event this paragraph shall again apply. In no event shall the total interest received by Lender pursuant to the terms hereof exceed the amount that Lender could lawfully have received had the interest due hereunder been calculated for the full term hereof at the Maximum Lawful Rate. In the event the amount payable under the Maximum Lawful Rate is calculated pursuant to this paragraph, such interest shall be calculated at a daily rate equal to the Maximum Lawful Rate divided by the number of days in the year in which such calculation is made. In the event that a court of competent jurisdiction, notwithstanding the provisions of this Note, shall make a final determination that Lender has received interest hereunder in excess of the Maximum Lawful Rate, Lender shall, to the extent permitted by applicable law, promptly apply such excess first to any interest due and not yet paid hereunder, then to the outstanding principal amount of the GFC Loans, then to fees and any other unpaid charges, and thereafter shall refund any excess to the CGS Originator or as a court of competent jurisdiction may otherwise order.

Wherever possible each provision of this Note shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Note shall be prohibited or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or remaining provisions of this Note.

Time is of the essence of this Note. To the fullest extent permitted by applicable law, the CGS Originator expressly waives presentment, demand, diligence, protest and all notices of any kind whatsoever with respect to this Note.

BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE CGS ORIGINATOR HERETO WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS NOTE, THE CGS TRANSFER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, WHETHER ARISING IN CONTRACT, TORT OR OTHERWISE.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES THEREOF REGARDING CONFLICT OF LAWS, AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

IN WITNESS WHEREOF, the CGS Originator has caused this Note to be signed and delivered by its duly authorized officer as of the date set forth above.

CALLAWAY GOLF SALES COMPANY

By: _____
Name:
Title:

SCHEDULE OF LOANS TO CGS NOTE

ANNEX W

FINANCIAL COVENANTS

The Parent Guarantor shall not breach or fail to comply with any of the following financial covenants, each of which shall be calculated in accordance with GAAP consistently applied:

(a) Tangible Net Worth. The Parent Guarantor and its Subsidiaries on a

consolidated basis shall maintain at all times Tangible Net Worth equal to or greater than the sum of (i) \$275,000,000, plus (ii) fifty percent (50%) of

cumulative net income (but without subtracting net losses for any Fiscal Quarter for which there was no net income) for each Fiscal Quarter from January 1, 1999 to the date of determination, plus (iii) fifty percent (50%) of the net cash

proceeds of Stock issued by the Parent Guarantor after January 1, 1999.

(b) Minimum EBITDA. The Parent Guarantor and its Subsidiaries shall have

on a consolidated basis EBITDA for the Fiscal Quarter ending March 31, 1999 of no less than \$10,000,000.

(c) Minimum Fixed Charge Coverage Ratio. The Parent Guarantor and its

Subsidiaries shall have on a consolidated basis at the end of each Fiscal Quarter set forth below, a Fixed Charge Coverage Ratio for the 12-month period then ended (or with respect to the Fiscal Quarters ending on or before September 30, 1999, the period commencing on January 1, 1999 and ending on the last day of such Fiscal Quarter) of not less than the following:

- 1.00 for the Fiscal Quarter ending June 30, 1999;
- 1.00 for the Fiscal Quarter ending September 30, 1999;
- 1.00 for the Fiscal Quarter ending December 31, 1999;
- 1.00 for the Fiscal Quarter ending March 31, 2000;
- 1.00 for the Fiscal Quarter ending June 30, 2000;
- 1.25 for each Fiscal Quarter thereafter.

Unless otherwise specifically provided herein, any accounting term used in the Agreement shall have the meaning customarily given such term in accordance with GAAP, and all financial computations hereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any "Accounting Changes" (as defined below) occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in the Agreement or any other Related Document, then Seller, the Operating Agent and the Purchaser agree to enter into negotiations in order to amend such provisions of the Agreement so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the Parent Guarantor's and its Subsidiaries' financial condition shall be the same after such Accounting Changes as if such Accounting Changes had not been made. "Accounting Changes" means (a) changes in

accounting principles required by the

promulgation of any rule, regulation, pronouncement or opinion by the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or successor thereto or any agency with similar functions), (b) changes in accounting principles concurred in by Seller's certified public accountants; (c) purchase accounting adjustments under A.P.B. 16 and/or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (d) the reversal of any reserves established as a result of purchase accounting adjustments. All such adjustments resulting from expenditures made subsequent to the Closing Date (including capitalization of costs and expenses or payment of pre-Closing Date liabilities) shall be treated as expenses in the period the expenditures are made and deducted as part of the calculation of EBITDA in such period. If the Operating Agent, Seller and the Purchaser agree upon the required amendments, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained in the Agreement or in any other Related Document shall, only to the extent of such Accounting Change, refer to GAAP, consistently applied after giving effect to the implementation of such Accounting Change. If the Operating Agent, Seller and the Purchaser cannot agree upon the required amendments within thirty (30) days following the date of implementation of any Accounting Change, then all Financial Statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Agreement and the other Related Documents shall be prepared, delivered and made without regard to the underlying Accounting Change.

Capitalized terms used in this Annex W and not otherwise defined below

shall have the respective meanings ascribed to them in Annex X.

"Capital Expenditures" shall mean, with respect to any Person, all

expenditures (by the expenditure of cash or the incurrence of Indebtedness) by such Person during any measuring period for any fixed assets or improvements or for replacements, substitutions or additions thereto, that have a useful life of more than one year and that are required to be capitalized under GAAP.

"Capital Lease" shall mean, with respect to any Person, any lease of

any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"CEF Lease Facility" shall mean (i) the Master Lease Agreement dated

as of December 30, 1998 between General Electric Capital Corporation, for itself and as agent for certain participants, as lessor, and Callaway Golf Ball Company, as lessee, (ii) the Corporate Guaranty dated December 30, 1998 by Callaway Golf Company for the benefit of General Electric Capital Corporation, for itself and as agent for certain participants, (iii) the Interim Finance Agreement dated December 30, 1998 between General Electric Capital Corporation, for itself and as agent for certain participants, as lender, and Callaway Golf Ball Company, as borrower and (iv)

all documents delivered under, and relating to, any of the agreements described in clauses (i) through (iii) hereof.

"EBITDA" shall mean, with respect to any Person for any fiscal period,

an amount equal to

(a) consolidated net income of such Person for such period, minus

(b) the sum, without duplication, of (i) income tax credits, (ii) interest income, (iii) gain from extraordinary items for such period, (iv) any aggregate net gain (but not any aggregate net loss) during such period arising from the sale, exchange or other disposition of capital assets by such Person (including any fixed assets, whether tangible or intangible, all inventory sold in conjunction with the disposition of fixed assets and all securities), and (v) any other non-cash gains which have been added in determining consolidated net income, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP, plus

(c) the sum, without duplication, of (i) any provision for income taxes, (ii) Interest Expense, (iii) loss from extraordinary items for such period, (iv) the amount of non-cash charges (including depreciation and amortization) for such period, (v) amortized debt discount for such period, and (vi) the amount of any deduction to consolidated net income as the result of any grant to any members of the management of such Person of any Stock, in each case to the extent included in the calculation of consolidated net income of such Person for such period in accordance with GAAP.

"Fixed Charges" shall mean, with respect to any Person for any fiscal

period, (a) the aggregate of all Interest Expense paid or accrued during such period, plus (b) scheduled payments of principal with respect to Indebtedness (including the principal component of payments with respect to Capital Leases and the CEF Lease Facility) during such period, plus (c) Restricted Payments described in Section 6.14(d) of the Credit Facility) paid or accrued during such

period.

"Fixed Charge Coverage Ratio" shall mean, with respect to any Person

for any fiscal period, the ratio of (a) EBITDA, minus the sum of (i) Capital Expenditures (other than Capital Expenditures financed pursuant to clause (i) or

(ii) of Section 6.3 of the Credit Facility), (ii) all taxes paid or accrued

during such period and (iii) amounts payable (determined in accordance with clause (v) of Section 6.1 of the Credit Facility) during such period in

connection with Permitted Acquisitions (as defined in the Credit Facility) to (b) Fixed Charges. In computing Fixed Charges for any fiscal period, interest and principal payments that are due within one week after the end of that fiscal period, without duplication, shall be deemed to have been paid on the last day of that fiscal period.

"Interest Expense" shall mean, with respect to any Person for any

fiscal period, interest expense (whether cash or non-cash) of such Person determined in accordance with GAAP for the relevant period ended on such date, including, in any event, interest expense with respect to any Funded Debt of such Person, the interest component of any payment with respect to Capital Leases and the CEF Lease Facility, interest expense for the relevant period that has been capitalized on the balance sheet of such Person and yield or other amounts due and payable (other than upfront fees) under any accounts receivable securitization facility to which the Parent Guarantor and GE Capital are parties.

"Net Worth" shall mean, with respect to any Person as of any date of

determination, the book value of the assets of such Person, minus (a) reserves applicable thereto, and minus (b) all of such Person's liabilities on a consolidated basis (including accrued and deferred income taxes), all as determined in accordance with GAAP.

"Net Worth Percentage" shall mean a fraction (expressed as a

percentage) (a) the numerator of which equals the excess of assets over liabilities, in each case determined in accordance with GAAP consistently applied and (b) the denominator of which equals the Outstanding Balance of Transferred Receivables.

"Restricted Payment" shall mean (a) the declaration or payment of any

dividend or the incurrence of any liability to make any other payment or distribution of cash or other property or assets in respect of a Person's Stock, (b) any payment on account of the purchase, redemption, defeasance, sinking fund or other retirement of a Person's Stock or any other payment or distribution made in respect thereof, either directly or indirectly, (c) any payment or prepayment of principal of, premium, if any, or interest, fees or other charges on or with respect to, and any redemption, purchase, retirement, defeasance, sinking fund or similar payment and any claim for rescission with respect to, any subordinated debt (other than as permitted by Section 6.13 of the Credit

Facility); (d) any payment made to redeem, purchase, repurchase or retire, or to obtain the surrender of, any outstanding warrants, options or other rights to acquire Stock of such Person now or hereafter outstanding; (e) any payment of a claim for the rescission of the purchase or sale of, or for material damages arising from the purchase or sale of, any shares of such Person's Stock or of a claim for reimbursement, indemnification or contribution arising out of or related to any such claim for damages or rescission; (f) any payment, loan, contribution, or other transfer of funds or other property to any Stockholder of such Person other than payment of compensation in the ordinary course to stockholders who are employees of such Person; and (g) any payment of management fees (or other fees of a similar nature) by such Person to any Stockholder of such Person or their Affiliates.

"Tangible Net Worth" shall mean, with respect to any Person at any

date, the Net Worth of such Person at such date, excluding, however, from the

determination of the total assets at such date, (a) all goodwill, capitalized organizational expenses, capitalized research and development expenses, trademarks, trade names, copyrights, patents, patent applications, licenses and rights in any thereof, and other intangible items, (b) all unamortized debt discount and

expense, (c) treasury Stock, and (d) any write-up in the book value of any asset resulting from a revaluation thereof.

Rules of Construction Concerning Financial Covenants. Unless

otherwise specifically provided therein, any accounting term used in any Related Document shall have the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing. If any Accounting Changes occur and such changes result in a change in the calculation of the financial covenants, standards or terms used in any Related Document, then the parties thereto agree to enter into negotiations in order to amend such provisions so as to equitably reflect such Accounting Changes with the desired result that the criteria for evaluating the financial condition of such Persons and their Subsidiaries shall be the same after such Accounting Changes as if such Accounting Changes had not been made. If the parties thereto agree upon the required amendments thereto, then after appropriate amendments have been executed and the underlying Accounting Change with respect thereto has been implemented, any reference to GAAP contained therein shall, only to the extent of such Accounting Change, refer to GAAP consistently applied after giving effect to the implementation of such Accounting Change. If such parties cannot agree upon the required amendments within 30 days following the date of implementation of any Accounting Change, then all financial statements delivered and all calculations of financial covenants and other standards and terms in accordance with the Related Documents shall be prepared, delivered and made without regard to the underlying Accounting Change.

ANNEX X

to

CGS RECEIVABLES TRANSFER AGREEMENT,

ODYSSEY RECEIVABLES TRANSFER AGREEMENT,

and

RECEIVABLES PURCHASE AND SERVICING AGREEMENT

each dated as of

February 10, 1999

Definitions and Interpretation

-1-

SECTION 1. Definitions and Conventions. Capitalized terms used in the

CGS Transfer Agreement, the Odyssey Transfer Agreement and the Purchase Agreement shall have (unless otherwise provided elsewhere therein) the following respective meanings:

"Accession Agreement" shall mean an Accession Agreement substantially

in the form of Exhibit A to the Collateral Agent Agreement.

"Accounting Changes" shall mean, with respect to any Person, (a)

changes in accounting principles required by the promulgation of any rule, regulation, pronouncement or opinion of the Financial Accounting Standards Board of the American Institute of Certified Public Accountants (or any successor thereto or any agency with similar functions); (b) changes in accounting principles concurred in by such Person's certified public accountants; (c) purchase accounting adjustments under A.P.B. 16 or 17 and EITF 88-16, and the application of the accounting principles set forth in FASB 109, including the establishment of reserves pursuant thereto and any subsequent reversal (in whole or in part) of such reserves; and (d) the reversal of any reserves established as a result of purchase accounting adjustments.

"Accrued Monthly Yield" shall mean, as of any date of determination

within a Settlement Period, the sum of the Daily Yields for each day from and including the first day of the Settlement Period through and including such date.

"Accrued Servicing Fee" shall mean, as of any date of determination

within a Settlement Period, the sum of the Servicing Fees calculated for each day from and including the first day of the Settlement Period through and including such date.

"Accrued Unused Facility Fee" shall mean, as of any date of

determination within a Settlement Period, the sum of the Unused Facility Fees calculated for each day from and including the first day of the Settlement Period through and including such date.

"Accumulated Funding Deficiency" shall mean an "accumulated funding

deficiency" as defined in Section 412 of the IRC and Section 302 of ERISA, whether or not waived.

"Additional Amounts" shall mean any amounts payable to any Affected

Party under Sections 2.09 or 2.10 of the Purchase Agreement.

"Additional Costs" shall have the meaning assigned to it in Section

2.09(b) of the Purchase Agreement.

"Adverse Claim" shall mean any claim of ownership or any Lien, other

than any ownership interest or Lien created under the CGS Transfer Agreement, the Odyssey Transfer Agreement or the Purchase Agreement or any Lien created under the Collateral Agent Agreement.

"Affected Party" shall mean each of the following Persons: the

Purchaser, the Liquidity Agent, each Liquidity Lender, the Operating Agent, the Letter of Credit Agent, each Letter of Credit Provider, the Collateral Agent, the Depositary and each Affiliate of the foregoing Persons.

"Affiliate" shall mean, with respect to any Person, (a) each Person

that, directly or indirectly, owns or controls, whether beneficially, or as a trustee, guardian or other fiduciary, five percent (5%) or more of the Stock having ordinary voting power in the election of directors of such Person, (b) each Person that controls, is controlled by or is under common control with such Person, or (c) each of such Person's officers, directors, joint venturers and partners. For the purposes of this definition, "control" of a Person shall mean the possession, directly or indirectly, of the power to direct or cause the direction of its management or policies, whether through the ownership of voting securities, by contract or otherwise.

"Agent Account" shall mean that certain segregated deposit account

established by the Purchaser and maintained with the Depositary designated as the "Agent Account (Revolver) -GECC/CAF Depository," account number 50232854, ABA No. 021001033, Reference: CFW3273.

"Ancillary Services and Lease Agreement" shall mean that certain

Ancillary Services and Lease Agreement dated as of February 10, 1999 between GFC and CGS, pursuant to which CGS agrees to provide office space and certain administrative and clerical services to GFC and to advance to GFC subordinated loans from time to time in an aggregate not to exceed \$500,000 to satisfy GFC's initial and ongoing administrative and operating expenses.

"Appendices" shall mean, with respect to any Related Document, all

exhibits, schedules, annexes and other attachments thereto, or expressly identified thereto.

"Authorized Officer" shall mean, with respect to any corporation, the

Chairman or Vice-Chairman of the Board, the President, any Vice President, the Secretary, the Treasurer, any Assistant Secretary, any Assistant Treasurer and each other officer of such corporation specifically authorized in resolutions of the Board of Directors of such corporation to sign agreements, instruments or other documents on behalf of such corporation in connection with the transactions contemplated by the CGS Transfer Agreement, the Odyssey Transfer Agreement, the Purchase Agreement and the other Related Documents.

"Availability" shall mean, as of any date of determination, the amount

equal to the lesser of: (a) (i) the Investment Base multiplied by the Purchase Discount Rate, minus (ii) the Yield Discount Amount, and (b) the Maximum Purchase Limit.

"Available LOC Percentage" shall mean twelve and one-half percent

(12.5%); provided, that the Available LOC Percentage may be changed at any time at the sole discretion of

the Operating Agent, exercised in good faith, and, in the case of a increase only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Bankruptcy Code" shall mean the provisions of title 11 of the United States Code, 11 U.S.C. (S) (S) 101 et seq.

"Billed Amount" shall mean, with respect to any Receivable, the amount billed on the Billing Date to the Obligor thereunder.

"Billing Date" shall mean, with respect to any Receivable, the date on which the invoice with respect thereto was generated.

"Blocked Account" shall have the meaning set forth in Section 6.01(b) of the Purchase Agreement.

"Blocked Account Agreement" shall mean an agreement, satisfactory in form and substance to the Operating Agent, pursuant to which a Blocked Account is established and maintained at a Deposit Bank in accordance with Section 6.01(b) of the Purchase Agreement.

"Breakage Costs" shall have the meaning assigned to it in Section 2.10 of the Purchase Agreement.

"Bringdown Certificate" shall mean an Officer's Certificate substantially in the form of Exhibit 3.01(a)(ii) to the Purchase Agreement.

"Business Day" shall mean any day that is not a Saturday, a Sunday or a day on which banks are required or permitted to be closed in the State of New York.

"Callaway Golf Company" shall mean Callaway Golf Company, a California corporation.

"Capital Investment" shall mean, as of any date of determination, the amount equal to (a) the aggregate deposits made by the Purchaser to the Collection Account pursuant to Section 2.04(b)(i) of the Purchase Agreement on or before such date, minus (b) the aggregate amounts disbursed to the Purchaser in reduction of Capital Investment pursuant to Sections 6.02, 6.03, 6.04 or 6.05 of the Purchase Agreement on or before such date.

"Capital Investment Available" shall mean, as of any date of determination, the amount, if any, by which Availability exceeds Capital Investment, in each case as of the end of the immediately preceding day.

"Capital Investment Shortfall" shall mean, for any day with respect to which the Deferred Purchase Price Adjustment for the immediately preceding day was greater than zero and

was not satisfied, the amount, if any, by which the Deferred Purchase Price Adjustment exceeded the amount of Collections on deposit in the Capital Investment Sub-Account after disbursement of any amounts pursuant to Sections

6.03(c) (i) and (ii) of the Purchase Agreement, in each case as of the end of the immediately preceding day.

"Capital Investment Sub-Account" shall mean that certain sub-account of the Collection Account designated as such.

"Capital Lease" shall mean, with respect to any Person, any lease of any property (whether real, personal or mixed) by such Person as lessee that, in accordance with GAAP, would be required to be classified and accounted for as a capital lease on a balance sheet of such Person.

"Capital Lease Obligation" shall mean, with respect to any Capital Lease of any Person, the amount of the obligation of the lessee thereunder that, in accordance with GAAP, would appear on a balance sheet of such lessee in respect of such Capital Lease.

"Cash Management Systems" shall mean the cash management systems described in Section 6.01 of the Purchase Agreement.

"Cash Purchase Price" shall mean, as of any Purchase Date, the amount distributable to the Seller pursuant to Section 6.03(c) (v) of the Purchase Agreement.

"CGS" shall mean Callaway Golf Sales Company, a California corporation.

"CGS Account" shall mean the Collection Account under (and as defined in) the Credit Agreement.

"CGS Note" shall have the meaning assigned to it in Section 6.04(a) of the CGS Transfer Agreement.

"CGS Originator" shall have the meaning assigned to it in the Preamble of the CGS Transfer Agreement.

"CGS Transfer Agreement" shall mean that certain Receivables Transfer Agreement dated as of February 10, 1999, between CGS, the Parent Guarantor and GFC.

"Change of Control" shall mean any event, transaction or occurrence as a result of which (a) any person or group of persons (within the meaning of the Securities Exchange Act of 1934, as amended) shall have acquired beneficial ownership (within the meaning of Rule 13d-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended) of 20% or more of the issued and outstanding shares of capital Stock of CGS having the right to vote for the election of directors of the respective entity under ordinary circumstances; (b) CGS shall cease to own and control all of the economic and voting rights

associated with all of the outstanding capital Stock of the Seller, or (c) CGS has sold, transferred, conveyed, assigned or otherwise disposed of all or substantially all of its assets.

"Charges" shall mean (i) all federal, state, county, city, municipal,

local, foreign or other governmental taxes (including taxes owed to the PBGC at the time due and payable); (ii) all levies, assessments, charges or claims of any governmental entity or any claims of statutory lienholders, the nonpayment of which could give rise by operation of law to a Lien or Adverse Claim and (iii) any such taxes, levies, assessment, charges or claims which constitute a lien or encumbrance on any property of the CGS Originator, the Parent Guarantor or the Seller.

"Closing Date" shall mean February 12, 1999.

"Collateral Account" shall mean that certain segregated deposit

account established by Redwood and maintained with the Depositary designated as the "Redwood Receivables Corporation - Collateral Account," account number 11844, ABA No. 021 001 033, or such other account as may be designated in writing by Redwood and approved by the Operating Agent and the Collateral Agent.

"Collateral Agent" shall mean GE Capital, in its capacity as

collateral agent for the Purchaser and the Purchaser Secured Parties under the Purchase Agreement and the other Related Documents.

"Collateral Agent Agreement" shall mean that certain Second Amended

and Restated Collateral Agent and Security Agreement dated as of June 29, 1995, among Redwood, the Depositary and GE Capital, in its capacities as (a) the Collateral Agent, (b) the Operating Agent, (c) the Liquidity Agent and (d) the Letter of Credit Agent, as amended pursuant to that certain Amendment No. 1 to Second Amended and Restated Collateral Agent and Security Agreement dated as of February 27, 1996, as amended pursuant to that certain Amendment No. 2 to Second Amended and Restated Collateral Agent and Security Agreement dated as of January 4, 1997, as amended pursuant to that certain Amendment No. 3 to Second Amended and Restated Collateral Agent and Security Agreement dated as of January 24, 1997.

"Collection Account" shall mean that certain segregated deposit

account established by the Purchaser and maintained with the Depositary designated as the "Redwood Receivables Corporation - Collection Account (GFC)," account number 27063, ABA No. 021001033, or such other account established in accordance with the requirements set forth in Section 6.01(c)(iii) of the

Purchase Agreement.

"Collections" shall mean, with respect to any Receivable, all cash

collections and other proceeds of such Receivable (including late charges, fees and interest arising thereon, and all recoveries with respect thereto that have been written off as uncollectible).

"Commercial Paper" shall mean those certain short-term promissory

notes issued by Redwood from time to time in the United States of America commercial paper market.

"Commitment Reduction Notice" shall have the meaning assigned to it in

Section 2.02(a) of the Purchase Agreement.

"Commitment Termination Notice" shall have the meaning assigned to it

in Section 2.02(b) of the Purchase Agreement.

"Concentration Discount Amount" shall mean, with respect to any

Obligor and as of any date of determination after giving effect to all Eligible Receivables to be transferred on such date, the amount by which the Outstanding Balance of Eligible Receivables owing by such Obligor exceeds the lesser of (a) the dollar amount (if any) set forth on Annex 1 to the Purchase Agreement, and

(b) (i) the applicable short-term debt rating percentage for such Obligor as set forth on Annex 1 to the Purchase Agreement multiplied by (ii) the Outstanding

Balance of all Eligible Receivables on such date. The dollar amount (if any) or percentage referenced in clauses (a) and (b)(i) above, respectively, with

respect to any Obligor may be changed at any time at the sole discretion of the Operating Agent and, in the case of an increase only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Contract" shall mean any agreement (including any invoice) pursuant

to, or under which, an Obligor shall be obligated to make payments with respect to any Receivable.

"Contributed Receivables" shall have the meaning assigned to it in

Section 2.01(d) of the CGS Transfer Agreement.

"CP Holder" shall mean any Person that holds record or beneficial

ownership of Commercial Paper.

"CP Interest Amount" shall have the meaning assigned to it in Annex 3

to the Purchase Agreement.

"Credit and Collection Policies" shall mean the credit, collection,

customer relations and service policies of the CGS Originator in effect on the Closing Date, as the same may from time to time be amended, restated, supplemented or otherwise modified with the written consent of the Operating Agent.

"Credit Agreement" shall mean that certain Amended and Restated Credit

Agreement dated as of February 10, 1999, among Callaway Golf Company, as borrower, the lenders party thereto and GE Capital, as agent for itself and the other lenders party thereto, together with such amendments, restatements, supplements or modifications thereto or any refinancings, replacements or refundings thereof as may be agreed to by the Purchaser and the Operating Agent.

"Credit Facility" shall mean the Credit Agreement and the other loan

documents executed in connection therewith, together with such amendments, restatements, supplements or modifications thereto or any refinancings, replacements or refundings thereof as may be agreed to by the Purchaser and the Operating Agent.

"Credit Facility Liens" shall mean Liens permitted by the Credit

Facility, except Liens against Receivables, as in effect on the date hereof.

"Daily Yield" shall have the meaning assigned to it in Annex 3 to the

Purchase Agreement.

"Daily Yield Rate" shall have the meaning assigned to it in Annex 3 to

the Purchase Agreement.

"Dealer" shall mean any dealer party to a Dealer Agreement.

"Dealer Agreement" shall mean any dealer agreement entered into by

Redwood for the distribution of Commercial Paper.

"Debt" of any Person shall mean, without duplication, (a) all

indebtedness of such Person for borrowed money or for the deferred purchase price of property or services payment for which is deferred 90 days or more, but excluding obligations to trade creditors incurred in the ordinary course of business that are not overdue by more than 90 days unless being contested in good faith, (b) all reimbursement and other obligations with respect to letters of credit, bankers' acceptances and surety bonds, whether or not matured, (c) all obligations evidenced by notes, bonds, debentures or similar instruments, (d) all indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Capital Lease Obligations, (f) all obligations of such Person under commodity purchase or option agreements or other commodity price hedging arrangements, in each case whether contingent or matured, (g) all obligations of such Person under any foreign exchange contract, currency swap agreement, interest rate swap, cap or collar agreement or other similar agreement or arrangement designed to alter the risks of that Person arising from fluctuations in currency values or interest rates, in each case whether contingent or matured, (h) all liabilities of such Person under Title IV of ERISA, (i) all Guaranteed Indebtedness of such Person, (j) all indebtedness referred to in clauses (a) through (i) above secured by (or for which the holder of such

indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien upon or in property or other assets (including accounts and contract rights) owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness, (k) the "Obligations," as that term is defined in the Credit Facility and (l) the Seller Secured Obligations.

"Defaulted Receivable" shall mean any Receivable (a) with respect to

which any payment, or part thereof, remains unpaid for more than 60 days after
its Maturity Date, (b) with respect to which the Obligor thereunder has taken
any action, or suffered any event to occur, of the type described in Sections

9.01(c) or 9.01(d) of the Purchase Agreement, or (c) that otherwise is

determined to be uncollectible and is written off in accordance with the Credit
and Collection Policies.

"Default Ratio" shall mean, as of any date of determination, the ratio

(expressed as a percentage) of:

(a) (i) the average of the respective Outstanding Balances of all
Transferred Receivables with respect to which any payment, or part thereof,
remained unpaid for more than 90 days past their respective Maturity Dates as of
the last day of the three Settlement Periods immediately preceding such date,

plus (ii) the aggregate Outstanding Balance of Transferred Receivables that were

written off as uncollectible during such Settlement Periods

to

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(b) the average of the respective Outstanding Balances of all
Transferred Receivables as of the last day of the three Settlement Periods
immediately preceding such date.

"Deferred Purchase Price" shall mean, as of any Purchase Date, the

amount equal to (a) the Outstanding Balance of Transferred Receivables to be
purchased multiplied by (b) the Deferred Purchase Price Rate, in each case as of

such date.

"Deferred Purchase Price Adjustment" shall mean, as of any date of

determination during the Revolving Period, the amount (positive or negative)
equal to (a) (i) (A) the Deferred Purchase Price Rate as of the last day on which
a Deferred Purchase Price Adjustment was calculated, minus (B) the Deferred

Purchase Price Rate as of such date of determination; multiplied by (ii) (A) the

aggregate Outstanding Balance of Transferred Receivables as of the end of the
last day on which a Deferred Purchase Price Adjustment was calculated, minus (B)

Collections received from the end of the last day on which a Deferred Purchase
Price Adjustment was calculated through and including the end of the day
immediately preceding such date of determination, minus (C) (1) the aggregate

Outstanding Balance of Transferred Receivables that became Defaulted
Receivables, plus (2) Dilution Factors, in each case from the beginning of the

last day on which a Deferred Purchase Price Adjustment was calculated through
and including the end of the day immediately preceding such date of
determination, minus (b) the Deferred Purchase Price Shortfall, if any, plus (c)

the Capital Investment Shortfall, if any.

"Deferred Purchase Price Collections" shall mean, as of any date of

determination, the amount equal to (a) (i) Collections received during the
immediately preceding day, minus (ii) amounts disbursed to the Retention Account

pursuant to Section 6.02(b) of the Purchase

Agreement for the immediately preceding day, multiplied by (b) the Deferred

Purchase Price Rate as of such date of determination.

"Deferred Purchase Price Outstanding" shall mean, as of any date of

determination, the amount equal to (a) the Outstanding Balance of Transferred
Receivables as of the end of the immediately preceding day, multiplied by (b)

the Deferred Purchase Price Rate as of such date.

"Deferred Purchase Price Rate" shall mean, (a) as of any date of

determination during the Revolving Period, a fraction (expressed as a
percentage) (i) the numerator of which equals the Outstanding Balance of
Transferred Receivables minus Availability, in each case as of the end of the

immediately preceding day, and (ii) the denominator of which equals the
Outstanding Balance of Transferred Receivables as of the end of the immediately
preceding day; or (b) for any day from and after the Facility Termination Date,
the Deferred Purchase Price Rate calculated according to clause (a) above for

the Facility Termination Date.

"Deferred Purchase Price Shortfall" shall mean, for any day with

respect to which the Deferred Purchase Price Adjustment for the immediately
preceding day was less than zero and was not satisfied, the amount, if any, by
which the Deferred Purchase Price Adjustment exceeded the amount of Collections
on deposit in the Deferred Purchase Price Sub-Account after disbursement of any
amounts pursuant to Sections 6.03(b)(i) and (ii) of the Purchase Agreement, in

each case as of the end of the immediately preceding day.

"Deferred Purchase Price Sub-Account" shall mean that certain sub-

account of the Collection Account designated as such.

"Delinquency Ratio" shall mean, as of any date of determination, the

ratio (expressed as a percentage) of:

(a) the average of the respective Outstanding Balances of all
Transferred Receivables with respect to which any payment, or part thereof,
remained unpaid for more than 30 but less than 91 days past their respective
Maturity Dates as of the last day of the three Settlement Periods immediately
preceding such date

to
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(b) the average of the Outstanding Balances of all Transferred
Receivables as of the last day of the three Settlement Periods immediately
preceding such date.

"Delinquent Receivable" shall mean any Receivable, other than a

Defaulted Receivable, with respect to which any payment, or part thereof,
remains unpaid for more than 60 days past its Maturity Date.

"Depository" shall mean Bankers Trust Company, or any other Person

designated as the successor Depository pursuant to and in accordance with the terms of the Depository Agreement, in its capacity as issuing and paying agent or trustee in connection with the issuance of Commercial Paper.

"Deposit Bank" shall have the meaning assigned to it in Section

6.01(b) of the Purchase Agreement.

"Depository Agreement" shall mean that certain Depository Agreement

dated March 15, 1994, by and between Redwood and the Depository and consented to by the Liquidity Agent.

"Dilution Factors" shall mean, with respect to any Receivable, any net

credits, rebates, freight charges, cash discounts, volume discounts, cooperative advertising expenses, royalty payments, warranties, cost of parts required to be maintained by agreement (whether express or implied), warehouse and other allowances, disputes, setoffs, chargebacks, defective returns, other returned or repossessed goods, inventory transfers, allowances for early payments and other similar allowances that are reflected on the books of the CGS Originator and made or coordinated with the usual practices of the CGS Originator; provided,

that any allowances or adjustments in accordance with the Credit and Collection Policies made on account of the insolvency of the Obligor thereunder or such Obligor's inability to pay shall not constitute a Dilution Factor.

"Dilution Funded Amount" shall mean, as of any date of determination,

the amount equal to (a) (i) (A) the Outstanding Balance of Transferred Receivables that have become Defaulted Receivables on or before the end of the immediately preceding day, plus (B) other non-cash reductions of the Outstanding Balance of

Transferred Receivables occurring during the immediately preceding day,

multiplied by (ii) 100% minus the Deferred Purchase Price Rate as of such date

of determination, plus (b) the Dilution Funded Amount Shortfall, if any, as of

such date of determination.

"Dilution Funded Amount Shortfall" shall mean, as of any date of

determination, the amount, if any, by which (a) the Dilution Funded Amount exceeds (b) the amount, if any, by which Deferred Purchase Price Collections exceeds the amount calculated in accordance with Section 6.03(b) (i) of the

Purchase Agreement.

"Dilution Ratio" shall mean, as of any date of determination, the

ratio (expressed as a percentage) of:

(a) the aggregate Dilution Factors during the first Settlement Period immediately preceding such date

to
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(b) the aggregate Billed Amount of all Transferred Receivables originated during the first Settlement Period immediately preceding such date.

"Dilution Reserve Ratio" shall mean, as of any date of determination,

the ratio (expressed as a percentage) calculated in accordance with the following formula:

$$\left[(\text{ADR} \times 2.00) + \left[(\text{HDR} - \text{ADR}) \times \frac{\text{HDR}}{\text{ADR}} \right] \right] \times \frac{\text{DILHOR}}{\text{NRPB}}$$

where:

ADR = the average of the respective Dilution Ratios as of the last day of the 12 Settlement Periods immediately preceding such date.

HDR = the highest Dilution Ratio during the 12 Settlement Periods immediately preceding such date.

DILHOR = the aggregated Billed Amount of (a) Eligible Receivables that are not Winter Dating Receivables originated during the two Settlement Periods immediately preceding such date plus (b) Eligible Receivables that are Winter Dating Receivables in accordance with the following schedule:

Month -----	Additional DILHOR -----
August	100% of Eligible Receivables originated with Winter Dating Payment Terms
September	100% of Eligible Receivables originated with Winter Dating Payment Terms during the two Settlement Periods immediately preceding such date.
October	100% of Eligible Receivables originated with Winter Dating Payment Terms during the three Settlement Periods immediately preceding such date.
November	100% of Eligible Receivables originated with Winter Dating Payment Terms during the four Settlement Periods immediately preceding such date.
December	50% of Eligible Receivables originated with Winter Dating Payment Terms during the third, fourth and fifth Settlement Periods immediately preceding such date.

January	50% of Eligible Receivables originated with Winter Dating Payment Terms during the fourth, fifth and sixth Settlement Periods immediately preceding such date.
February	50% of Eligible Receivables originated with Winter Dating Payment Terms during the fifth, sixth and seventh Settlement Periods immediately preceding such date.
March	50% of Eligible Receivables originated with Winter Dating Payment Terms during the sixth, seventh and eighth Settlement Periods immediately preceding such date.
April	50% of Eligible Receivables originated with Winter Dating Payment Terms during the seventh, eighth and ninth Settlement Periods immediately preceding such date.

NRPB = the Outstanding Balance of Eligible Receivables as of the last day of the first Settlement Period immediately preceding such date.

Notwithstanding the foregoing, the Dilution Reserve Ratio may be changed at any time at the sole discretion of the Operating Agent, exercised in good faith, and, in the case of a decrease only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Dollars" or "\$" shall mean lawful currency of the United States of

America.

"Dynamic Purchase Discount Rate" shall mean, as of any date of

determination, the rate equal to (a) 100% minus (b) (i) the Loss Reserve Ratio

plus (ii) the Dilution Reserve Ratio, plus (c) the Available LOC Percentage.

"Election Notice" shall have the meaning assigned to it in Section

2.01(d) of the CGS Transfer Agreement.

"Eligible Receivable" shall mean, as of any date of determination, a

Transferred Receivable:

(a) that is not a liability of an Excluded Obligor;

(b) that is not a liability of an Obligor (i) organized under the laws of any jurisdiction outside of the United States of America or (ii) having its principal place of business outside of the United States of America;

(c) that is only denominated and payable in Dollars in the United States of America;

(d) that is not and will not be subject to any right of rescission, set-off, recoupment, counterclaim or defense, whether arising out of transactions concerning the Contract therefor or otherwise (provided, that if -----
the maximum amount of such right of rescission, set-off, recoupment, counterclaim or defense is less than the Outstanding Balance of such Receivable, such Receivable shall be deemed not to be an Eligible Receivable only to the extent of such maximum amount);

(e) that is not a Delinquent Receivable, a Defaulted Receivable or an Unapproved Receivable;

(f) that does not represent "billed but not yet shipped" goods or merchandise, unperformed services, consigned goods or "sale or return" goods and does not arise from a transaction for which any additional performance by the CGS Originator, or acceptance by or other act of the Obligor thereunder, remains to be performed as a condition to any payments on such Receivable;

(g) as to which the representations and warranties of Sections -----
4.01(v) (ii)-(iv) of the CGS Transfer Agreement are true and correct in all -----
respects as of the Transfer Date therefor;

(h) that is not the liability of an Obligor that has any claim of a material nature against or affecting the CGS Originator or the property of the CGS Originator;

(i) that is a true and correct statement of a bona fide indebtedness -----
incurred in the amount of the Billed Amount of such Receivable for merchandise sold to or services rendered and accepted by the Obligor thereunder;

(j) that was originated in accordance with and satisfies in all material respects all applicable requirements of the Credit and Collection Policies;

(k) that represents the genuine, legal, valid and binding obligation of the Obligor thereunder enforceable by the holder thereof in accordance with its terms;

(l) that is entitled to be paid pursuant to the terms of the Contract therefor, has not been paid in full or been compromised, adjusted, extended, satisfied, subordinated,

rescinded or modified, and is not subject to compromise, adjustment, extension, satisfaction, subordination, rescission, or modification by the CGS Originator;

(m) with respect to which the CGS Originator thereof has submitted all necessary documentation for payment to the Obligor thereunder and the CGS Originator has fulfilled all of its other obligations in respect thereof;

(n) the stated term of which, if any, is not greater than 90 days after its Billing Date, except with regard to Winter Dating Receivables;

(o) that does not contravene in any material respect any laws, rules or regulations applicable thereto (including laws, rules and regulations relating to usury, consumer protection, truth in lending, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices and privacy) and with respect to which no party to the Contract therefor is in violation of any such law, rule or regulation that could have a material adverse effect on the collectibility, value or payment terms of such Receivable;

(p) with respect to which no proceedings or investigations are pending or threatened before any Governmental Authority (i) asserting the invalidity of such Receivable or the Contract therefor, (ii) asserting the bankruptcy or insolvency of the Obligor thereunder, (iii) seeking payment of such Receivable or payment and performance of such Contract or (iv) seeking any determination or ruling that might materially and adversely affect the validity or enforceability of such Receivable or such Contract;

(q) with respect to which the Obligor thereunder is not: (i) bankrupt or insolvent, (ii) unable to make payment of its obligations when due, (iii) a debtor in a voluntary or involuntary bankruptcy proceeding, or (iv) the subject of a comparable receivership or insolvency proceeding;

(r) that is an "account" within the meaning of the UCC of the jurisdiction in which the chief executive office of the CGS Originator is located;

(s) that is payable solely and directly to the CGS Originator and not to any other Person (including any shipper of the merchandise or goods that gave rise to such Receivable), except to the extent that payment thereof may be made to the Collection Account or otherwise as directed pursuant to Article VI of the

Purchase Agreement;

(t) with respect to which all material consents, licenses, approvals or authorizations of, or registrations with, any Governmental Authority required to be obtained, effected or given in connection with the creation of such Receivable or the Contract therefor have been duly obtained, effected or given and are in full force and effect;

(u) that is created through the provision of merchandise, goods or services (i) by the CGS Originator in the ordinary course of its business in a current transaction or (ii) by another Person from whom the CGS Originator acquired such Receivables where those Receivables have been approved in writing by the Operating Agent;

(v) that complies with such other criteria and requirements as the Operating Agent may from time to time specify to the Seller or the CGS Originator upon 10 days' prior written notice or, if so required by any Rating Agency, upon such notice as may be specified by such Rating Agency;

(w) that is not the liability of an Obligor that, under the terms of the Credit and Collection Policies, is receiving or should receive merchandise, goods or services on a "cash on delivery" basis, and

(x) that is not subject to any right, claim, security interest or other interest of any other Person, other than Liens in favor of the Purchaser.

"Environmental Laws" shall mean all applicable federal, state, local

and foreign laws, statutes, ordinances, codes, rules, standards and regulations, now or hereafter in effect, and in each case as amended or supplemented from time to time, and any applicable judicial or administrative interpretation thereof, including any applicable judicial or administrative order, consent decree, order or judgment, imposing liability or standards of conduct for or relating to the regulation and protection of human health, safety, the environment and natural resources (including ambient air, surface water, groundwater, wetlands, land surface or subsurface strata, wildlife, aquatic species and vegetation). Environmental Laws include, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. (S) (S) 9601 et seq.) "CERCLA"); the Hazardous Materials Transportation

Authorization Act of 1994 (49 U.S.C. (S) (S) 5101 et seq.); the Federal

Insecticide, Fungicide, and Rodenticide Act (7 U.S.C. (S) (S) 136 et seq.); the

Solid Waste Disposal Act (42 U.S.C. (S) (S) 6901 et seq.); the Toxic Substance

Control Act (15 U.S.C. (S) (S) 2601 et seq.); the Clean Air Act (42 U.S.C.

(S) (S) 7401 et seq.); the Federal Water Pollution Control Act (33 U.S.C. (S) (S)

1251 et seq.); the Occupational Safety and Health Act (29 U.S.C. (S) (S) 651 et

seq.); and the Safe Drinking Water Act (42 U.S.C. (S) (S) 300(f) et seq.), each

as from time to time amended, and any and all regulations promulgated thereunder, and all analogous state, local and foreign counterparts or equivalents and any transfer of ownership notification or approval statutes.

"Environmental Permits" shall mean all permits, licenses,

authorizations, certificates, approvals, registrations or other written documents required by any Governmental Authority under any Environmental Laws.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974

and any regulations promulgated thereunder.

"ERISA Affiliate" shall mean, with respect to the CGS Originator, any

trade or business (whether or not incorporated) that, together with the CGS Originator, are treated as a single employer within the meaning of Sections 414(b), (c), (m) or (o) of the IRC.

"ERISA Event" shall mean, with respect to the CGS Originator or any

ERISA Affiliate, (a) any event described in Section 4043(c) of ERISA with respect to a Title IV Plan; (b) the withdrawal of the CGS Originator or ERISA Affiliate from a Title IV Plan subject to Section 4063 of ERISA during a plan year in which it was a "substantial employer," as defined in Section 4001(a)(2) of ERISA; (c) the complete or partial withdrawal of the CGS Originator or any ERISA Affiliate from any Multiemployer Plan; (d) the filing of a notice of intent to terminate a Title IV Plan or the treatment of a plan amendment as a termination under Section 4041 of ERISA; (e) the institution of proceedings to terminate a Title IV Plan or Multiemployer Plan by the PBGC; (f) the failure by the CGS Originator or ERISA Affiliate to make when due required contributions to a Multiemployer Plan or Title IV Plan unless such failure is cured within 30 days; (g) any other event or condition that might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Title IV Plan or Multiemployer Plan or for the imposition of liability under Section 4069 or 4212(c) of ERISA; (h) the termination of a Multiemployer Plan under Section 4041A of ERISA or the reorganization or insolvency of a Multiemployer Plan under Section 4241 of ERISA; or (i) the loss of a Qualified Plan's qualification or tax exempt status.

"ESOP" shall mean a Plan that is intended to satisfy the requirements

of Section 4975(e)(7) of the IRC.

"Event of Servicer Termination" shall have the meaning assigned to it

in Section 9.02 of the Purchase Agreement.

"Excluded Obligor" shall mean any Obligor (i) that is an Affiliate or

employee of the CGS Originator or the Seller, (ii) that is a Governmental Authority, (iii) with respect to which 50% or more of the aggregate Outstanding Balance of all Receivables owing by such Obligor are Delinquent Receivables or Defaulted Receivables, or (iv) listed on Annex 2 to the Purchase Agreement as

revised from time to time pursuant to a letter in the form of Exhibit A thereto.

"Extended Term Reserve" shall mean the Outstanding Balance of those

Receivables which are not due within 90 days, except for Winter Dating Receivables.

"Facility Termination Date" shall mean the earliest of (a) the date so

designated pursuant to Section 9.01 of the Purchase Agreement, (b) 90 days prior

to the Final Purchase Date and (c) 90 days prior to the date of termination of the Maximum Purchase Limit specified in a notice from the Seller to the Purchaser delivered pursuant to and in accordance with Section 2.02(b) of the

Purchase Agreement.

"Fair Labor Standards Act" shall mean the provisions of the Fair Labor

Standards Act, 29 U.S.C. (S) (S) 201 et seq.

"Federal Reserve Board" shall mean the Board of Governors of the

Federal Reserve System.

"Fee Letter" shall mean that certain letter agreement dated February

10, 1999, between the Seller and the Purchaser.

"Final Purchase Date" shall mean February 11, 2004.

"GAAP" shall mean generally accepted accounting principles in the

United States of America as in effect on the Closing Date, consistently applied
as such term is further defined in Section 2(a) of this Annex X.

"GE Capital" shall mean General Electric Capital Corporation, a New

York corporation.

"General Trial Balance" shall mean, with respect to the CGS Originator

and as of any date of determination, the CGS Originator's accounts receivable
trial balance (whether in the form of a computer printout, magnetic tape or
diskette) as of such date, listing Obligors and the Receivables owing by such
Obligors as of such date together with the aged Outstanding Balances of such
Receivables, in form and substance satisfactory to GFC.

"GFC Loan" shall have the meaning specified in Section 6.01 of the CGS

Transfer Agreement.

"Golf Funding Corporation" or "GFC" shall mean Golf Funding

Corporation, a Delaware corporation.

"GFC Indemnified Person" shall have the meaning assigned to it in

Section 5.01 of the CGS Transfer Agreement.

"GFC Loan" shall have the meaning assigned to it in Section 6.01 of

the CGS Transfer Agreement.

"Governmental Authority" shall mean any nation or government, any

state or other political subdivision thereof, and any agency, department or
other entity exercising executive, legislative, judicial, regulatory or
administrative functions of or pertaining to government.

"Guaranteed Indebtedness" shall mean, as to any Person, any obligation

of such Person guaranteeing any indebtedness, lease, dividend, or other
obligation ("primary obligation") of any other Person (the "primary obligor") in

any manner, including any obligation or

arrangement of such Person to (a) purchase or repurchase any such primary obligation, (b) advance or supply funds (i) for the purchase or payment of any such primary obligation or (ii) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency or any balance sheet condition of the primary obligor, (c) purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation, or (d) indemnify the owner of such primary obligation against loss in respect thereof. The amount of any Guaranteed Indebtedness at any time shall be deemed to be the amount equal to the lesser at such time of (x) the stated or determinable amount of the primary obligation in respect of which such Guaranteed Indebtedness is incurred and (y) the maximum amount for which such Person may be liable pursuant to the terms of the instrument embodying such Guaranteed Indebtedness; or, if not stated or determinable, the maximum reasonably anticipated liability (assuming full performance) in respect thereof.

"Incipient Servicer Termination Event" shall mean any event that, with -----
the passage of time or notice or both, would, unless cured or waived, become an Event of Servicer Termination.

"Incipient Termination Event" shall mean any event that, with the -----
passage of time or notice or both, would, unless cured or waived, become a Termination Event.

"Indemnified Amounts" shall mean, with respect to any Person, any and -----
all suits, actions, proceedings, claims, damages, losses, liabilities and expenses (including attorneys' fees and disbursements and other costs of investigation or defense, including those incurred upon any appeal).

"Indemnified Taxes" shall have the meaning assigned to it in Section -----
2.08 of the Purchase Agreement.

"Intercreditor Agreement" shall mean that certain Intercreditor -----
Agreement dated as of February 10, 1999, entered into by and among the CGS Originator, the Seller, the Purchaser and GE Capital, in various capacities.

"Interest Payment Date" shall mean, with respect to any GFC Loan, the -----
first Business Day of each calendar month while such loan is outstanding;
provided, that in addition to the foregoing, each of (a) the date upon which all -----
GFC Loans have been paid in full and (b) the Facility Termination Date shall be deemed to be an "Interest Payment Date" with respect to any accrued interest thereunder.

"Interest Rate" shall have the meaning assigned to it in Section -----
6.06(a) of the CGS Transfer Agreement.

"Investment Base" shall mean, as of any date of determination, the

amount equal to the Outstanding Balance of Eligible Receivables minus the

Reserves with respect thereto, in each case as disclosed in the most recently
submitted Investment Base Certificate or as otherwise determined by the
Purchaser, the Operating Agent or the Collateral Agent based on Seller
Collateral information available to any of them, including any information
obtained from any audit or from any other reports with respect to the Seller
Collateral, which determination shall be final, binding and conclusive on all
parties to the Purchase Agreement (absent manifest error).

"Investment Base Certificate" shall have the meaning assigned to it in

Section 2.03(a) of the Purchase Agreement.

"Investment Company Act" shall mean the provisions of the Investment

Company Act of 1940, 15 U.S.C. (S) (S) 80a et seq., and any regulations

promulgated thereunder.

"Investment Reports" shall mean the reports with respect to the

Transferred Receivables and the Seller Collateral referred to in Annex 5.02(b)

to the Purchase Agreement.

"Investments" shall mean, with respect to any Seller Blocked Account

Collateral, the certificates, instruments, investment property or other
investments in which amounts constituting such collateral are invested from time
to time.

"IRC" shall mean the Internal Revenue Code of 1986 and any regulations

promulgated thereunder.

"IRS" shall mean the Internal Revenue Service.

"Letter of Credit" shall mean that certain Irrevocable Letter of

Credit No. RRC-2 dated June 29, 1995, issued by the Letter of Credit Providers
at the request of Redwood in favor of the Collateral Agent pursuant to the
Letter of Credit Agreement.

"Letter of Credit Agent" shall mean GE Capital, in its capacity as

agent for the Letter of Credit Providers under the Letter of Credit Agreement.

"Letter of Credit Agreement" shall mean that certain Second Amended

and Restated Letter of Credit Reimbursement Agreement dated as of June 29, 1995,
among Redwood, the Letter of Credit Agent, the Letter of Credit Providers and
the Collateral Agent, as amended pursuant to that certain Amendment No. 1 to
Second Amended and Restated Letter of Credit Reimbursement Agreement dated as of
February 27, 1996, as amended pursuant to that certain Amendment No. 2 to Second
Amended and Restated Letter of Credit Reimbursement Agreement dated as of
January 24, 1997.

"Letter of Credit Providers" shall mean, initially, GE Capital, in its

capacity as issuer of the Letter of Credit under the Letter of Credit Agreement,
and thereafter its successors and permitted assigns in such capacity.

"Lien" shall mean any mortgage or deed of trust, pledge,

hypothecation, assignment, deposit arrangement, lien, charge, claim, security
interest, easement or encumbrance, or preference, priority or other security
agreement or preferential arrangement of any kind or nature whatsoever
(including any lease or title retention agreement, any financing lease having
substantially the same economic effect as any of the foregoing, and the filing
of, or agreement to give, any financing statement perfecting a security interest
under the UCC or comparable law of any jurisdiction).

"Liquidity Agent" shall mean GE Capital, in its capacity as agent for

the Liquidity Lenders pursuant to the Liquidity Loan Agreement.

"Liquidity Lenders" shall mean, collectively, GE Capital and any other

provider of Liquidity Loans under the Liquidity Loan Agreement.

"Liquidity Loan Agreement" shall mean that certain Liquidity Loan

Agreement dated as of February 10, 1999, among Redwood and GE Capital, in its
capacities as (a) the operating agent for Redwood, (b) the Collateral Agent, (c)
the initial Liquidity Lender and (d) the Liquidity Agent, as amended, restated,
supplemented or otherwise modified from time to time.

"Liquidity Loans" shall mean any and all borrowings by Redwood under

the Liquidity Loan Agreement.

"Litigation" shall mean, with respect to any Person, any action,

claim, lawsuit, demand, investigation or proceeding pending or threatened
against such Person before any court, board, commission, agency or
instrumentality of any federal, state, local or foreign government or of any
agency or subdivision thereof or before any arbitrator or panel of arbitrators.

"Lockbox Account" shall mean that certain lockbox account number 2470-

5-04484 in the name of Odyssey held at the Lockbox Bank.

"Lockbox Account Agreement" shall mean that certain Three Party

Agreement relating to Lockbox Services dated February 10, 1999 between the
Lockbox Bank, Odyssey, CGS, GFC, Redwood, the Operating Agent and the Collateral
Agent.

"Lockbox Bank" shall mean the Bank of America National Trust and

Savings Association.

"Loss Reserve Ratio" shall mean, as of any date of determination, the

ratio (expressed as a percentage) calculated in accordance with the following
formula:

2 x ARR x DEFHOR

NRPB

where:

ARR = the highest Three Month Aged Receivables Ratio during the 12 Settlement Periods immediately preceding such date.

DEFHOR = the aggregate Billed Amount of (a) Eligible Receivables that are not Winter Dating Receivables originated during the four Settlement Periods immediately preceding such date plus (b) Eligible Receivables that are Winter Dating Receivables in accordance with the following schedule:

Month -----	Additional DEFHOR -----
August	100% of Eligible Receivables originated with Winter Dating Payment Terms
September	100% of Eligible Receivables originated with Winter Dating Payment Terms during the two Settlement Periods immediately preceding such date.
October	100% of Eligible Receivables originated with Winter Dating Payment Terms during the three Settlement Periods immediately preceding such date.
November	100% of Eligible Receivables originated with Winter Dating Payment Terms during the four Settlement Periods immediately preceding such date.
December	50% of Eligible Receivables originated with Winter Dating Payment Terms during the third, fourth and fifth Settlement Periods immediately preceding such date.
January	50% of Eligible Receivables originated with Winter Dating Payment Terms during the fourth, fifth and sixth Settlement Periods immediately preceding such date.
February	50% of Eligible Receivables originated with Winter Dating Payment Terms during the fifth, sixth and seventh Settlement Periods immediately preceding such date.

March 50% of Eligible Receivables originated with Winter Dating Payment Terms during the sixth, seventh and eighth Settlement Periods immediately preceding such date.

April 50% of Eligible Receivables originated with Winter Dating Payment Terms during the seventh, eighth and ninth Settlement Periods immediately preceding such date.

NRPB = the Outstanding Balance of Eligible Receivables as of the last day of the first Settlement Period immediately preceding such date.

Notwithstanding the foregoing, the Loss Reserve Ratio may be changed at any time at the sole discretion of the Operating Agent, exercised in good faith, and, in the case of a decrease only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Margin" shall mean, for any period, the sum of the "Margin Amounts"

(as such term is defined in Annex 3 to the Purchase Agreement) for each day in

such period.

"Material Adverse Effect" shall mean a material adverse effect on (a)

the business, assets, liabilities, operations, prospects or financial or other condition of (i) the CGS Originator or the Parent Guarantor, (ii) the Seller, (iii) the Servicer and its Subsidiaries considered as a whole, or (iv) the Parent Guarantor and its Subsidiaries considered as a whole, (b) the ability of the CGS Originator, the Parent Guarantor, the Seller or the Servicer to perform any of its obligations under the Related Documents in accordance with the terms thereof, (c) the validity or enforceability of any Related Document or the rights and remedies of GFC, the Purchaser, the Operating Agent or the Collateral Agent under any Related Document, (d) the federal income tax attributes of the sale, contribution or pledge of the Transferred Receivables pursuant to any Related Document or (e) the Transferred Receivables, the Contracts therefor, the Transfer Agreement Collateral, the Seller Collateral or the ownership interests or Liens of GFC or the Purchaser thereon or the priority of such interests or Liens.

"Maturity Date" shall mean, with respect to any Receivable, the due

date for payment therefor specified in the Contract therefor, or, if no date is so specified, 60 days from the Billing Date.

"Maximum Purchase Limit" shall mean \$80,000,000, as such amount may be

reduced in accordance with Section 2.02(a) of the Purchase Agreement.

"Monthly Report" shall have the meaning assigned to it in paragraph

(a) of Annex 5.02(a) to the Purchase Agreement.

"Moody's" shall mean Moody's Investors Service, Inc. or any successor

thereto.

"Multiemployer Plan" shall mean a "multiemployer plan" as defined in

Section 4001(a)(3) of ERISA with respect to which the CGS Originator or ERISA Affiliate is making, is obligated to make, or has made or been obligated to make, contributions on behalf of participants who are or were employed by any of them.

"Net Proceeds Amount" shall mean, with respect to issuances of any

Commercial Paper, (a) the face amount of such Commercial Paper, minus (b) (i) the discount on the face amount thereof offered to the public plus (ii) Dealer fees for such issuances of Commercial Paper.

"Nevada Bob's" shall mean Nevada Bob's Pro Shop, a Nevada corporation.

"Obligations" shall have the meaning assigned to it in Section 2.03 of

the CGS Transfer Agreement.

"Obligor" shall mean, with respect to any Receivable, the Person

primarily obligated to make payments in respect thereof.

"Odyssey" shall mean Odyssey Golf, Inc., a California corporation.

"Odyssey Collection Date" shall mean one year and one day after the

date on which all Odyssey Sold Receivables have either been collected in full or written off as uncollectible and all outstanding payment obligations of Odyssey under the Agreement have been satisfied in full.

"Odyssey General Trial Balance" shall mean, with respect to Odyssey

and as of any date of determination, Odyssey's accounts receivable trial balance (whether in the form of a computer printout, magnetic tape or diskette) as of such date, listing Obligors and the Receivables owing by such Obligors as of such date together with the aged Outstanding Balances of such Receivables, in form and substance satisfactory to CGS.

"Odyssey Sale Price" shall have the meaning assigned to it in Section

2.01(b) of the Odyssey Transfer Agreement.

"Odyssey Sold Receivable" shall have the meaning assigned to it in

Section 2.01(a) of the Odyssey Transfer Agreement.

"Odyssey Transfer Agreement" shall mean that certain Receivables

Transfer Agreement dated February 10, 1999 between Odyssey and CGS.

"Officer's Certificate" shall mean, with respect to any Person, a

certificate signed by an Authorized Officer of such Person.

"Operating Agent" shall mean GE Capital, in its capacity as operating

agent for the Purchaser under the Purchase Agreement and the other Related Documents.

"Operating Agent Agreement" shall mean that certain Operating Agent

Agreement dated as of March 15, 1994, between Redwood and the Operating Agent.

"Other Funding Agreements" shall mean any agreements entered into from

time to time by the Purchaser for the purchase or financing of receivables.

"Outstanding Balance" shall mean, with respect to any Receivable and

as of any date of determination, the amount (which amount shall not be less than zero) equal to (a) the Billed Amount thereof, minus (b) all Collections received

from the Obligor thereunder, minus (c) all discounts to or any other

modifications that reduce such Billed Amount; provided, that if the Operating

Agent or the Servicer makes a determination that all payments by such Obligor with respect to such Billed Amount have been made, the Outstanding Balance shall be zero.

"Parent Group" shall mean CGS and each of its respective Affiliates.

"Parent Guarantor" shall mean Callaway Golf Company, a California

corporation.

"PBGCC" shall mean the Pension Benefit Guaranty Corporation.

"Pension Plan" shall mean a Plan described in Section 3(2) of ERISA.

"Permitted Encumbrances" shall mean the following encumbrances: (a)

Liens for taxes or assessments or other governmental charges not yet due and payable; (b) pledges or deposits securing obligations under workmen's compensation, unemployment insurance, social security or public liability laws or similar legislation; (c) pledges or deposits securing bids, tenders, contracts (other than contracts for the payment of money) or leases to which the CGS Originator, the Seller or the Servicer is a party as lessee made in the ordinary course of business; (d) deposits securing statutory obligations of the CGS Originator, the Seller or the Servicer; (e) inchoate and unperfected workers', mechanics', suppliers' or similar Liens arising in the ordinary course of business; (f) carriers', warehousemen's or other similar possessory Liens arising in the ordinary course of business and securing liabilities in an outstanding aggregate amount not in excess of \$100,000 at any one time; (g) deposits securing, or in lieu of, surety, appeal or customs bonds in proceedings to which the CGS Originator, the Seller or the Servicer is a party; (h) any attachment or judgment Lien not constituting a Termination Event under Section

9.01(f) of the Purchase Agreement; (i) Liens existing on the Closing Date and

listed on Schedule 4.03(b) of the CGS Transfer Agreement or the Odyssey Transfer

Agreement or Schedule 5.03(b) of the Purchase

Agreement; and (j) presently existing or hereinafter created Liens in favor of GFC, the Purchaser, the Operating Agent or the Collateral Agent.

"Permitted Investments" shall mean any of the following:

(a) obligations of, or guaranteed as to the full and timely payment of principal and interest by, the United States of America or obligations of any agency or instrumentality thereof if such obligations are backed by the full faith and credit of the United States of America, in each case with maturities of not more than 90 days from the date acquired;

(b) repurchase agreements on obligations of the type specified in clause (a) of this definition; provided, that the short-term debt obligations of -----

the party agreeing to repurchase are rated at least A-1+ or the equivalent by S&P and P-1 or the equivalent by Moody's;

(c) federal funds, certificates of deposit, time deposits and bankers' acceptances of any depository institution or trust company incorporated under the laws of the United States of America or any state, in each case with original maturities of not more than 90 days or, in the case of bankers' acceptances, original maturities of not more than 365 days; provided, that the -----

short-term obligations of such depository institution or trust company are rated at least A-1+ or the equivalent by S&P and P-1 or the equivalent by Moody's;

(d) commercial paper of any corporation incorporated under the laws of the United States of America or any state thereof with original maturities of not more than 30 days that on the date of acquisition are rated at least A-1+ or the equivalent by S&P and P-1 or the equivalent by Moody's;

(e) securities of money market funds rated at least Aam or the equivalent by S&P and P-1 or the equivalent by Moody's; and

(f) such other investments with respect to which each Rating Agency shall have confirmed in writing to the Purchaser and Collateral Agent that such investments shall not result in a withdrawal or reduction of the then current rating by such Rating Agency of the Commercial Paper.

"Person" shall mean any individual, sole proprietorship, partnership,

joint venture, unincorporated organization, trust, association, corporation (including a business trust), limited liability company, institution, public benefit corporation, joint stock company, Governmental Authority or any other entity of whatever nature.

"Plan" shall mean, at any time, an "employee benefit plan," as defined

in Section 3(3) of ERISA, that the CGS Originator or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by the CGS Originator or ERISA Affiliate.

"Program Documents" shall mean the Letter of Credit Agreement, the

Liquidity Loan Agreement, the Collateral Agent Agreement, the Depositary Agreement, the Commercial Paper, the Operating Agent Agreement, each Accession Agreement and the Dealer Agreements.

"Projections" shall mean Parent Guarantor's forecasted consolidated

and consolidating: (a) balance sheets; (b) profit and loss statements; (c) cash flow statements; and (d) capitalization statements, all prepared on a Subsidiary-by-Subsidiary or division-by-division basis, if applicable, and otherwise consistent with the historical financial statements of the CGS Originators, together with appropriate supporting details and a statement of underlying assumptions.

"Purchase" shall have the meaning assigned to it in Section 2.01 of

the Purchase Agreement.

"Purchase Agreement" shall mean that certain Receivables Purchase and

Servicing Agreement dated as of February 10, 1999, among the Seller, the Purchaser, the Servicer, the Operating Agent and the Collateral Agent.

"Purchase Assignment" shall mean that certain Purchase Assignment

dated as of the Closing Date by and between the Seller and the Purchaser in the form attached as Exhibit 2.04(a) to the Purchase Agreement.

"Purchase Date" shall mean each day on which a Purchase is made.

"Purchase Discount Rate" shall mean, as of any date of determination,

a rate equal to the lesser of (a) the Dynamic Purchase Discount Rate and (b) the Purchase Discount Rate Cap.

"Purchase Discount Rate Cap" shall mean a rate equal to eighty percent

(80%); provided, that the Purchase Discount Rate Cap may be changed at any time upon the Operating Agent's prompt delivery of notice to the Seller of such change, at the sole discretion of the Operating Agent, exercised in good faith, and, in the case of an increase only, upon satisfaction of the Rating Agency Condition with respect thereto.

"Purchase Excess" shall mean, as of any date of determination, the

extent to which the Capital Investment exceeds the Availability, in each case as disclosed in the most recently submitted Investment Base Certificate or as otherwise determined by the Purchaser, the Operating Agent or the Collateral Agent based on Seller Collateral information available to any of them, including any information obtained from any audit or from any other reports with respect to the Seller Collateral, which determination shall be final, binding and conclusive on all parties to the Purchase Agreement (absent manifest error).

"Purchaser" shall mean Redwood, in its capacity as the Purchaser under

the Purchase Agreement.

"Purchase Request" shall have the meaning assigned to it in Section

2.03(b) of the Purchase Agreement.

"Purchaser Indemnified Person" shall have the meaning assigned to it

in Section 12.01(a) of the Purchase Agreement.

"Purchaser Secured Parties" shall mean the Collateral Agent, the CP

Holder, the Depositary, the Liquidity Agent, the Liquidity Lenders, the Letter
of Credit Agent and the Letter of Credit Providers.

"Qualified Plan" shall mean a Pension Plan that is intended to be tax-

qualified under Section 401(a) of the IRC.

"Qualifying Winter Dating Obligor" shall mean, for any year, any

Obligor with respect to which, (a) no payment, or part thereof, with respect to
any Receivables of such Obligor originated during the previous year remained
unpaid for more than 30 days past its Maturity Date, or (b) no payment, or part
thereof, with respect to any Receivables of such Obligor remained unpaid for
more than 30 days past its Maturity Date during the one (1) year period prior to
the placement of a Winter Dating Order by such Obligor in such year.

"Rating Agency" shall mean Moody's or S&P.

"Rating Agency Condition" shall mean, with respect to any action, that

each Rating Agency has notified the Purchaser and the Operating Agent in writing
that such action will not result in a reduction or withdrawal of the rating of
any outstanding Commercial Paper.

"Ratios" shall mean, collectively, the Default Ratio, the Delinquency

Ratio, the Dilution Ratio, the Dilution Reserve Ratio, the Loss Reserve Ratio,
the Receivable Collection Turnover and the Three Month Aged Receivables Ratio.

"Receivable" shall mean, with respect to any Obligor:

(a) indebtedness of such Obligor (whether constituting an account,
chattel paper, document, instrument or general intangible) arising from the
provision of merchandise, goods or services to such Obligor, including the right
to payment of any interest or finance charges and other obligations of such
Obligor with respect thereto;

(b) all Liens and property subject thereto from time to time securing
or purporting to secure any such indebtedness of such Obligor;

(c) all guaranties, indemnities and warranties, insurance policies,
financing statements and other agreements or arrangements of whatever character
from time to time supporting or securing payment of any such indebtedness;

(d) all Collections with respect to any of the foregoing; and

(e) all Records with respect to any of the foregoing.

"Receivable Collection Turnover" shall mean, as of any date of

determination, the amount (expressed in days) equal to:

(a) a fraction, (i) the numerator of which is equal to the average of the Outstanding Balances of Transferred Receivables on the first day of the 12 Settlement Periods immediately preceding such date and (ii) the denominator of which is equal to aggregate Collections received during such 12 Settlement Periods with respect to all Transferred Receivables,

multiplied by

(b) the number of days contained in such 12 Settlement Periods.

"Receivables Assignment" shall have the respective meanings assigned

to them in Section 2.01(a) of the CGS Transfer Agreement and in Section 2.01(a)

of the Odyssey Transfer Agreement.

"Records" shall mean all Contracts and other documents, books, records

and other information (including computer programs, tapes, disks, data processing software and related property and rights) prepared and maintained by the CGS Originator, the Servicer, any Sub-Servicer or the Seller with respect to the Receivables and the Obligors thereunder, the Transfer Agreement Collateral and the Seller Collateral.

"Redwood" shall mean Redwood Receivables Corporation, a Delaware

corporation.

"Redwood Yield" shall have the meaning assigned to it in Annex 3 to

the Purchase Agreement.

"Regulatory Change" shall mean any change after the Closing Date in

any federal, state or foreign law or regulation (including Regulation D of the Federal Reserve Board) or the adoption or making after such date of any interpretation, directive or request under any federal, state or foreign law or regulation (whether or not having the force of law) by any Governmental Authority charged with the interpretation or administration thereof that, in each case, is applicable to any Affected Party.

"Rejected Amount" shall have the meaning assigned to it in Section

4.04 of the CGS Transfer Agreement.

"Related Documents" shall mean each Blocked Account Agreement, the CGS

Transfer Agreement, the Odyssey Transfer Agreement, the Lockbox Agreement, the Purchase Agreement, each Receivables Assignment, the Purchase Assignment, the CGS Note, the Ancillary Services and Lease Agreement and all other agreements, instruments, documents and certificates identified in the Schedule of Documents and including all other pledges, powers of attorney, consents, assignments, contracts, notices, and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Person, or any employee of any Person, and delivered in connection with the CGS Transfer Agreement, the Odyssey Transfer Agreement, the Purchase Agreement or the transactions contemplated thereby. Any reference in the CGS Transfer Agreement, the Odyssey Transfer Agreement, the Purchase Agreement or any other Related Document to a Related Document shall include all Appendices thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to such Related Document as the same may be in effect at any and all times such reference becomes operative.

"Repayment Notice" shall have the meaning assigned to it in Section

2.03(c) of the Purchase Agreement.

"Reportable Event" shall mean any of the events set forth in Section

4043(b) of ERISA.

"Reserves" shall mean the aggregate Concentration Discount Amount for

all Obligors of Transferred Receivables, the Extended Term Reserve and such other reserves as the Operating Agent may establish from time to time in its sole discretion.

"Retained Monthly Yield" shall mean, as of any date of determination

within a Settlement Period, the sum of all amounts transferred to or retained in the Retention Account with respect to Daily Yield from and including the first day of such Settlement Period through and including such date pursuant to Sections 6.03(b) (i) (A) or 6.04(a) (iv) of the Purchase Agreement.

"Retained Servicing Fee" shall mean, as of any date of determination

within a Settlement Period, the sum of all amounts transferred to or retained in the Retention Account with respect to the Servicing Fee from and including the first day of such Settlement Period through and including such date pursuant to Sections 6.03(b) (i) (C) or 6.04(a) (iv) of the Purchase Agreement.

"Retained Unused Facility Fee" shall mean, as of any date of

determination within a Settlement Period, the sum of all amounts transferred to or retained in the Retention Account with respect to the Unused Facility Fee from and including the first day of such Settlement Period through and including such date in accordance with Sections 6.03(b) (i) (E) or 6.04(a) (iv) of the

Purchase Agreement.

"Retention Account" shall mean that certain segregated deposit account

established by the Purchaser and maintained with the Depositary designated as the "Redwood

Receivables Corporation - Retention Account (GFC)," account number 27064, ABA No. 021001033.

"Retention Account Deficiency" shall mean, as of any Settlement Date,

the amount, if any, by which the amounts necessary to make the payments required under Sections 6.04(a) (i), (ii), (iii) and (iv) of the Purchase Agreement exceed

the amounts on deposit in the Retention Account.

"Retiree Welfare Plan" shall mean, at any time, a Welfare Plan that

provides for continuing coverage or benefits for any participant or any beneficiary of a participant after such participant's termination of employment, other than continuation coverage provided pursuant to Section 4980B of the IRC and at the sole expense of the participant or the beneficiary of the participant.

"Revolving Period" shall mean the period from and including the

Closing Date through and including the day immediately preceding the Facility Termination Date.

"S&P" means Standard & Poor's Ratings Services, a division of The

McGraw-Hill Companies, Inc., or any successor thereto.

"Sale" shall mean, (i) with respect to a Sale under the CGS Transfer

Agreement, a sale of Receivables by the CGS Originator to GFC in accordance with the terms of the CGS Transfer Agreement, or (ii) with respect to a Sale under the Odyssey Transfer Agreement, the sale of Receivables by Odyssey to CGS in accordance with the terms of the Odyssey Transfer Agreement.

"Sale Price" shall mean, with respect to any Sale of Sold Receivables,

the price calculated by GFC and approved from time to time by the Operating Agent equal to:

(a) the Outstanding Balance of such Sold Receivables, minus

(b) the expected costs to be incurred by GFC in financing the purchase of such Sold Receivables until the Outstanding Balance of such Sold Receivables is paid in full, minus

(c) the portion of such Sold Receivables that are reasonably expected by the CGS Originator to become Defaulted Receivables, minus

(d) the portion of such Sold Receivables that are reasonably expected by the CGS Originator to be reduced by means other than the receipt of Collections thereon or pursuant to clause (c) above, minus

(e) amounts expected to be paid to the Servicer with respect to the servicing, administration and collection of such Sold Receivables;

provided, that such calculations shall be determined based on the historical

experience of (y) the CGS Originator, with respect to the calculations required in each of clauses (c) and (d) above, and (z) GFC, with respect to the

calculations required in clauses (b) and (e) above.

"Schedule of Documents" shall mean the schedule, including all

appendices, exhibits or schedules thereto, listing certain documents and information to be delivered in connection with the CGS Transfer Agreement, the Odyssey Transfer Agreement, the Purchase Agreement and the other Related Documents and the transactions contemplated thereunder, substantially in the form attached as Annex Y to the Purchase Agreement.

"Securities Act" shall mean the provisions of the Securities Act of

1933, 15 U.S.C. Sections 77a et seq., and any regulations promulgated

thereunder.

"Securities Exchange Act" shall mean the provisions of the Securities

Exchange Act of 1934, 15 U.S.C. Sections 78a et seq., and any regulations

promulgated thereunder.

"Seller" shall mean GFC, in its capacity as the Seller under the

Purchase Agreement.

"Seller Assigned Agreements" shall have the meaning assigned to it in

Section 8.01(b) of the Purchase Agreement.

"Seller Collateral" shall have the meaning assigned to it in Section

8.01 of the Purchase Agreement.

"Seller Blocked Account Collateral" shall have the meaning assigned to

it in Section 8.01(c) of the Purchase Agreement.

"Seller LOC Draws" shall mean any payments made to the Purchaser in

connection with the Letter of Credit and allocated to the Seller.

"Seller Secured Obligations" shall mean all loans, advances, debts,

liabilities and obligations for the performance of covenants, tasks or duties or for payment of monetary amounts (whether or not such performance is then required or contingent, or such amounts are liquidated or determinable) owing by the Seller to any Affected Party under the Purchase Agreement and any document or instrument delivered pursuant thereto, and all amendments, extensions or renewals thereof, and all covenants and duties regarding such amounts, of any kind or nature, present or future, whether or not evidenced by any note, agreement or other instrument, arising thereunder, including Capital Investment, Daily Yield, Yield Shortfall, Unused Facility Fees, Unused Facility Fee Shortfall, Margin, amounts in reduction of Purchase Excess, Successor Servicing Fees and Expenses, Additional Amounts and Indemnified Amounts. This term includes all principal, interest (including all interest that accrues after the commencement of any case or proceeding by or against the Seller in bankruptcy, whether or not allowed in such case or

proceeding), fees, charges, expenses, attorneys' fees and any other sum chargeable to the Seller thereunder, whether now existing or hereafter arising, voluntary or involuntary, whether or not jointly owed with others, direct or indirect, absolute or contingent, liquidated or unliquidated, and whether or not from time to time decreased or extinguished and later increased, created or incurred, and all or any portion of such obligations that are paid to the extent all or any portion of such payment is avoided or recovered directly or indirectly from the Purchaser, the Operating Agent or the Collateral Agent as a preference, fraudulent transfer or otherwise.

"Seller's Share" shall mean the ratio of (a) the Maximum Purchase

Limit under the Purchase Agreement to (b) the aggregate maximum purchase limits
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or commitments under the Purchase Agreement and all Other Funding Agreements.

"Servicer" shall mean CGS, in its capacity as the Servicer under the

Purchase Agreement, or any other Person designated as a Successor Servicer.

"Servicer's Certificate" shall mean an Officer's Certificate

substantially in the form of Exhibit 3.01(a)(iii) to the Purchase Agreement.

"Servicer Termination Notice" shall mean any notice by the Operating

Agent to the Servicer that (a) an Event of Servicer Termination has occurred and
(b) the Servicer's appointment under the Purchase Agreement has been terminated.

"Servicing Fee" shall mean, for any day within a Settlement Period,

the amount equal to (a) (i) the Servicing Fee Rate divided by (ii) 360,

multiplied by (b) the Outstanding Balance of all Transferred Receivables on such

day.

"Servicing Fee Rate" shall mean 1.00%.

"Servicing Fee Shortfall" shall mean, as of any date of determination

within a Settlement Period, the amount, if any, by which the Accrued Servicing
Fee exceeds the Retained Servicing Fee, in each case as of such date.

"Servicing Officer" shall mean any officer of the Servicer involved

in, or responsible for, the administration and servicing of the Transferred
Receivables and whose name appears on any Officer's Certificate listing
servicing officers furnished to the Operating Agent by the Servicer, as such
certificate may be amended from time to time.

"Servicing Records" shall mean all documents, books, Records and other

information (including computer programs, tapes, disks, data processing software
and related property and rights) prepared and maintained by the Servicer with
respect to the Transferred Receivables and the Obligors thereunder.

"Settlement Date" shall mean the fifth Business Day following the end

of each Settlement Period.

"Settlement Period" shall mean (a) solely for purposes of determining

the Ratios, (i) with respect to all Settlement Periods other than the final Settlement Period, each calendar month, whether occurring before or after the Closing Date, and (ii) with respect to the final Settlement Period, the period ending on the Final Purchase Date and beginning with the first day of the calendar month in which the Final Purchase Date occurs, and (b) for all other purposes, (i) with respect to the initial Settlement Period, the period from and including the Closing Date through and including the last day of the calendar month in which the Closing Date occurs, (ii) with respect to the final Settlement Period, the period ending on the Final Purchase Date and beginning with the first day of the calendar month in which the Final Purchase Date occurs, and (iii) with respect to all other Settlement Periods, each calendar month.

"Sold Receivable" and "Sold Receivables" shall have the meaning

assigned to it in Section 2.01(b) of the CGS Transfer Agreement.

"Solvency Certificate" shall mean an Officer's Certificate

substantially in the form of Exhibit 3.01(a) (i) to the Purchase Agreement.

"Solvent" shall mean, with respect to any Person on a particular date,

that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including contingent liabilities, of such Person; (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its Debts as they become absolute and matured; (c) such Person does not intend to, and does not believe that it will, incur Debts or liabilities beyond such Person's ability to pay as such Debts and liabilities mature; and (d) such Person is not engaged in a business or transaction, and is not about to engage in a business or transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities (such as Litigation, guaranties and pension plan liabilities) at any time shall be computed as the amount that, in light of all the facts and circumstances existing at the time, represents the amount that can reasonably be expected to become an actual or matured liability.

"Stock" shall mean all shares, options, warrants, general or limited

partnership interests or other equivalents (regardless of how designated) of or in a corporation, partnership or equivalent entity whether voting or nonvoting, including common stock, preferred stock or any other "equity security" (as such term is defined in Rule 3a11-1 of the General Rules and Regulations promulgated by the Securities and Exchange Commission under the Securities Exchange Act).

"Stockholder" shall mean, with respect to any Person, each holder of

Stock of such Person.

"Stockholder Originator" shall have the meaning designated in Recital

D of the CGS Transfer Agreement.

"Sub-Servicer" shall mean any Person with whom the Servicer enters

into a Sub-Servicing Agreement.

"Sub-Servicing Agreement" shall mean any written contract entered into

between the Servicer and any Sub-Servicer pursuant to and in accordance with Section 7.01 of the Purchase Agreement relating to the servicing, administration

or collection of the Transferred Receivables.

"Subsidiary" shall mean, with respect to any Person, any corporation

or other entity (a) of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other Persons performing similar functions are at the time directly or indirectly owned by such Person or (b) that is directly or indirectly controlled by such Person within the meaning of control under Section 15 of the Securities Act.

"Successor Servicer" shall have the meaning assigned to it in Section

11.02 of the Purchase Agreement.

"Successor Servicing Fees and Expenses" shall mean the fees and

expenses payable to the Successor Servicer as agreed to by the Seller, the Purchaser, the Operating Agent and the Collateral Agent.

"Termination Date" shall mean the date on which (a) Capital Investment

has been permanently reduced to zero, (b) all other Seller Secured Obligations under the Purchase Agreement and the other Related Documents have been indefeasibly repaid in full and completely discharged and (c) the Maximum Purchase Limit has been irrevocably terminated in accordance with the provisions of Section 2.02(b) of the Purchase Agreement.

"Termination Event" shall have the meaning assigned to it in Section

9.01 of the Purchase Agreement.

"Third Party Interactives" shall mean all Persons with whom any of the

CGS Originator, the Servicer, or the Seller exchanges data electronically in the ordinary course of business, including, without limitation, customers, suppliers, third-party vendors, subcontractors, processors-converters, shippers and warehousemen.

"Three Month Aged Receivables Ratio" shall mean, as of any date of

determination, the ratio (expressed as a percentage) of:

(a) the sum of the respective Outstanding Balances of Transferred Receivables with respect to which any payment, or part thereof, remained unpaid for more than

60 but less than 91 days past their respective Maturity Dates as of the last day of the three Settlement Periods immediately preceding such date

to
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(b) the aggregate Billed Amount of Transferred Receivables originated during the fourth, fifth, and sixth Settlement Periods immediately preceding such date.

"Title IV Plan" shall mean a Pension Plan (other than a Multiemployer

Plan) that is covered by Title IV of ERISA and that the CGS Originator or ERISA Affiliate maintains, contributes to or has an obligation to contribute to on behalf of participants who are or were employed by any of them.

"Transfer" shall mean (i) with respect to a transaction under the CGS

Transfer Agreement, any Sale or capital contribution of Transferred Receivables by the CGS Originator to GFC pursuant to the terms of the CGS Transfer Agreement, or (ii) with respect to a transaction under the Odyssey Transfer Agreement, the Sale of Odyssey Sold Receivables by Odyssey to CGS pursuant to the terms of the Odyssey Transfer Agreement.

"Transfer Agreement Collateral" shall have the meaning assigned to it

in Section 7.01 of the CGS Transfer Agreement.

"Transfer Date" shall have the meaning assigned to it in Section

2.01(a) of each of the CGS Transfer Agreement and the Odyssey Transfer
- Agreement.

"Transferred Receivable" shall mean any Sold Receivable or Contributed

Receivable; provided, that any Receivable repurchased by the CGS Originator

pursuant to Section 4.04 of the CGS Transfer Agreement shall not be deemed to be

a Transferred Receivable from and after the date of such repurchase unless such
Receivable has subsequently been repurchased by or recontributed to GFC.

"UCC" shall mean, with respect to any jurisdiction, the Uniform

Commercial Code as the same may, from time to time, be enacted and in effect in such jurisdiction.

"Unapproved Receivable" shall mean any receivable (a) with respect to

which the obligor thereunder is not an Obligor on any Transferred Receivable and whose customer relationship with the CGS Originator arises as a result of the acquisition by such Originator of another Person or (b) that was originated in accordance with standards established by another Person acquired by the CGS Originator, in each case, solely with respect to any such acquisitions that have not been approved in writing by the Operating Agent and then only for the period prior to any such approval.

"Underfunded Plan" shall mean any Plan that has an Underfunding.

"Underfunding" shall mean, with respect to any Plan, the excess, if

any, of (a) the present value of all benefits under the Plan (based on the assumptions used to fund the Plan pursuant to Section 412 of the IRC) as of the most recent valuation date over (b) the fair market value of the assets of such Plan as of such valuation date.

"Unfunded Pension Liability" shall mean, at any time, the aggregate

amount, if any, of the sum of (a) the amount by which the present value of all accrued benefits under each Title IV Plan exceeds the fair market value of all assets of such Title IV Plan allocable to such benefits in accordance with Title IV of ERISA, all determined as of the most recent valuation date for each such Title IV Plan using the actuarial assumptions for funding purposes in effect under such Title IV Plan, and (b) for a period of five years following a transaction that might reasonably be expected to be covered by Section 4069 of ERISA, the liabilities (whether or not accrued) that could be avoided by the CGS Originator or any ERISA Affiliate as a result of such transaction.

"Unused Facility Fee" shall have the meaning assigned to it in the Fee

Letter.

"Unused Facility Fee Shortfall" shall mean, as of any date of

determination within a Settlement Period, the amount, if any, by which the Accrued Unused Facility Fee exceeds the Retained Unused Facility Fee, in each case as of such date.

"Welfare Plan" shall mean a Plan described in Section 3(1) of ERISA.

"Winter Dating Order" shall mean, for any year, any order for the

provision of merchandise or goods by the CGS Originator in an amount greater than or equal to \$5,000 that is (a) an order placed for shipment between August 1 and September 30 of such year or (b) a back order placed for shipment during the period referenced in clause (a) above, if shipped on or before October 31 of such year.

"Winter Dating Payment Terms" shall mean, for any year and with

respect to Receivables of any Qualifying Winter Dating Obligor originated in connection with a Winter Dating Order, payment terms that require either (a) that fifty percent (50%) of all amounts due in connection with such Receivables are due and payable on December 26 of such year and that the remainder of such amounts is due and payable on May 1 of the following year or (b) that ninety-eight percent (98%) of all amounts due in connection with such Receivables are due and payable on December 26 of such year, the payment of which on such date shall constitute payment in full of one hundred percent (100%) of all amounts due in connection with such Receivables.

"Winter Dating Receivable" shall mean any Receivable originated in

connection with a Winter Dating Order of any Qualifying Winter Dating Obligor in accordance with Winter Dating Payment Terms.

"Year 2000 Assessment" shall mean, as to the CGS Originator, the

Servicer or the Seller, a comprehensive written assessment of the nature and extent of the material Year 2000

Problems and Year 2000 Date-Sensitive Systems/Components of such Person, including, without limitation, Year 2000 Problems regarding data exchanges with Third Party Interactives.

"Year 2000 Corrective Actions" shall mean, as to the CGS Originator,

the Servicer or the Seller, all actions necessary to eliminate such Person's material Year 2000 Problems, including, without limitation, computer code enhancements and revisions, upgrades and replacements of Year 2000 Date-Sensitive Systems/Components, and coordination of such enhancements, revisions, upgrades and replacements with Third Party Interactives.

"Year 2000 Corrective Plan" shall mean, with respect to the CGS

Originator, the Servicer or the Seller, a comprehensive plan to eliminate all of its material Year 2000 Problems on or before September 30, 1999, including, without limitation (i) computer code enhancements or revisions, (ii) upgrades or replacements of Year 2000 Date-Sensitive Systems/Components, (iii) test and validation procedures, (iv) an implementation time line and budget and (v) designation of specific employees who will be responsible for planning, coordinating and implementing each phase or subpart of the Year 2000 Corrective Plan.

"Year 2000 Date-Sensitive System/Component" shall mean, as to any

Person, any system software, network software, applications software, data base, computer file, embedded microchip, firmware or hardware that accepts, creates, manipulates, sorts, sequences, calculates, compares or outputs calendar-related data accurately; such systems and components shall include, without limitation, mainframe computers, file server/client systems, computer workstations, routers, hubs, other network-related hardware, and other computer-related software, firmware or hardware and information processing and delivery systems of any kind and telecommunications systems and other communications processors, security systems, alarms, elevators and HVAC systems.

"Year 2000 Implementation Testing" shall mean, as to the CGS

Originator, the Servicer or the Seller, (i) the performance of test and validation procedures regarding Year 2000 Corrective Actions on a unit basis and on a systemwide basis; (ii) the performance of test and validation procedures regarding data exchanges among such Person's material Year 2000 Date-Sensitive Systems/Components and data exchanges with Third Party Interactives, and (iii) the design and implementation of additional Year 2000 Corrective Actions, the need for which has been demonstrated by test and validation procedures.

"Year 2000 Problems" shall mean, with respect to the CGS Originator,

the Servicer or the Seller, limitations on the capacity or readiness of any such Person's Year 2000 Date-Sensitive Systems/Components to accurately accept, create, manipulate, sort, sequence, calculate, compare or output calendar date information with respect to calendar year 1999 or any subsequent calendar year beginning on or after January 1, 2000 (including leap year computations), including, without limitation, exchanges of information among Year 2000 Date-Sensitive Systems/Components of the CGS Originator, the Servicer and the Seller and exchanges of information among the CGS Originator, the Servicer and the Seller and Year 2000 Date-

Sensitive Systems/Components of Third Party Interactives and functionality of peripheral interfaces, firmware and embedded microchips.

"Yield Discount Amount" shall mean the amount, as determined from time

to time by the Operating Agent in its sole discretion, calculated in accordance with Annex 4 of the Purchase Agreement.

"Yield Shortfall" shall mean, as of any date of determination within a

Settlement Period, the amount, if any, by which the Accrued Monthly Yield exceeds the Retained Monthly Yield, in each case as of such date.

SECTION 2. Other Terms and Rules of Construction.

(a) Accounting Terms. Rules of construction with respect to

accounting terms used in any Related Document shall be as set forth in Annex G

to the Purchase Agreement. Unless otherwise specifically provided therein, any accounting term used in any Related Document shall have the meaning customarily given such term in accordance with GAAP, and all financial computations thereunder shall be computed in accordance with GAAP consistently applied. That certain items or computations are explicitly modified by the phrase "in accordance with GAAP" shall in no way be construed to limit the foregoing.

(b) Other Terms. All other undefined terms contained in any of the

Related Documents shall, unless the context indicates otherwise, have the meanings provided for by the UCC as in effect in the State of New York to the extent the same are used or defined therein.

(c) Rules of Construction. Unless otherwise specified, references in

any Related Document or any of the Appendices thereto to a Section, subsection or clause refer to such Section, subsection or clause as contained in such Related Document. The words "herein," "hereof" and "hereunder" and other words of similar import used in any Related Document refer to such Related Document as a whole, including all annexes, exhibits and schedules, as the same may from time to time be amended, restated, modified or supplemented, and not to any particular section, subsection or clause contained in such Related Document or any such annex, exhibit or schedule. Wherever from the context it appears appropriate, each term stated in either the singular or plural shall include the singular and the plural, and pronouns stated in the masculine, feminine or neuter gender shall include the masculine, feminine and neuter genders. The words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation"; the word "or" is not exclusive; references to Persons include their respective successors and assigns (to the extent and only to the extent permitted by the Related Documents) or, in the case of Governmental Authorities, Persons succeeding to the relevant functions of such Persons; and all references to statutes and related regulations shall include any amendments of the same and any successor statutes and regulations.

(d) Rules of Construction for Determination of Ratios. The Ratios as

of the last day of the Settlement Period immediately preceding the Closing Date shall be established by the Operating Agent on or prior to the Closing Date and the underlying calculations for periods immediately preceding the Closing Date to be used in future calculations of the Ratios shall be established by the Operating Agent on or prior to the Closing Date in accordance with Schedule 1

attached to this Annex X. For purposes of calculating the Ratios, (i) averages

shall be computed by rounding to the third decimal place and (ii) the Settlement Period in which the date of determination thereof occurs shall not be included in the computation thereof and the first Settlement Period immediately preceding such date of determination shall be deemed to be the Settlement Period immediately preceding the Settlement Period in which such date of determination occurs.

RECEIVABLES PURCHASE AND SERVICING AGREEMENT

Dated as of February 10, 1999,

by and among

GOLF FUNDING CORPORATION,

as Seller,

REDWOOD RECEIVABLES CORPORATION,

as Purchaser,

CALLAWAY GOLF SALES COMPANY,

as Servicer,

and

GENERAL ELECTRIC CAPITAL CORPORATION,

as Operating Agent and Collateral Agent

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THIS RECEIVABLES PURCHASE AND SERVICING AGREEMENT ("Agreement") is

entered into as of February 10, 1999, by and among GOLF FUNDING CORPORATION, a
Delaware corporation (the "Seller"), REDWOOD RECEIVABLES CORPORATION, a Delaware

corporation (the "Purchaser"), and CALLAWAY GOLF SALES COMPANY as servicer

hereunder (in such capacity, the "Servicer"), and GENERAL ELECTRIC CAPITAL

CORPORATION, a New York corporation, as operating agent for the Purchaser
hereunder (in such capacity, the "Operating Agent") and as collateral agent for

the Purchaser and the Purchaser Secured Parties (in such capacity, the
"Collateral Agent").

RECITALS

A. The Seller is a special purpose corporation owned by Callaway
Golf Sales Company ("CGS Originator").

B. The Seller has been formed for the purpose of purchasing, or
otherwise acquiring by capital contribution, all trade receivables of the CGS
Originator pursuant to the CGS Transfer Agreement.

C. The Seller intends to sell, and the Purchaser intends to
purchase, such trade receivables, from time to time, as described herein.

D. The Operating Agent has been requested and is willing to act as
operating agent on behalf of the Purchaser in connection with the making and
financing of such purchases.

E. In order to effectuate the purposes of this Agreement, the
Purchaser desires to appoint Callaway Golf Sales Company to service, administer
and collect the receivables acquired by the Purchaser pursuant to this Agreement
and Callaway Golf Sales Company is willing to act in such capacity as the
Servicer hereunder on the terms and conditions set forth herein.

F. In order to induce the Purchaser to appoint Callaway Golf Sales
as Servicer, the Parent Guarantor has agreed, pursuant to the CGS Transfer
Agreement, to guarantee the Servicer's obligations under this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual
covenants hereinafter contained, and for other good and valuable consideration,
the receipt and sufficiency of which are hereby acknowledged, the parties hereto
agree as follows:

ARTICLE I.

DEFINITIONS AND INTERPRETATION

Section 1.01. Definitions. Capitalized terms used herein and not

otherwise defined shall have the meanings ascribed to them in Annex X.

Section 1.02. Rules of Construction. For purposes of this Agreement,

the rules of construction set forth in Annex X shall govern. All Appendices

hereto, or expressly identified to this Agreement, are incorporated herein by reference and, taken together with this Agreement, shall constitute but a single agreement.

ARTICLE II.

AMOUNTS AND TERMS OF PURCHASES

Section 2.01. Purchases. From and after the Closing Date and until the

Facility Termination Date and subject to the terms and conditions hereof, the Purchaser agrees to purchase Transferred Receivables (each such purchase hereunder, a "Purchase") from the Seller from time to time and the Seller agrees

to sell such Transferred Receivables to the Purchaser. Under no circumstances shall the Purchaser make any Purchase if, after giving effect thereto, a Purchase Excess would exist. The aggregate purchase price for each such Purchase shall equal the Cash Purchase Price plus the Deferred Purchase Price.

Section 2.02. Optional Changes in Maximum Purchase Limit.

(a) So long as no Incipient Termination Event or Termination Event shall have occurred and be continuing, the Seller may, not more than twice during each calendar year, reduce the Maximum Purchase Limit permanently; provided, that (i) the Seller shall give ten Business Day's prior written notice

of any such reduction to the Purchaser and the Operating Agent substantially in the form of Exhibit 2.02(a) (each such notice, a "Commitment Reduction Notice"),

(ii) any partial reduction of the Maximum Purchase Limit shall be in a minimum amount of \$5,000,000 or an integral multiple thereof, and (iii) no such reduction shall reduce the Maximum Purchase Limit below Capital Investment at such time.

(b) The Seller may at any time on at least 90 days' prior written notice by the Seller to the Purchaser and the Operating Agent irrevocably terminate the Maximum Purchase Limit; provided, that (i) such notice of

termination shall be substantially in the form of Exhibit 2.02(b) (the

"Commitment Termination Notice"), and (ii) the Seller shall reduce the Capital

Investment to zero and make all payments required by Section 2.03(c) at the time

and in the manner specified therein. Upon such termination, the Seller's right to request that the Purchaser make Purchases hereunder shall simultaneously terminate and the Facility Termination Date shall automatically occur.

(c) Intentionally omitted.

(d) Each written notice required to be delivered pursuant to Sections

2.02(a) and (b) shall be irrevocable and shall be effective (i) on the day of

receipt if received by the Purchaser and the Operating Agent not later than 5:00 p.m. (New York time) on any Business Day and (ii) on the immediately succeeding Business Day if received by the Purchaser or the Operating Agent after such time on such Business Day or if any such notice is received on a day other than a Business Day (regardless of the time of day such notice is received). Each such notice of termination or reduction shall specify, respectively, the amount of, or the amount of the proposed reduction in, the Maximum Purchase Limit.

Section 2.03. Notices Relating to Purchases and Reductions in Capital

Investment.

(a) Not later than 12:00 noon (New York time) on the third Business Day of each week, the Seller shall deliver to the Purchaser and the Operating Agent an Officer's Certificate substantially in the form of Exhibit 2.03(a)

(each an "Investment Base Certificate"); provided, that if (i) an Incipient

Termination Event or a Termination Event shall have occurred and be continuing or (ii) the Operating Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems the Purchaser's rights or interests in the Transferred Receivables or the Seller Collateral insecure, the Seller shall deliver an Investment Base Certificate to the Purchaser and the Operating Agent at such more frequent intervals as the Operating Agent may request from time to time. Capital Investment Available shall be determined by the Operating Agent based on information related to the Seller Collateral available to it, including (A) any information obtained in connection with any audit or reflected in the most recent Investment Base Certificate or any other Investment Report delivered to the Purchaser and the Operating Agent or (B) any other information that may be available to the Purchaser and the Operating Agent.

(b) Each Purchase resulting in an increase in Capital Investment shall be made upon the provision of notice by the Seller to the Purchaser and the Operating Agent in the manner provided herein. Any such notice must be given in writing so that it is received no later than 4:00 p.m. (New York time) on the Business Day immediately preceding the proposed Purchase Date set forth therein. Each such notice (a "Purchase Request") shall (i) be substantially in the form

of Exhibit 2.03(b), (ii) be irrevocable and (iii) specify the amount by which

the Seller wishes the Capital Investment to be increased and the proposed Purchase Date (which shall be a Business Day), and shall include such other information as may be required by the Purchaser and the Operating Agent.

(c) The Seller may at any time reduce the Capital Investment; provided, that (i) the Seller shall give one Business Day's prior written notice

of any such reduction to the Purchaser and the Operating Agent substantially in the form of Exhibit 2.03(c) (each such notice, a "Repayment Notice"), (ii) each

such notice shall be irrevocable, (iii) each such notice shall specify the amount by which the Seller wishes the Capital Investment to be reduced and the proposed date of such reduction (which shall be a Business Day) and (iv) any such reduction must

be accompanied by payment of (A) all Daily Yield accrued on the Capital Investment being reduced through but excluding the date of such reduction and (B) the costs, if any, required by Section 2.10. Any such notice of reduction

must be received by the Purchaser and the Operating Agent no later than 4:00 p.m. (New York time) on the Business Day immediately preceding the date of the proposed reduction in Capital Investment.

Section 2.04. Conveyance of Receivables.

(a) Purchase Assignment. On or prior to the Closing Date, the Seller

shall complete, execute and deliver to the Purchaser an assignment substantially in the form of Exhibit 2.04(a) (the "Purchase Assignment") in order to evidence

the Purchases.

(b) Funding of Collection Account; Payment of Purchase Price.

(i) Funding of Collection Account by Purchaser. Following

receipt of any Purchase Request, and subject to satisfaction of the conditions set forth in Section 3.02, the Purchaser shall make available to

or on behalf of the Seller on the Purchase Date specified therein the lesser of the amount specified in such Purchase Request and Capital Investment Available by depositing such amount in same day funds into the Collection Account.

(ii) Payment of Purchase Price. The Purchaser shall, or shall

cause the Operating Agent to, deposit into the Agent Account on each Business Day during the Revolving Period, in same day funds, all amounts on deposit in the Collection Account that are to be disbursed to or on behalf of the Seller as payment for the Transferred Receivables pursuant to Section 6.03.

(c) Vesting of Ownership. Effective on and as of each Purchase Date,

the Purchaser shall own all Transferred Receivables sold by the Seller hereunder on such Purchase Date. The Seller shall not take any action inconsistent with such ownership and shall not claim any ownership interest in such Transferred Receivables. The Seller shall indicate in its Records that ownership of such Transferred Receivables is vested in the Purchaser. In addition, the Seller shall respond to any inquiries with respect to the ownership of any such Transferred Receivable by stating that it is no longer the owner of such Transferred Receivable and that ownership thereof is vested in the Purchaser. The Seller and the Servicer shall hold all Contracts and other documents and incidents relating to such Transferred Receivables in trust for the benefit of the Purchaser, as the owner thereof, and for the sole purpose of facilitating the servicing of such Transferred Receivables. The Seller and the Servicer hereby acknowledge that their retention and possession of such Contracts and documents shall at all times be at the sole discretion of the Purchaser and in a custodial capacity for the Purchaser's benefit only.

(d) Repurchases of Transferred Receivables. If the CGS Originator is

required to repurchase Transferred Receivables from the Seller pursuant to Section 4.04 of the CGS

Transfer Agreement, the Purchaser shall, at the option of the Seller, either sell or reconvey such Transferred Receivables to the Seller (i) for cash or (ii) in exchange for new Eligible Receivables, in each case in an amount equal to the Outstanding Balance of such Transferred Receivables.

Section 2.05. Facility Termination Date. Notwithstanding anything to

the contrary set forth herein, the Purchaser shall have no obligation to purchase any additional Transferred Receivables from and after the Facility Termination Date.

Section 2.06. Daily Yield.

(a) The Seller shall pay Daily Yield to the Purchaser in the manner and at the times specified in Sections 6.03, 6.04 and 6.05.

(b) Notwithstanding the foregoing, the Seller shall pay interest at the applicable Daily Yield Rate on unpaid Daily Yield and on any other amount payable by the Seller hereunder (to the extent permitted by law) that shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise) for the period commencing on the due date thereof to (but excluding) the date the same is paid in full.

Section 2.07. Fees.

(a) On or prior to the Closing Date, the Seller shall pay to the Purchaser the fees set forth in the Fee Letter.

(b) On each Settlement Date, the Seller shall pay to the Servicer or to the Successor Servicer, as applicable, the Servicing Fee or the Successor Servicing Fees and Expenses, respectively, in each case to the extent of available funds therefor as provided in Section 6.04.

Section 2.08. Time and Method of Payments.

(a) Subject to the provisions of Sections 6.02, 6.03, 6.04 and 6.05,

all payments in reduction of Capital Investment and all payments of yield, fees and other amounts payable by the Seller hereunder shall be made in Dollars, in immediately available funds, to the Purchaser not later than 12:00 noon (New York time) on the due date therefor. Any such payment made on such date but after such time shall be deemed to have been made on, and Daily Yield shall continue to accrue and be payable thereon until, the next succeeding Business Day. If any such payment becomes due on a day other than a Business Day, the maturity thereof will be extended to the next succeeding Business Day and Daily Yield thereon shall be payable during such extension.

(b) Any and all payments by the Seller hereunder shall be made in accordance with this Section 2.08 without setoff or counterclaim and free and

clear of and without deduction

for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, excluding taxes imposed on or measured by the net income of any Affected Party by the jurisdictions under the laws of which any such Affected Party is organized or by any political subdivisions thereof (such non-excluded taxes, levies, imposts, deductions, charges and withholdings being "Indemnified

Taxes"). If the Seller shall be required by law to deduct any Indemnified

Taxes from or in respect of any sum payable hereunder, (i) the sum payable shall be increased as much as shall be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.08) the Affected Party entitled to receive any such payment

receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Seller shall make such deductions, and (iii) the Seller shall pay the full amount deducted to the relevant taxing or other authority in accordance with applicable law. Within 30 days after the date of any payment of Indemnified Taxes, the Seller shall furnish to the Operating Agent the original or a certified copy of a receipt evidencing payment thereof. The Seller shall indemnify any Affected Party from and against, and, within ten days of demand therefor, pay any Affected Party for, the full amount of taxes (together with any taxes imposed by any jurisdiction on amounts payable under this Section 2.08) paid by such Affected Party and any liability (including

penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such taxes were correctly or legally asserted.

(c) The Purchaser shall obtain from each Liquidity Lender organized under the laws of a jurisdiction other than the United States or any state thereof (a "Foreign Lender") as to which payments to be made under this

Agreement are exempt from United States withholding tax under an applicable statute or tax treaty a properly completed and executed IRS Form 4224 or Form 1001 or other applicable form, certificate or document prescribed by the IRS or the United States certifying as to such Foreign Lender's entitlement to such exemption (a "Certificate of Exemption"). The Operating Agent shall obtain a

Certificate of Exemption from any foreign Person that seeks to become a Liquidity Lender prior to the foreign Person becoming a Liquidity Lender. No foreign Person may become a Liquidity Lender if such Person is unable to deliver a Certificate of Exemption.

Section 2.09. Capital Requirements; Additional Costs.

(a) If the Operating Agent on behalf of any Affected Party shall have determined that the adoption after the date hereof of any law, treaty, governmental (or quasi-governmental) rule, regulation, guideline or order regarding capital adequacy, reserve requirements or similar requirements or compliance by such Affected Party with any request or directive regarding capital adequacy, reserve requirements or similar requirements (whether or not having the force of law) from any central bank or other Governmental Authority increases or would have the effect of increasing the amount of capital, reserves or other funds required to be maintained by such Affected Party against commitments made by it under this Agreement, any other Related Document or any Program Document and thereby reducing the rate of return on such Affected Party's capital as a consequence of its commitments hereunder or thereunder, then the Seller shall from time to time upon demand by the Operating Agent pay to the Collateral

Agent on behalf of such Affected Party additional amounts sufficient to compensate such Affected Party for the Seller's Share of such reduction together with interest thereon from the date of any such demand until payment in full at the Daily Yield Rate. A certificate as to the amount of that reduction and showing the basis of the computation thereof submitted by the Operating Agent to the Seller shall be final, binding and conclusive on the parties hereto (absent manifest error) for all purposes.

(b) If, due to any Regulatory Change, there shall be any increase in the cost to any Affected Party of agreeing to make or making, funding or maintaining any commitment hereunder, under any other Related Document or under any Program Document, including with respect to any Purchases, Capital Investment, LOC Draws or Liquidity Loans, or any reduction in any amount receivable by such Affected Party hereunder or thereunder, including with respect to any Purchases, Capital Investment, LOC Draws or Liquidity Loans (any such increase in cost or reduction in amounts receivable are hereinafter referred to as "Additional Costs"), then the Seller shall, from time to time

upon demand by the Operating Agent, pay to the Collateral Agent on behalf of such Affected Party additional amounts sufficient to compensate such Affected Party for the Seller's Share of such Additional Costs together with interest thereon from the date demanded until payment in full thereof at the Daily Yield Rate; provided that the demand is made within 180 days after the incurrence of

such Additional Costs (unless such adoption, change or compliance arose or became effective retrospectively, in which case such Affected Party shall not be limited to such 180 day period so long as the Affected Party has given notice to the Seller pursuant to Section 2.09(c) not later than 180 days from the date

such adoption, change or compliance became applicable to the Affected Party). Such Affected Party agrees that, as promptly as practicable after it becomes aware of any circumstance referred to above that would result in any such Additional Costs, it shall, to the extent not inconsistent with its internal policies of general application, use reasonable commercial efforts to minimize costs and expenses incurred by it and payable to it by the Seller pursuant to this Section 2.09(b).

(c) Determinations by any Affected Party for purposes of this Section

2.09 of the effect of any Regulatory Change on its costs of making, funding or

maintaining any commitments hereunder, under any other Related Document or under any Program Document or on amounts receivable by it hereunder or thereunder or of the additional amounts required to compensate such Affected Party in respect of any Additional Costs shall be set forth in a written notice to the Seller in reasonable detail and shall be final, binding and conclusive on the Seller (absent manifest error) for all purposes.

(d) Within fifteen (15) Business Days after receipt by the Seller of written notice and demand from any Affected Party which is a Liquidity Lender (an "Affected Lender") for payment of additional amounts or increased costs as

provided in Section 2.08(b), 2.09(a) or 2.09(b), the Seller may, at its option,

notify the Operating Agent and such Affected Lender of its intention to replace the Affected Lender. So long as no Incipient Termination Event, Termination Event, Incipient Servicer Termination Event or Servicer Termination Event shall have occurred and be continuing, the Seller, with the consent of the Operating Agent, may obtain, at the Seller's

expense, a replacement Lender ("Replacement Lender") for the Affected Lender,

which Replacement Lender must be satisfactory to the Operating Agent in its sole discretion. If the Seller obtains a Replacement Lender within ninety (90) days following notice of its intention to do so, the Affected Lender shall be unconditionally obligated to sell, transfer and assign its Loans and Commitments to such Replacement Lender for an amount equal to the principal balance of all Loans held by the Affected Lender and all accrued interest and Fees with respect thereto through the date of such sale, provided that the Seller shall have

reimbursed such Affected Lender for the additional amounts or increased costs that it is entitled to receive under this Agreement through the date of such sale and assignment. Notwithstanding the foregoing, the Seller shall not have the right to obtain a Replacement Lender if the Affected Lender rescinds its demand for increased costs or additional amounts within fifteen (15) days following its receipt of the Seller's notice of intention to replace such Affected Lender. Furthermore, if the Seller gives a notice of intention to replace and does not so replace such Affected Lender within ninety (90) days thereafter, the Seller's rights under this Section 2.09(d) shall terminate and

the Seller shall promptly pay all increased costs or additional amounts demanded by such Affected Lender pursuant to Sections 2.08(b), 2.09(a) and 2.09(b).

Section 2.10. Breakage Costs. The Seller shall pay to the Collateral

Agent for the account of the Purchaser, upon request of the Purchaser, such amount or amounts as shall compensate the Purchaser for any loss, cost or expense incurred by the Purchaser (as determined by the Purchaser) as a result of any reduction by the Seller in Capital Investment (and accompanying loss of Daily Yield thereon) other than on the maturity date of the Commercial Paper (or other financing source) funding such Capital Investment, which compensation shall include an amount equal to any loss or expense incurred by the Purchaser during the period from the date of such reduction to (but excluding) the maturity date of such Commercial Paper (or other financing source) if the rate of interest obtainable by the Purchaser upon the redeployment of funds in an amount equal to such reduction is less than the interest rate applicable to such Commercial Paper (or other financing source) (any such loss, cost or expense referred to collectively herein as "Breakage Costs"). The determination by the

Purchaser of the amount of any such loss or expense shall be set forth in a written notice to the Seller in reasonable detail and shall be final, binding and conclusive on the Seller (absent manifest error) for all purposes.

Section 2.11. Purchase Excess. On each Business Day during the

Revolving Period and after completion of the disbursements specified in Section

6.03, the Operating Agent shall notify the Seller and the Servicer of any

Purchase Excess on such day, and the Seller shall deposit the amount of such Purchase Excess in the Collection Account by 12:00 noon (New York time) on the immediately succeeding Business Day.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01. Conditions to Effectiveness of Agreement. The Purchaser

shall not be obligated to purchase Transferred Receivables hereunder on the occasion of the initial Purchase, nor shall the Purchaser, the Operating Agent or the Collateral Agent be obligated to take, fulfill or perform any other action hereunder, until the following conditions have been satisfied, in the sole discretion of, or waived in writing by, the Purchaser and the Operating Agent:

(a) Purchase Agreement; Other Related Documents. This Agreement or

counterparts hereof shall have been duly executed by, and delivered to, the parties hereto and the Purchaser and the Operating Agent shall have received such other documents, instruments, agreements and legal opinions as the Purchaser and the Operating Agent shall request in connection with the transactions contemplated by this Agreement, including all those listed in the Schedule of Documents, each in form and substance satisfactory to the Purchaser and the Operating Agent.

(b) Governmental Approvals. The Purchaser and the Operating Agent

shall have received (i) satisfactory evidence that the Seller and the Servicer have obtained all required consents and approvals of all Persons, including all requisite Governmental Authorities, to the execution, delivery and performance of this Agreement and the other Related Documents and the consummation of the transactions contemplated hereby or thereby or (ii) an Officer's Certificate from each of the Seller and the Servicer in form and substance satisfactory to the Purchaser and the Operating Agent affirming that no such consents or approvals are required.

(c) Compliance with Laws. The Seller and the Servicer shall be in

compliance in all material respects with all applicable foreign, federal, state and local laws and regulations, including those specifically referenced in

Section 5.01(a).

(d) Payment of Fees. The Seller shall have paid all fees required to

be paid by it on the Closing Date, including all fees required hereunder and under the Fee Letter, and shall have reimbursed the Purchaser for all fees, costs and expenses of closing the transactions contemplated hereunder and under the other Related Documents, including the Purchaser's legal, rating agency and audit expenses, and other document preparation costs.

(e) Credit Facility Conditions. The initial funding of loans under

the Credit Facility shall have occurred.

(f) Confirmation of Commercial Paper Ratings. The Operating Agent

shall have received written confirmation from each Rating Agency that the then current rating of the Commercial Paper shall not be withdrawn or downgraded after giving effect to this Agreement and the transactions contemplated thereby.

Section 3.02. Conditions Precedent to All Purchases. The Purchaser

shall not be obligated to purchase Transferred Receivables hereunder on any Purchase Date if, as of the date thereof:

(a) any representation or warranty of the Seller or the Servicer contained herein or in any of the other Related Documents shall be untrue or incorrect as of such date, either before or after giving effect to the Purchase of Transferred Receivables on such date and to the application of the proceeds therefrom, except to the extent that such representation or warranty expressly relates to an earlier date and except for changes therein expressly permitted by this Agreement;

(b) any event shall have occurred, or would result from the Purchase of Transferred Receivables on such Purchase Date or from the application of the proceeds therefrom, that constitutes an Incipient Termination Event, a Termination Event, an Incipient Servicer Termination Event or an Event of Servicer Termination;

(c) the Facility Termination Date shall have occurred;

(d) either before or after giving effect to such Purchase and to the application of the proceeds therefrom, a Purchase Excess would exist;

(e) the CGS Originator, the Seller or the Servicer shall fail to have taken such other action, including delivery of approvals, consents, opinions, documents and instruments to the Purchaser and the Operating Agent, (i) as the Purchaser or the Operating Agent may reasonably request, or (ii) within a reasonable time as the Rating Agency may request; or

(f) the Operating Agent or the Collateral Agent shall have determined that any event or condition has occurred that has had, or could reasonably be expected to have or result in, a Material Adverse Effect.

The delivery by the Seller of a Purchase Request and the acceptance by the Seller of the purchase price for any Transferred Receivables on any Purchase Date shall be deemed to constitute, as of any such Purchase Date, a representation and warranty by the Seller that the conditions in this Section

3.02 have been satisfied.
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ARTICLE IV.

REPRESENTATIONS AND WARRANTIES

Section 4.01. Representations and Warranties of the Seller. To

induce the Purchaser to purchase the Transferred Receivables and each of the Operating Agent and the Collateral Agent to take any action hereunder, the Seller makes the following representations and warranties to the Purchaser, the Operating Agent and the Collateral Agent, each and all of which shall survive the execution and delivery of this Agreement.

(a) Corporate Existence; Compliance with Law. The Seller (i) is a

corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of

incorporation; (ii) is duly qualified to conduct business and is in good standing in each other jurisdiction where its ownership or lease of property or the conduct of its business requires such qualification; (iii) has the requisite corporate power and authority and the legal right to own, pledge, mortgage or otherwise encumber and operate its properties, to lease the property it operates under lease, and to conduct its business as now, heretofore and proposed to be conducted; (iv) has all licenses, permits, consents or approvals from or by, and has made all filings with, and has given all notices to, all Governmental Authorities having jurisdiction, to the extent required for such ownership, operation and conduct; (v) is in compliance with its charter and bylaws; and (vi) subject to specific representations set forth herein regarding ERISA, tax and other laws, is in compliance with all applicable provisions of law, except where the failure to comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

(b) Executive Offices; Collateral Locations; Corporate or Other Names;

FEIN. As of the Closing Date, the current location of the Seller's chief
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executive office, principal place of business, other offices, the warehouses and premises within which any Seller Collateral is stored or located, and the locations of its records concerning the Seller Collateral (including originals of the Seller Assigned Agreements) are set forth in Schedule 4.01(b) and none of

such locations has changed within the past 12 months (or such shorter time as the Seller has been in existence). During the prior five years (or such shorter time as the Seller has been in existence), except as set forth in Schedule

4.01(b), the Seller has not been known as or used any corporate, fictitious or
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trade name. In addition, Schedule 4.01(b) lists the federal employer

identification number of the Seller.

(c) Corporate Power, Authorization, Enforceable Obligations. The

execution, delivery and performance by the Seller of this Agreement and the other Related Documents to which it is a party, the creation and perfection of all Liens and ownership interests provided for therein and, solely with respect to clause (vii) below, the exercise by each of the Seller, the Purchaser, the

Operating Agent or the Collateral Agent of any of its rights and remedies under any Related Document to which it is a party: (i) are within such Person's corporate power; (ii) have been duly authorized by all necessary or proper corporate and shareholder action; (iii) do not contravene any provision of such Person's charter or bylaws; (iv) do not violate any law or regulation, or any order or decree of any court or Governmental Authority; (v) do not conflict with or result in the breach or termination of, constitute a default under or accelerate or permit the acceleration of any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which such Person or the CGS Originator is a party or by which such Person or the CGS Originator or any of the property of such Person or the CGS Originator is bound; (vi) do not result in the creation or imposition of any Adverse Claim upon any of the property of such Person or the CGS Originator; and (vii) do not require the consent or approval of any Governmental Authority or any other Person, except those referred to in Section 3.01(b), all of which will have been

duly obtained, made or complied with prior to the Closing Date. On or prior to the Closing Date, each of the Related Documents to which the Seller is a party shall have been duly executed and delivered by the Seller and each such Related Document shall then

constitute a legal, valid and binding obligation of the Seller enforceable against it in accordance with its terms.

(d) No Litigation. No Litigation is now pending or, to the knowledge

of the Seller, threatened against the Seller that (i) challenges the Seller's right or power to enter into or perform any of its obligations under the Related Documents to which it is a party, or the validity or enforceability of any Related Document or any action taken thereunder, (ii) seeks to prevent the transfer, sale, pledge or contribution of any Receivable or the consummation of any of the transactions contemplated under this Agreement or the other Related Documents, or (iii) has a reasonable risk of being determined adversely to the Seller and that, if so determined, could have a Material Adverse Effect. Except as set forth on Schedule 4.01(d), as of the Closing Date there is no Litigation

pending or threatened that seeks damages or injunctive relief against, or alleges criminal misconduct by, the Seller.

(e) Solvency. Both before and after giving effect to (i) the

transactions contemplated by this Agreement and the other Related Documents and (ii) the payment and accrual of all transaction costs in connection with the foregoing, the Seller is and will be Solvent.

(f) Material Adverse Effect. Between the date of its formation and

the Closing Date, (i) the Seller has not incurred any obligations, contingent or non-contingent liabilities, liabilities for charges, long-term leases or unusual forward or long-term commitments that, alone or in the aggregate, could reasonably be expected to have a Material Adverse Effect, (ii) no contract, lease or other agreement or instrument has been entered into by the Seller or has become binding upon the Seller's assets and no law or regulation applicable to the Seller has been adopted that has had or could reasonably be expected to have a Material Adverse Effect and (iii) the Seller is not in default and no third party is in default under any material contract, lease or other agreement or instrument to which the Seller is a party that alone or in the aggregate could reasonably be expected to have a Material Adverse Effect. Between December 31, 1997 and the Closing Date, no event has occurred that alone or together with other events could reasonably be expected to have a Material Adverse Effect, other than as listed on Schedule 4.01(f).

(g) Ownership of Property; Liens. As of the Closing Date, no

Transferred Receivable is subject to any Adverse Claim, none of the other properties and assets of the Seller are subject to any Adverse Claims other than Permitted Encumbrances, and there are no facts, circumstances or conditions known to the Seller that may result in (i) with respect to the Transferred Receivables, any Adverse Claims (including Adverse Claims arising under Environmental Laws) and (ii) with respect to its other properties and assets, any Adverse Claims (including Adverse Claims arising under Environmental Laws) other than Permitted Encumbrances. The Seller has received all assignments, bills of sale and other documents, and has duly effected all recordings, filings and other actions necessary to establish, protect and perfect the Seller's right, title and interest in and to the Transferred Receivables and its other properties and assets. The Liens granted to the Purchaser pursuant to Section

8.01 will at all times be fully perfected first priority Liens in and to the

Seller Collateral.

(h) Ventures, Subsidiaries and Affiliates; Outstanding Stock and

Indebtedness. Except as set forth in Schedule 4.01(h), the Seller has no

Subsidiaries, is not engaged in any joint venture or partnership with any other Person, and is not an Affiliate of any other Person. All of the issued and outstanding Stock of the Seller is owned by each of the Stockholders in the amounts set forth on Schedule 4.01(h). There are no outstanding rights to

purchase, options, warrants or similar rights or agreements pursuant to which the Seller may be required to issue, sell, repurchase or redeem any of its Stock or other equity securities or any Stock or other equity securities of its Subsidiaries. All outstanding Debt of the Seller as of the Closing Date is described in Section 5.03(i).

(i) Taxes. All tax returns, reports and statements, including

information returns, required by any Governmental Authority to be filed by the Seller have been filed with the appropriate Governmental Authority and all Charges have been paid prior to the date on which any fine, penalty, interest or late charge may be added thereto for nonpayment thereof (or any such fine, penalty, interest, late charge or loss has been paid), excluding Charges or other amounts being contested in accordance with Section 5.01(e). Proper and

accurate amounts have been withheld by the Seller from its respective employees for all periods in full and complete compliance with all applicable federal, state, local and foreign laws and such withholdings have been timely paid to the respective Governmental Authorities. Schedule 4.01(i) sets forth as of the

Closing Date (i) those taxable years for which the Seller's tax returns are currently being audited by the IRS or any other applicable Governmental Authority and (ii) any assessments or threatened assessments in connection with any such audit or otherwise currently outstanding. Except as described on Schedule 4.01(i), the Seller has not executed or filed with the IRS or any other

Governmental Authority any agreement or other document extending, or having the effect of extending, the period for assessment or collection of any Charges. The Seller is not liable for any Charges: (A) under any agreement (including any tax sharing agreements) or (B) to the best of the Seller's knowledge, as a transferee. As of the Closing Date, the Seller has not agreed or been requested to make any adjustment under IRC Section 481(a), by reason of a change in accounting method or otherwise, that would have a Material Adverse Effect.

(j) Full Disclosure. No information contained in this Agreement, any

Investment Base Certificate or any of the other Related Documents, or any written statement furnished by or on behalf of the Seller to the Purchaser, the Operating Agent or the Collateral Agent pursuant to the terms of this Agreement or any of the other Related Documents contains any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein or therein not misleading in light of the circumstances under which they were made.

(k) ERISA. The Seller is in compliance with ERISA and has not

incurred and does not expect to incur any liabilities (except for premium payments arising in the ordinary course of business) payable to the PBGC under ERISA.

(l) Brokers. No broker or finder acting on behalf of the Seller was

employed or utilized in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby and the Seller has no obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

(m) Margin Regulations. The Seller is not engaged in the business of

extending credit for the purpose of "purchasing" or "carrying" any "margin security," as such terms are defined in Regulation U of the Federal Reserve Board as now and from time to time hereafter in effect (such securities being referred to herein as "Margin Stock"). The Seller owns no Margin Stock, and no

portion of the proceeds of the purchase price for Transferred Receivables sold hereunder will be used, directly or indirectly, for the purpose of purchasing or carrying any Margin Stock, for the purpose of reducing or retiring any Debt that was originally incurred to purchase or carry any Margin Stock or for any other purpose that might cause any portion of such proceeds to be considered a "purpose credit" within the meaning of Regulations T, U or X of the Federal Reserve Board. The Seller will not take or permit to be taken any action that might cause any Related Document to violate any regulation of the Federal Reserve Board.

(n) Nonapplicability of Bulk Sales Laws. No transaction contemplated

by this Agreement or any of the Related Documents requires compliance with any bulk sales act or similar law.

(o) Securities Act and Investment Company Act Exemptions. Each

purchase of Transferred Receivables under this Agreement will constitute (i) a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act and (ii) a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act.

(p) Government Regulation. The Seller is not an "investment company"

or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act. The Purchase of the Transferred Receivables by the Purchaser hereunder, the application of the proceeds thereof and the consummation of the transactions contemplated by this Agreement and the other Related Documents will not violate any provision of any such statute or any rule, regulation or order issued by the Securities and Exchange Commission.

(q) Nonconsolidation. The Seller is operated in such a manner that

the separate corporate existence of the Seller and each member of the Parent Group would not be disregarded in the event of the bankruptcy or insolvency of any member of the Parent Group and, without limiting the generality of the foregoing:

(i) the Seller is a limited purpose corporation whose activities are restricted in its certificate or articles of incorporation to those activities expressly

permitted hereunder and under the other Related Documents and the Seller has not engaged, and does not presently engage, in any activity other than those activities expressly permitted hereunder and under the other Related Documents, nor has the Seller entered into any agreement other than this Agreement, the other Related Documents to which it is a party and, with the prior written consent of the Purchaser, the Operating Agent and the Collateral Agent, any other agreement necessary to carry out more effectively the provisions and purposes hereof or thereof;

(ii) no member of the Parent Group or any individual acting as an officer of any such member (and not acting as an officer of the Seller) is or has been involved in the day-to-day management of the Seller;

(iii) other than the purchase and acceptance through capital contribution of Transferred Receivables, the making of GFC Loans pursuant to the CGS Transfer Agreement, the payment of dividends and the return of capital to the Stockholder Originator, the payment of Servicing Fees to the Servicer under this Agreement, and the transactions contemplated under the Ancillary Services and Lease Agreement, the Seller engages and has engaged in no intercorporate transactions with any member of the Parent Group;

(iv) the Seller maintains corporate records and books of account separate from that of each member of the Parent Group, holds regular corporate meetings and otherwise observes corporate formalities and has a business office separate from that of each member of the Parent Group;

(v) the financial statements and books and records of the Seller and the CGS Originator reflect the separate corporate existence of the Seller;

(vi) (A) the Seller maintains its assets separately from the assets of each member of the Parent Group (including through the maintenance of separate bank accounts and except for any Records to the extent necessary to assist the Servicer in connection with the servicing of the Transferred Receivables), (B) the Seller's funds (including all money, checks and other cash proceeds) and assets, and records relating thereto, have not been and are not commingled with those of any member of the Parent Group and (C) under applicable law, the separate creditors of the Seller will be entitled to be satisfied out of the Seller's assets prior to any value in the Seller becoming available to the Seller's Stockholders;

(vii) except as otherwise expressly permitted hereunder, under the other Related Documents and under the Seller's organizational documents, no member of the Parent Group (A) pays the Seller's expenses, (B) guarantees the Seller's obligations, or (C) advances funds to the Seller for the payment of expenses or otherwise;

(viii) all business correspondence and other communications of the Seller are conducted in the Seller's own name, on its own stationery and through a separately-listed telephone number;

(ix) the Seller does not act as agent for any member of the Parent Group, but instead presents itself to the public as a corporation separate from each such member and independently engaged in the business of purchasing and financing Receivables;

(x) the Seller maintains at least two independent directors (A) each of whom (1) is not a Stockholder (whether direct, indirect or beneficial), customer or supplier of any member of the Parent Group; (2) is not a director, officer, employee, affiliate or associate of any of the Seller's Affiliates; (3) is not a person related to any person referred to in clauses (1) or (2); (4) is not a trustee, conservator or receiver for any member of the Parent Group; and (B) at least one of whom has (1) prior experience as an independent director for a corporation whose charter documents required the unanimous consent of all independent directors thereof before such corporation could consent to the institution of bankruptcy or insolvency proceedings against it or could file a petition seeking relief under any applicable federal or state law relating to bankruptcy and (2) at least three years of employment experience with one or more entities that provide, in the ordinary course of their respective businesses, advisory, management or placement services to issuers of securitization or structured finance instruments, agreement or securities; and

(xi) the bylaws or the certificate or articles of incorporation of the Seller require (A) the affirmative vote of each independent director before a voluntary petition under Section 301 of the Bankruptcy Code may be filed by the Seller, (B) the Seller to maintain (1) correct and complete books and records of account and (2) minutes of the meetings and other proceedings of its Stockholders and board of directors.

(r) Deposit and Disbursement Accounts. Schedule 4.01(r) lists all

banks and other financial institutions at which the Seller maintains deposit or other bank accounts as of the Closing Date, including any Blocked Accounts, and such schedule correctly identifies the name, address and telephone number of each depository, the name in which the account is held, a description of the purpose of the account, and the complete account number therefor.

(s) Transferred Receivables.

(i) Transfers. Each Transferred Receivable was purchased by or

contributed to the Seller on the relevant Transfer Date pursuant to the CGS Transfer Agreement.

(ii) Eligibility. Each Transferred Receivable designated as an

Eligible Receivable in each Investment Base Certificate constitutes an Eligible Receivable as of the date of such Investment Base Certificate.

(iii) No Material Adverse Effect. The Seller has no knowledge of

any fact (including any defaults by the Obligor thereunder on any other Receivable) that would cause it or should have caused it to expect that any payments on each Transferred Receivable designated as an Eligible Receivable in any Investment Base Certificate will not be paid in full when due or to expect any other Material Adverse Effect.

(iv) Nonavoidability of Transfers. The Seller shall (A) have

received each Contributed Receivable as a contribution to the capital of the Seller by the CGS Originator and (B) (1) have purchased each Sold Receivable from the CGS Originator for cash consideration and (2) have accepted assignment of any Eligible Receivables transferred pursuant to clause (b) of Section 4.04 of the CGS Transfer Agreement, in each case in

an amount that constitutes fair consideration and reasonably equivalent value therefor. Each Sale of a Sold Receivable effected pursuant to the terms of the CGS Transfer Agreement shall not have been made for or on account of an antecedent debt owed by the CGS Originator thereof to the Seller and no such Sale is or may be avoidable or subject to avoidance under any bankruptcy laws, rules or regulations.

(t) Representations and Warranties in Other Related Documents. Each

of the representations and warranties of the Seller contained in the Related Documents (other than this Agreement) is true and correct in all respects and the Seller hereby makes each such representation and warranty to, and for the benefit of, the Purchaser, the Operating Agent and the Collateral Agent as if the same were set forth in full herein.

(u) Year 2000. The Parent Guarantor, on behalf of the Seller, has

adopted a Year 2000 Corrective Plan, copies of which have been delivered to the Operating Agent.

Section 4.02. Representations and Warranties of the Servicer. To

induce the Purchaser to purchase the Transferred Receivables and each of the Operating Agent and the Collateral Agent to take any action required to be performed by it hereunder, the Servicer represents and warrants to the Purchaser, the Operating Agent and the Collateral Agent, which representation and warranty shall survive the execution and delivery of this Agreement, that each of the representations and warranties of the Servicer (whether made by the Servicer in its capacity as the CGS Originator or as the Servicer) contained in any Related Document is true and correct and, if made by the Servicer in its capacity as the CGS Originator, applies with equal force to the Servicer in its capacity as the Servicer, and the Servicer hereby makes each such representation and warranty to, and for the benefit of, the Purchaser, the Operating Agent and the Collateral Agent as if the same were set forth in full herein. The Servicer represents and warrants that on behalf of the Servicer the Parent Guarantor has adopted a Year 2000 Corrective Plan, copies of which have been delivered to the Operating Agent.

ARTICLE V.

GENERAL COVENANTS OF THE SELLER

Section 5.01. Affirmative Covenants of the Seller. The Seller

covenants and agrees that from and after the Closing Date and until the Termination Date:

(a) Compliance with Agreements and Applicable Laws. The Seller shall

perform each of its obligations under this Agreement and the other Related Documents and comply with all federal, state and local laws and regulations applicable to it and the Transferred Receivables, including those relating to truth in lending, retail installment sales, fair credit billing, fair credit reporting, equal credit opportunity, fair debt collection practices, privacy, licensing, taxation, ERISA and labor matters and Environmental Laws and Environmental Permits, except to the extent that the failure to so comply, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. The Seller shall comply in all material respects with the Credit and Collection Policies with respect to each Transferred Receivable and the Contract therefor.

(b) Maintenance of Existence and Conduct of Business. The Seller

shall: (i) do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence and its rights and franchises; (ii) continue to conduct its business substantially as now conducted or as otherwise permitted hereunder and in accordance with (1) the terms of its certificate of incorporation and bylaws, and (2) Sections 4.01(q) and (r); (iii)

at all times maintain, preserve and protect all of its assets and properties used or useful in the conduct of its business, including all licenses, permits, charters and registrations, and keep the same in good repair, working order and condition in all material respects (taking into consideration ordinary wear and tear) and from time to time make, or cause to be made, all necessary or appropriate repairs, replacements and improvements thereto consistent with industry practices; and (iv) transact business only in such corporate and trade names as are set forth in Schedule 5.01(b).

(c) Deposit of Collections. On or prior to the Closing Date, the

Seller will establish and will maintain until the Termination Date the Cash Management Systems. The Seller shall deposit or cause to be deposited promptly into a Blocked Account, and in any event no later than the first Business Day after receipt thereof, all Collections it may receive with respect to any Transferred Receivable.

(d) Use of Proceeds. The Seller shall utilize the proceeds of the

Purchases made hereunder solely for (i) the purchase of Receivables from the CGS Originator pursuant to the CGS Transfer Agreement, (ii) the payment of dividends to its Stockholders, (iii) the making of GFC Loans, and (iv) the payment of administrative fees or Servicing Fees or expenses to the Servicer or routine administrative or operating expenses, in each case only as expressly permitted by and in accordance with the terms of this Agreement and the other Related Documents.

(e) Payment, Performance and Discharge of Obligations.

(i) Subject to Section 5.01(e)(ii), the Seller shall pay,

perform and discharge or cause to be paid, performed and discharged promptly all charges payable by it, including (A) charges imposed upon it, its income and profits, or any of its property (real, personal or mixed) and all charges with respect to tax, social security and unemployment withholding with respect to its employees, and (B) lawful claims for labor, materials, supplies and services or otherwise before any thereof shall become past due.

(ii) The Seller may in good faith contest, by appropriate proceedings, the validity or amount of any charges or claims described in Section 5.01(e)(i); provided, that (A) adequate reserves with respect to

such contest are maintained on the books of the Seller, in accordance with GAAP, (B) such contest is maintained and prosecuted continuously and with diligence, (C) none of the Seller Collateral becomes subject to forfeiture or loss as a result of such contest, (D) no Lien shall be imposed to secure payment of such charges or claims other than inchoate tax liens and (E) the Purchaser, the Operating Agent or the Collateral Agent has not advised the Seller in writing that such Affected Party reasonably believes that nonpayment or nondischarge thereof could have or result in a Material Adverse Effect.

(f) ERISA. The Seller shall give the Operating Agent prompt written

notice of any event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

(g) Year 2000. On or before June 30, 1999, the Seller shall have

completed and delivered to the Operating Agent a Year 2000 Assessment. On or prior to September 30, 1999, the Seller shall complete Year 2000 Corrective Actions. On or before September 30, 1999, the Seller shall (i) complete Year 2000 Implementation Testing and (ii) shall eliminate all Year 2000 Problems by September 30, 1999, except where the failure to correct the same could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate.

Section 5.02. Reporting Requirements of the Seller.

(a) The Seller hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver or cause to be delivered to the Purchaser, the Operating Agent, the Collateral Agent and, in the case of Paragraph (f) therein only, to the Rating Agencies, the financial statements,

notices and other information at the times, to the Persons and in the manner set forth in Annex 5.02(a).

(b) The Seller hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver or cause to be delivered to the Purchaser, the Operating Agent and the Collateral Agent the Investment Reports (including Investment Base Certificates) at the times, to the Persons and in the manner set forth in Annex 5.02(b).

Section 5.03. Negative Covenants of the Seller. The Seller covenants

and agrees that, without the prior written consent of the Purchaser, the Operating Agent and the Collateral Agent, from and after the Closing Date until the Termination Date:

(a) Sale of Stock and Assets. The Seller shall not sell, transfer,

convey, assign or otherwise dispose of, or assign any right to receive income in respect of, any of its properties or other assets, including its capital Stock (whether in a public or a private offering or otherwise), any Transferred Receivable or Contract therefor or any of its rights with respect to any Blocked Account, the Collection Account, the Retention Account or any other deposit account in which any Collections of any Transferred Receivable are deposited except as otherwise expressly permitted by this Agreement or any of the other Related Documents.

(b) Liens. The Seller shall not create, incur, assume or permit to

exist (i) any Adverse Claim on or with respect to its Transferred Receivables or (ii) any Adverse Claim on or with respect to its other properties or assets (whether now owned or hereafter acquired) except for the Liens set forth in Schedule 5.03(b) and other Permitted Encumbrances. In addition, the Seller shall not become a party to any agreement, note, indenture or instrument or take any other action that would prohibit the creation of a Lien on any of its properties or other assets in favor of the Purchaser as additional collateral for the Seller Secured Obligations, except as otherwise expressly permitted by this Agreement or any of the other Related Documents.

(c) Modifications of Receivables or Contracts. The Seller shall not

extend, amend, forgive, discharge, compromise, waive, cancel or otherwise modify the terms of any Transferred Receivable or amend, modify or waive any term or condition of any Contract related thereto; provided, that the Seller may authorize the Servicer to take such actions as are expressly permitted by the terms of any Related Document or the Credit and Collection Policies. The Seller shall not amend, waive or modify any term of the Credit and Collection Policies without the prior written consent of the Operating Agent.

(d) Changes in Instructions to Obligors. The Seller shall not make

any change in its instructions to Obligors regarding the deposit of Collections with respect to the Transferred Receivables.

(e) Capital Structure and Business. The Seller shall not (i) make any

changes in any of its business objectives, purposes or operations that could have or result in a Material Adverse Effect, (ii) make any change in its capital structure as described on Schedule 4.01(h), including the issuance of any shares of Stock, warrants or other securities convertible into Stock or any revision of the terms of its outstanding Stock, or (iii) amend its certificate or articles of incorporation or bylaws. The Seller shall not engage in any business other than the businesses currently engaged in by it.

(f) Mergers, Subsidiaries, Etc. The Seller shall not directly or

indirectly, by operation of law or otherwise, (i) form or acquire any Subsidiary, or (ii) merge with, consolidate

with, acquire all or substantially all of the assets or capital Stock of, or otherwise combine with or acquire, any Person.

(g) Sale Characterization; CGS Transfer Agreement. The Seller shall

not make statements or disclosures, prepare any financial statements or in any other respect account for or treat the transactions contemplated by the CGS Transfer Agreement (including for accounting, tax and reporting purposes) in any manner other than (i) with respect to each Sale of each Sold Receivable effected pursuant to the CGS Transfer Agreement, as a true sale and absolute assignment of the title to and sole record and beneficial ownership interest of the Transferred Receivables by the CGS Originator to the Seller and (ii) with respect to each contribution of Contributed Receivables thereunder, as an increase in the stated capital of the Seller.

(h) Restricted Payments. Except for the GFC Loans, the Seller shall

not enter into any lending or borrowing transaction with any other Person. The Seller shall not at any time (i) advance credit to any Person (including GFC Loans to the CGS Originator) or (ii) declare any dividends, repurchase any Stock, return any capital, or make any other payment or distribution of cash or other property or assets in respect of the Seller's Stock if, after giving effect to any such advance or distribution, a Purchase Excess would exist or a Termination Event would otherwise result therefrom.

(i) Indebtedness. The Seller shall not create, incur, assume or

permit to exist any Debt, except (i) Debt of the Seller to any Affected Party, Purchaser Indemnified Person, the Servicer or any other Person expressly permitted by this Agreement or any other Related Document, (ii) deferred taxes, (iii) unfunded pension fund and other employee benefit plan obligations and liabilities to the extent they are permitted to remain unfunded under applicable law, and (iv) indorser liability in connection with the indorsement of negotiable instruments for deposit or collection in the ordinary course of business.

(j) Prohibited Transactions. The Seller shall not enter into, or

be a party to, any transaction with any Person except as expressly permitted hereunder or under any other Related Document.

(k) Investments. Except as otherwise expressly permitted hereunder

or under the other Related Documents, the Seller shall not make any investment in, or make or accrue loans or advances of money to, any Person, including any Stockholder, director, officer or employee of the Seller or any of the Parent Guarantor's other Subsidiaries, through the direct or indirect lending of money, holding of securities or otherwise, except with respect to Transferred Receivables, GFC Loans and Permitted Investments.

(l) Commingling. The Seller shall not deposit or permit the deposit

of any funds that do not constitute Collections of Transferred Receivables into any Blocked Account.

(m) ERISA. The Seller shall not, and shall not cause or permit any

of its ERISA Affiliates to, cause or permit to occur an event that could result in the imposition of a Lien under Section 412 of the IRC or Section 302 or 4068 of ERISA.

ARTICLE VI.

COLLECTIONS AND DISBURSEMENTS

Section 6.01. Establishment of Deposit Accounts.

(a) Cash Management Systems. On or prior to the Closing Date, Seller

will establish and will maintain until the Termination Date, the cash management systems described in this Section 6.01.

(b) The Blocked Accounts.

(i) On or before the Closing Date and until the Termination Date, the Seller shall have established deposit accounts (the "Blocked Accounts") at the banks designated on Schedule 4.01(r) (each such bank a

"Deposit Bank"). The Seller agrees that prior to the Facility Termination Date the Operating Agent, and from and after the Facility Termination Date the Collateral Agent, shall have exclusive dominion and control of each Blocked Account and all monies, instruments and other property from time to time on deposit therein. The Seller shall not make or cause to be made, or have any ability to make or cause to be made, any withdrawals from any Blocked Account except as provided in Section 6.01(b)(ii).

(ii) The Seller and the Servicer have instructed all existing Obligors of Transferred Receivables and shall instruct all future Obligors of such Receivables, to make payments in respect thereof only (A) by check or money order delivered to the Servicer's offices or to one or more Blocked Accounts under the control of the Operating Agent or (B) by wire transfer or moneygram directly to a Blocked Account. Schedule 4.01(r)

lists all Blocked Accounts and all Deposit Banks at which the Seller maintains Blocked Accounts as of the Closing Date, and such schedule correctly identifies (1) with respect to each such Deposit Bank, the name, address and telephone number thereof, and (2) with respect to each Blocked Account, the name in which such account is held and the complete account number therefor. The Seller and the Servicer shall endorse, to the extent necessary, all checks or other instruments received so that the same can be deposited in the Blocked Account, in the form so received (with all necessary endorsements), on the first Business Day after the date of receipt thereof. In addition, each of the Seller and the Servicer shall deposit or cause to be deposited into a Blocked Account all cash, checks, money orders or other proceeds of Transferred Receivables or Seller Collateral received by it other than in a Blocked Account, in the form so received (with all necessary endorsements), not later than the close of business on the first Business

Day following the date of receipt thereof, and until so deposited all such items or other proceeds shall be held in trust for the benefit of the Collateral Agent. Neither the Seller nor the Servicer shall make any deposits into a Blocked Account except in accordance with the terms of this Agreement or any other Related Document. Each of the Seller and the Servicer also agrees to instruct each Deposit Bank, and the Seller and the Servicer each hereby grants to each of the Operating Agent and the Collateral Agent the authority to instruct such Deposit Bank, to transfer to the Collection Account, on each Business Day in same day funds, all available funds in any and all Blocked Accounts maintained with the Deposit Bank, and until so transferred all such funds shall be held in trust for the benefit of the Collateral Agent. Neither the Seller nor the Servicer shall make any deposits into the Blocked Account except in accordance with the terms of this Agreement or any other Related Document.

(iii) If, for any reason, a Blocked Account Agreement terminates or any such Deposit Bank fails to comply with its obligations under the Blocked Account Agreement to which it is a party, then the Seller shall promptly notify all Obligor of Transferred Receivables who had previously been instructed to make wire payments to the Blocked Account maintained at any such Deposit Bank to make all future payments to a new Blocked Account in accordance with this Section 6.01(a)(iii). The Seller shall not close any Blocked Account unless it shall have (A) received the prior written consent of the Operating Agent and the Collateral Agent, (B) established a new account with the same Deposit Bank or with a new depository institution satisfactory to the Operating Agent and the Collateral Agent, (C) entered into an agreement covering such new account with such Deposit Bank or with such new depository institution substantially in the form of such Blocked Account Agreement or that is satisfactory in all respects to the Operating Agent and the Collateral Agent (whereupon, for all purposes of this Agreement and the other Related Documents, such new account shall become a Blocked Account, such new agreement shall become a Blocked Account Agreement and any new depository institution shall become a Deposit Bank), and (D) taken all such action as the Collateral Agent shall require to grant and perfect a first priority Lien in such new Blocked Account to the Purchaser under Section 8.01 of this Agreement. Except as permitted by

this Section 6.01(a), neither the Seller nor the Servicer shall open any

new Blocked Account without the prior written consent of the Operating Agent and the Collateral Agent.

(c) Collection Account.

(i) The Purchaser has established and shall maintain the Collection Account with the Depository. The Seller and the Purchaser agree that prior to the Facility Termination Date the Operating Agent, and from and after the Facility Termination Date the Collateral Agent, shall have exclusive dominion and control of the Collection Account and all monies, instruments and other property from time to time on deposit therein.

(ii) Pursuant to Section 6.02, the Seller shall instruct each

Deposit Bank to transfer, and the Seller hereby grants each of the Operating Agent and the Collateral Agent the authority to instruct each such Deposit Bank to transfer, on each Business Day in same day funds, all available funds in each Blocked Account to the Collection Account. The Purchaser, the Operating Agent and the Collateral Agent may deposit into the Collection Account from time to time all monies, instruments and other property received by any of them as proceeds of the Transferred Receivables. On each Business Day prior to the Facility Termination Date the Operating Agent shall instruct and cause the Depository (which instruction may be in writing or by telephone confirmed promptly thereafter in writing) to release funds on deposit in the Collection Account in the order of priority set forth in Section 6.03. On each Business Day from and

after the Facility Termination Date the Collateral Agent shall apply all amounts when received in the Collection Account in the order of priority set forth in Section 6.05.

(iii) If, for any reason, the Depository wishes to resign as depository of the Collection Account or fails to carry out the instructions of the Operating Agent or the Collateral Agent, then the Operating Agent or the Collateral Agent shall promptly notify the Purchaser Secured Parties. The Purchaser shall not close the Collection Account unless it shall have (A) received the prior written consent of the Operating Agent and the Collateral Agent, (B) established a new deposit account with the Depository or with a new depository institution satisfactory to the Operating Agent and the Collateral Agent, (C) entered into an agreement covering such new account with such new depository institution satisfactory in all respects to the Operating Agent and the Collateral Agent (whereupon such new account shall become the Collection Account for all purposes of this Agreement and the other Related Documents), and (D) taken all such action as the Collateral Agent shall require to grant and perfect a first priority Lien in such new Collection Account to the Collateral Agent under the Collateral Agent Agreement.

(d) Retention Account. The Purchaser has established and shall

maintain the Retention Account with the Depository. The Seller and the Purchaser agree that prior to the Facility Termination Date the Operating Agent, and from and after the Facility Termination Date the Collateral Agent, shall have exclusive dominion and control of the Retention Account and all monies, instruments and other property from time to time on deposit therein.

(e) Collateral Account. The Purchaser has established and shall

maintain the Collateral Account with the Depository. The Seller and the Purchaser agree that the Operating Agent shall have exclusive dominion and control of the Collateral Account and all monies, instruments and other property from time to time on deposit therein.

Section 6.02. Funding of Collection Account.

(a) As soon as practicable, and in any event no later than 10:00 a.m. (New York time) on each Business Day:

(i) the Operating Agent shall transfer or cause to be transferred all Collections deposited in any Blocked Account prior to such Business Day to the Collection Account;

(ii) the Purchaser or the Operating Agent shall, or shall cause the Collateral Agent to, deposit in the Collection Account the amount, if any, required pursuant to Section 2.04(b)(i);

(iii) the Purchaser or the Operating Agent shall, or shall cause the Collateral Agent to, deposit in the Collection Account any Seller LOC Draws made on such Business Day;

(iv) if, on the immediately preceding Business Day, the Operating Agent shall have notified the Seller of any Purchase Excess, then the Seller shall deposit cash in the amount of such Purchase Excess in the Collection Account;

(v) if on such Business Day the Seller is required to make other payments under this Agreement not previously retained out of Collections (including Additional Amounts and Indemnified Amounts not previously paid), then the Seller shall deposit an amount equal to such payments in the Collection Account;

(vi) if, on the immediately preceding Business Day, the CGS Originator made a capital contribution or repurchased a Transferred Receivable pursuant to Section 4.04 of the CGS Transfer Agreement, or made

a payment as a result of any Dilution Factors pursuant to Section 4.02(o)

of the CGS Transfer Agreement, then the Seller shall deposit cash in the amount so received from the CGS Originator for such contribution, repurchase or payment in the Collection Account; and

(vii) the Servicer shall deposit in the Collection Account the Outstanding Balance of any Transferred Receivable the Servicer elects to pay pursuant to Section 7.04.

(viii) the Seller shall deposit in the Collection Account the Outstanding Balance of any Transferred Receivable the Seller elects to pay pursuant to Section 8.06(d).

(b) If, on or before the second Business Day immediately preceding any Settlement Date, the Operating Agent shall have notified the Seller of any Retention Account Deficiency pursuant to Section 6.04(b), then the Seller shall

deposit cash in the amount of such deficiency in the Collection Account no later than 12:00 noon (New York time) on such Settlement Date.

(c) From and after the Facility Termination Date, the Collateral Agent shall transfer all amounts on deposit in the Retention Account as of that date to the Collection Account.

Section 6.03. Daily Disbursements From the Collection Account and

Related Sub-Accounts; Revolving Period. On each Business Day during the

Revolving Period, and following the transfers made pursuant to Section 6.02, the

Operating Agent shall disburse all amounts then on deposit in the Collection Account and its related subaccounts in the following priority:

(a) with respect to amounts on deposit in the Collection Account:

(i) to the Retention Account for the account of the Purchaser, the amount of any Retention Account Deficiency deposited pursuant to Section 6.02(b);

(ii) to the Deferred Purchase Price Sub-Account, the amount of all Deferred Purchase Price Collections;

(iii) to the Capital Investment Sub-Account, the balance of any amounts remaining after making the foregoing disbursements;

(b) with respect to amounts on deposit in the Deferred Purchase Price Sub-Account after making the transfers required by Section 6.03(a):

(i) to the Retention Account for the account of the Purchaser, an amount equal to the sum of

- (A) Daily Yield;
- (B) the Yield Shortfall as of the immediately preceding Business Day;
- (C) the Servicing Fee;
- (D) the Servicing Fee Shortfall as of the immediately preceding Business Day;
- (E) the Unused Facility Fee; and
- (F) the Unused Facility Fee Shortfall as of the immediately preceding Business Day;

(ii) to the Capital Investment Sub-Account, an amount equal to the Dilution Funded Amount;

(iii) if the Deferred Purchase Price Adjustment is less than zero, then to the Capital Investment Sub-Account an amount equal to the absolute value of the Deferred Purchase Price Adjustment;

(iv) to the Agent Account, in partial payment of the Deferred Purchase Price, the balance of any amounts remaining after making the foregoing disbursements; and

(c) with respect to amounts on deposit in the Capital Investment Sub-Account after making the transfers required by Section 6.03(a):

(i) to the Retention Account for the account of the Purchaser, an amount equal to the sum of any Yield Shortfall, any Servicing Fee Shortfall and any Unused Facility Fee Shortfall following the transfer made pursuant to Section 6.03(b) (i);

(ii) to the Collateral Account for the account of the Purchaser (or, in the case of Indemnified Amounts or Additional Amounts for the account of the applicable Purchaser Indemnified Person or Affected Party, respectively), an amount equal to the deposits made in the Collection Account pursuant to Section 6.02(a) (v) and not otherwise disbursed pursuant

to Section 6.03(a) (i);

(iii) to the Collateral Account for the account of the Purchaser, an amount equal to any Purchase Excess;

(iv) if the Deferred Purchase Price Adjustment is greater than zero, then to the Seller an amount equal to the Deferred Purchase Price Adjustment as partial payment of the Deferred Purchase Price; and

(v) the balance of any amounts remaining after making the foregoing disbursements, at the Seller's option, (A) to an account previously designated by the Seller as payment of the Cash Purchase Price for Purchases made on such day or (B) if, pursuant to a Repayment Notice, the Seller has requested to reduce the Capital Investment of the Purchaser, then to the Collateral Account for the account of the Purchaser, the lesser of (1) the amount of such requested reduction of Capital Investment and (2) such balance.

Section 6.04. Disbursements From the Retention Account; Settlement

Date Procedures; Revolving Period.

(a) On each Settlement Date during the Revolving Period, the amounts on deposit in the Retention Account shall be disbursed or retained by the Operating Agent in the following priority:

(i) to the Collateral Account for the account of the Purchaser (or, if applicable, any Purchaser Indemnified Person), an amount equal to:

(A) the accrued and unpaid Daily Yield minus the Margin

as of the end of the immediately preceding Settlement Period;

(B) the accrued and unpaid Unused Facility Fee as of the end of the immediately preceding Settlement Period;

(C) all Additional Amounts incurred and payable to any Affected Party as of the end of the immediately preceding Settlement Period;

(D) all other amounts accrued and payable under this Agreement (including Indemnified Amounts incurred and payable to any Purchaser Indemnified Person) as of the end of the immediately preceding Settlement Period to the extent not already transferred pursuant to Section 6.03(c)(ii); and

(E) if a Purchase Excess exists on such date, an amount equal to such excess;

(ii) to the Operating Agent, the accrued and unpaid Margin as of the end of the immediately preceding Settlement Period for distribution to the applicable parties;

(iii) to the Servicer on behalf of the Seller, an amount equal to its accrued and unpaid Servicing Fee as of the end of the immediately preceding Settlement Period;

(iv) retained in the Retention Account, an amount equal to the Accrued Monthly Yield, Accrued Unused Facility Fee and Accrued Servicing Fee as of such date; and

(v) the balance remaining after retaining or disbursing the foregoing amounts to the Agent Account.

(b) No later than the second Business Day immediately preceding each Settlement Date, the Operating Agent shall determine and notify the Seller of any Retention Account Deficiency for the preceding Settlement Period, and the Seller shall deposit cash in the amount of such Retention Account Deficiency to the Collection Account pursuant to Section 6.02(b).

Section 6.05. Liquidation Settlement Procedures. On each Business

Day from and after the Facility Termination Date until the Termination Date, the Collateral Agent shall:

(a) as soon as practicable, transfer all amounts then on deposit in the Retention Account to the Collection Account;

(b) transfer all amounts in the Collection Account (including amounts transferred from the Retention Account pursuant to Section 6.02(c)) in the

following priority:

(i) to the Deferred Purchase Price Sub-Account, an amount equal to all Deferred Purchase Price Collections; and

(ii) to the Capital Investment Sub-Account, the balance of any amounts remaining after making the foregoing disbursement;

(c) transfer all amounts in the Deferred Purchase Price Sub-Account (after making the transfers required by Section 6.05(b)), in the following

priority:

(i) if an Event of Servicer Termination has occurred and a Successor Servicer has assumed the responsibilities and obligations of the Servicer in accordance with Section 11.02, then to the Successor Servicer

an amount equal to its accrued and unpaid Successor Servicing Fees and Expenses;

(ii) if on such Business Day Capital Investment is being maintained through the issuance of Commercial Paper (to the extent such Capital Investment exceeds Liquidity Loans then outstanding), to the Collateral Account for the account of the Purchaser, an amount equal to accrued and unpaid CP Interest Amount through and including the date of maturity of the Commercial Paper maintaining such Capital Investment;

(iii) if Liquidity Loans are then outstanding, to the Liquidity Agent on behalf of the Liquidity Lenders, an amount equal to accrued and unpaid interest on the Liquidity Loans;

(iv) to the Capital Investment Sub-Account:

(A) an amount equal to the Dilution Funded Amount; and

(B) if Liquidity Loans or Seller LOC Draws are then outstanding or if Capital Investment is being maintained through the issuance of Commercial Paper, the balance of any amounts remaining after making the disbursements set forth in Sections 6.05(c)(i)-

(iv) (A);

(v) to the Letter of Credit Agent, if there are any outstanding Seller LOC Draws, an amount equal to accrued and unpaid interest on such outstanding Seller LOC Draws;

(vi) to the Collateral Account, an amount equal to (A) accrued and unpaid Daily Yield minus (B) the aggregate amounts paid pursuant to Sections 6.05(c)(ii), (iii) and (v);

(vii) to the Operating Agent, an amount equal to accrued and unpaid Unused Facility Fees; and

(viii) if an Event of Servicer Termination shall not have occurred, to the Servicer in an amount equal to its accrued and unpaid Servicing Fee; and

(ix) upon payment in full of all amounts set forth in Sections 6.05(d)(i) through (d)(vi) below, the balance of any amounts remaining to the Agent Account as partial payment of the Deferred Purchase Price; and

(d) transfer all amounts in the Capital Investment Sub-Account, in the following priority:

(i) to the Collateral Account for the account of the Purchaser, an amount equal to:

(A) if on such Business Day Capital Investment is being maintained through the issuance of Commercial Paper (to the extent such Capital Investment exceeds Liquidity Loans then outstanding), accrued and unpaid CP Interest Amount through and including such date to the extent not paid under Sections 6.05(c)(ii) and 6.05(c)(vi); and

(B) if on such Business Day Capital Investment is being maintained through the issuance of Commercial Paper (to the extent such Capital Investment exceeds Liquidity Loans then outstanding), the principal of all Capital Investment in excess of such Liquidity Loans;

(ii) if Liquidity Loans are then outstanding, to the Liquidity Agent on behalf of the Liquidity Lenders, an amount equal to:

(A) accrued and unpaid interest on the Liquidity Loans to the extent not paid under Section 6.05(c)(iii);

(B) the principal of outstanding Liquidity Loans; and

(C) any other unpaid amounts (other than Additional Amounts and Indemnified Amounts), including any fees, owing to the Liquidity Agent or Liquidity Lenders in connection with the Liquidity Loans;

(iii) to the Collateral Account for the account of the Purchaser, an amount equal to:

(A) all accrued and unpaid Unused Facility Fees;

(B) all Additional Amounts incurred and payable to any Affected Party; and

(C) all Indemnified Amounts incurred and payable to any Purchaser Indemnified Person;

(iv) to the Letter of Credit Agent, if there are any outstanding Seller LOC Draws, an amount equal to:

(A) accrued and unpaid interest on such outstanding Seller LOC Draws to the extent not paid pursuant to Section 6.05(c)(v);

(B) the principal of such outstanding Seller LOC Draws;
and

(C) any other amounts, including fees, owing to the Letter of Credit Agent in connection with such outstanding Seller LOC Draws;

(v) to the Collateral Account, an amount equal to (A) accrued and unpaid Daily Yield, minus (B) the aggregate amounts paid pursuant to

Sections 6.05(c)(ii), 6.05(c)(iii), 6.05(c)(v), 6.05(c)(vi), 6.05(d)(i)(A),

6.05(d)(ii)(A) and 6.05(d)(iv)(A);

(vi) If an Event of Servicer Termination shall not have occurred, to the Servicer in an amount equal to its accrued and unpaid Servicing Fee; and

(vii) to the Agent Account, the balance of any funds remaining after payment in full of all amounts set forth in Sections 6.05(d)(i)-

(d)(vi).

Section 6.06. Investment of Funds in Accounts. To the extent

uninvested amounts are on deposit in the Collateral Account or the Retention Account on any given day during the Revolving Period, the Operating Agent shall invest all such amounts in Permitted Investments selected by the Operating Agent that mature no later than (a) the immediately succeeding Business Day, in the case of the Collateral Account, and (b) the immediately succeeding Settlement Date, in the case of the Retention Account. From and after the Facility Termination Date, any investment of such amounts shall be solely at the discretion of the Operating Agent, subject to the restrictions described above.

Section 6.07. Termination Procedures.

(a) On the earlier of (i) the first Business Day after the Facility Termination Date on which the Capital Investment has been reduced to zero or (ii) the Final Purchase Date, if the obligations to be paid pursuant to Section 6.05 have not been paid in full, the Seller shall immediately deposit in the Collection Account an amount sufficient to make such payments in full.

(b) On the Termination Date, all amounts on deposit in the Collection Account and the Retention Account shall be disbursed to the Seller and all ownership interests or Liens of the Purchaser in and to all Transferred Receivables and all Liens of the Purchaser and the Collateral Agent in and to the Seller Collateral shall be released by the Purchaser and the Collateral Agent. Such disbursement shall constitute the final payment to which the Seller is entitled pursuant to the terms of this Agreement.

ARTICLE VII

SERVICER PROVISIONS

Section 7.01. Appointment of the Servicer. The Purchaser hereby

appoints the Servicer as its agent, and the Seller hereby acknowledges such appointment, to service the Transferred Receivables and enforce its rights and interests in and under each Transferred Receivable and Contract therefor and to serve in such capacity until the termination of its responsibilities pursuant to Sections 9.02 or 11.01. In connection therewith, the Servicer hereby accepts

such appointment and agrees to perform the duties and obligations set forth herein. The Servicer may, with the prior written consent of the Purchaser, the Operating Agent and the Collateral Agent, subcontract with a Sub-Servicer for the collection, servicing or administration of the Transferred Receivables; provided, that (a) the Servicer shall remain liable for the performance of the

duties and obligations of the Sub-Servicer pursuant to the terms hereof and (b) any Sub-Servicing Agreement that may be entered into and any other transactions or services relating to the Transferred Receivables involving a Sub-Servicer shall be deemed to be between the Sub-Servicer and the Servicer alone, and the Purchaser, the Operating Agent and the Collateral Agent shall not be deemed parties thereto and shall have no obligations, duties or liabilities with respect to the Sub-Servicer.

Section 7.02. Duties and Responsibilities of the Servicer. Subject

to the provisions of this Agreement, the Servicer shall conduct the servicing, administration and collection of the Transferred Receivables and shall take, or cause to be taken, all actions that (i) may be necessary or advisable to service, administer and collect each Transferred Receivable from time to time, (ii) the Servicer would take if the Transferred Receivables were owned by the Servicer, and (iii) are consistent with industry practice for the servicing of such Transferred Receivables.

Section 7.03. Collections on Receivables. (a) In the event that the

Servicer is unable to determine the specific Transferred Receivables on which Collections have been received from the Obligor thereunder, the parties agree for purposes of this Agreement only that such

Collections shall be deemed to have been received on such Receivables in the order in which they were originated with respect to such Obligor. In the event that the Servicer is unable to determine the specific Transferred Receivables on which discounts, offsets or other non-cash reductions have been granted or made with respect to the Obligor thereunder, the parties agree for purposes of this Agreement only that such reductions shall be deemed to have been granted or made (i) prior to a Termination Event, on such Receivables as determined by the Servicer, and (ii) from and after the occurrence of a Termination Event, on Eligible Receivables in the order in which they were originated with respect to such Obligor.

(b) If the Servicer determines that amounts unrelated to the Transferred Receivables (the "Unrelated Amounts") have been deposited in the

Collection Account, then the Servicer shall provide written evidence thereof to the Purchaser, the Operating Agent and the Collateral Agent no later than the first Business Day following the day on which the Servicer had actual knowledge thereof, which evidence shall be provided in writing and shall be otherwise satisfactory to each such Affected Party. Upon receipt of any such notice, the Operating Agent shall segregate the Unrelated Amounts and the same shall not be deemed to constitute Collections on Transferred Receivables and shall not be subject to the provisions of Article VI.

Section 7.04. Authorization of the Servicer. The Purchaser hereby

authorizes the Servicer, and the Seller acknowledges such authorization, to take any and all reasonable steps in its name and on its behalf necessary or desirable and not inconsistent with the ownership of the Transferred Receivables purchased by the Purchaser hereunder and the pledge thereof by the Purchaser to the Collateral Agent pursuant to the Collateral Agent Agreement, in the determination of the Servicer, to (a) collect all amounts due under any Transferred Receivable, including endorsing its name on checks and other instruments representing Collections on such Receivable, and execute and deliver any and all instruments of satisfaction or cancellation or of partial or full release or discharge and all other comparable instruments with respect to any such Receivable and (b) after any Transferred Receivable becomes a Delinquent Receivable and to the extent permitted under and in compliance with applicable law and regulations, commence proceedings with respect to the enforcement of payment of any such Receivable and the Contract therefor and adjust, settle or compromise any payments due thereunder, in each case to the same extent as the CGS Originator could have done if it had continued to own such Receivable. The CGS Originator, the Seller and the Purchaser shall furnish the Servicer with any powers of attorney and other documents necessary or appropriate to enable the Servicer to carry out its servicing and administrative duties hereunder, and shall cooperate with the Servicer to the fullest extent to collect the Transferred Receivables and to assist the Servicer in the discharge of its duties hereunder and under the other Related Documents. Notwithstanding anything to the contrary contained herein, the Purchaser, the Operating Agent and the Collateral Agent shall have the absolute and unlimited right to direct the Servicer (whether the Servicer is CGS, the Parent Guarantor or otherwise) (i) upon the first occurrence of an Incipient Termination Event or a Termination Event, whether or not cured, to commence or settle any legal action to enforce collection of any Transferred Receivable or (ii) to foreclose upon, repossess or take any other action that the Operating Agent or the Collateral Agent deems necessary or advisable with respect

thereto; provided, that in lieu of commencing any such action or taking other

enforcement action, the Servicer may, at its option, elect to pay to the Purchaser the Outstanding Balance of such Transferred Receivable. In no event shall the Servicer be entitled to make any Affected Party a party to any Litigation without such Affected Party's express prior written consent, or to make the Seller a party to any Litigation without the Operating Agent's consent.

Section 7.05. Servicing Fees. As compensation for its servicing

activities and as reimbursement for its reasonable expenses in connection therewith, the Servicer shall be entitled to receive the Servicing Fees in accordance with Sections 6.04 and 6.05. The Servicer shall be required to pay

for all expenses incurred by it in connection with its activities hereunder (including any payments to accountants, counsel or any other Person) and shall not be entitled to any payment therefor other than the Servicing Fees.

Section 7.06. Covenants of the Servicer. The Servicer covenants and

agrees that from and after the Closing Date and until the Termination Date:

(a) Ownership of Transferred Receivables. The Servicer shall

identify the Transferred Receivables clearly and unambiguously in its Servicing Records to reflect that such Transferred Receivables have been sold or contributed to the Seller and, following the Purchase thereof under this Agreement, are owned by the Purchaser.

(b) Compliance with Credit and Collection Policies. The Servicer

shall comply in all respects with the Credit and Collection Policies with respect to each Transferred Receivable and the Contract therefor. The Servicer shall not amend, waive or modify any item of the Credit and Collection Policies without the prior written consent of the Operating Agent.

(c) Year 2000. On or prior to June 30, 1999, the Servicer shall

complete Year 2000 Corrective Actions. On or before September 30, 1999, the Servicer shall (i) complete Year 2000 Implementation Testing and (ii) shall eliminate all Year 2000 Problems, except where the failure to correct the same could not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate.

(d) Covenants in Other Related Documents. The Servicer shall

perform, keep and observe all covenants applicable to it in its capacity as the CGS Originator under the CGS Transfer Agreement and the other Related Documents (including those covenants set forth in Sections 4.02 and 4.03 of the CGS

Transfer Agreement) and the Servicer hereby agrees to be bound by such covenants in its capacity as the Servicer hereunder for the benefit of the Purchaser, the Operating Agent and the Collateral Agent as if the same were set forth in full herein.

Section 7.07. Reporting Requirements of the Servicer. The Servicer

hereby agrees that, from and after the Closing Date and until the Termination Date, it shall deliver or cause to be delivered to the Purchaser, the Operating Agent and the Collateral Agent the financial statements, notices, and other information at the times, to the Persons and in the manner set forth

in Annex 7.07 (except if the Servicer is the CGS Originator, in which case the

Service shall not be required to furnish the information required in paragraphs

(a) and (b) therein).

ARTICLE VII

GRANT OF SECURITY INTERESTS

Section 8.01. Seller's Grant of Security Interest. The parties

hereto intend that each Purchase of Transferred Receivables to be made hereunder shall constitute a purchase and sale of such Transferred Receivables and not a loan. If, however, a court of competent jurisdiction determines that any transaction provided for herein constitutes a loan and not a purchase and sale, then the parties hereto intend that this Agreement shall constitute a security agreement under applicable law. In such regard and, in any event, to secure the prompt and complete payment, performance and observance of all Seller Secured Obligations, and to induce the Purchaser to enter into this Agreement and perform the obligations required to be performed by it hereunder in accordance with the terms and conditions thereof, the Seller hereby grants, assigns, conveys, pledges, hypothecates and transfers to the Purchaser a Lien upon all of its right, title and interest in, to and under the following property, whether now owned by or owing to, or hereafter acquired by or arising in favor of, the Seller (including under any trade names, styles or derivations of the Seller), and regardless of where located (all of which being hereinafter collectively referred to as the "Seller Collateral"):

(a) all Transferred Receivables, Contracts therefor and Collections thereon;

(b) this Agreement, the CGS Transfer Agreement, the CGS Note, all Blocked Account Agreements, the Lockbox Agreement and all other Related Documents now or hereafter in effect relating to the purchase, servicing or processing of Transferred Receivables (collectively, the "Seller Assigned Agreements"), including (i) all rights of the Seller to receive moneys due and

to become due thereunder or pursuant thereto, (ii) all rights of the Seller to receive proceeds of any insurance, indemnity, warranty or guaranty with respect thereto, (iii) all claims of the Seller for damages or breach with respect thereto or for default thereunder and (iv) the right of the Seller to amend, waive or terminate the same and to perform and to compel performance and otherwise exercise all remedies thereunder;

(c) all of the following (collectively, the "Seller Blocked Account Collateral"):

(i) the Blocked Accounts, and all funds on deposit therein and all certificates and instruments, if any, from time to time representing or evidencing the Blocked Accounts or such funds,

(ii) the Collection Account, the Retention Account and all funds on deposit therein and all certificates and instruments, if any, from time to time representing or evidencing the Collection Account, the Retention Account or such funds,

(iii) all Investments from time to time of amounts in the Collection Account and the Retention Account, and all certificates, instruments and investment property, if any, from time to time representing or evidencing such Investments,

(iv) all notes, certificates of deposit and other instruments from time to time delivered to or otherwise possessed by the Purchaser or any assignee or agent on behalf of the Purchaser in substitution for or in addition to any of the then existing Seller Blocked Account Collateral, and

(v) all interest, dividends, cash, instruments, investment property and other property from time to time received, receivable or otherwise distributed with respect to or in exchange for any and all of the then existing Seller Blocked Account Collateral;

(d) all other property that may from time to time hereafter be granted and pledged by the Seller or by any Person on its behalf under this Agreement, including any deposit with the Purchaser, the Operating Agent or the Collateral Agent of additional funds by the Seller; and

(e) to the extent not otherwise included, all proceeds and products of the foregoing and all accessions to, substitutions and replacements for, and profits of, each of the foregoing Seller Collateral (including proceeds that constitute property of the types described in Sections 8.01(a) through (d)).

Section 8.02. Seller's Certification. The Seller hereby certifies

that (a) the benefits of the representations, warranties and covenants of each of the CGS Originator and the Parent Guarantor made to the Seller under the CGS Transfer Agreement have been assigned by the Seller to the Purchaser hereunder; (b) the rights of the Seller under the CGS Transfer Agreement to require a capital contribution or payment of a Rejected Amount from the CGS Originator or the Parent Guarantor may be enforced by the Purchaser and the Collateral Agent; and (c) the CGS Transfer Agreement provides that the representations, warranties and covenants described in Sections 4.01, 4.02 and 4.03 thereof, the

indemnification and payment provisions of Article V thereof and the provisions

of Sections 4.03(j), 8.03 and 8.14 thereof shall survive the sale of the

Transferred Receivables and the termination of the CGS Transfer Agreement and this Agreement. The Seller hereby acknowledges that the Purchaser has assigned to the Collateral Agent under the Collateral Agent Agreement the benefits of the representations, warranties and covenants certified in Section 8.02(a) to have

been assigned to the Purchaser.

Section 8.03. Consent to Assignment. Each of the Seller and the

Servicer acknowledges and consents to the grant by the Purchaser to the Collateral Agent pursuant to the Collateral Agent Agreement of a Lien upon all of the Purchaser's right, title and interest in, to and under the Seller Collateral and acknowledges the rights of the Collateral Agent thereunder and the covenants made by the Purchaser in favor of the Collateral Agent set forth therein, and further acknowledges and consents that, upon the occurrence and during the continuance of an Incipient

Termination Event or a Termination Event, the Collateral Agent shall be entitled to enforce the provisions of the Seller Assigned Agreements and shall be entitled to all the rights and remedies of the Purchaser thereunder. In addition, each of the Seller and the Servicer hereby authorizes the Collateral Agent to rely on the representations and warranties made by it in the Seller Assigned Agreements to which it is a party and in any other certificates or documents furnished by it to any party in connection therewith.

Section 8.04. Delivery of Collateral. All certificates or

instruments representing or evidencing the Seller Collateral shall be delivered to and held by or on behalf of the Collateral Agent pursuant to the terms of the Collateral Agent Agreement and shall be in suitable form for transfer by delivery or shall be accompanied by duly executed instruments of transfer or assignment in blank, all in form and substance satisfactory to the Collateral Agent. The Collateral Agent shall have the right, at any time in its discretion following the occurrence and during the continuation of a Termination Event and without notice to the Seller or the Purchaser, to transfer to or to register in the name of the Collateral Agent or any of its nominees any or all of the Seller Collateral. In addition, the Collateral Agent shall have the right at any time to exchange certificates or instruments representing or evidencing Seller Collateral for certificates or instruments of smaller or larger denominations.

Section 8.05. Seller Remains Liable. It is expressly agreed by the

Seller that, anything herein to the contrary notwithstanding, the Seller shall remain liable under any and all of the Transferred Receivables, the Contracts therefor, the Seller Assigned Agreements and any other agreements constituting the Seller Collateral to which it is a party to observe and perform all the conditions and obligations to be observed and performed by it thereunder. The Purchaser, the Operating Agent, the Collateral Agent and the other Purchaser Secured Parties shall not have any obligation or liability under any such Receivables, Contracts or agreements by reason of or arising out of this Agreement or the Collateral Agent Agreement or the granting herein or therein of a Lien thereon or the receipt by the Purchaser, the Collateral Agent or any Purchaser Secured Party of any payment relating thereto pursuant hereto or thereto. The exercise by the Purchaser or the Collateral Agent of any of its respective rights under this Agreement or the Collateral Agent Agreement shall not release the CGS Originator, the Seller or the Servicer from any of their respective duties or obligations under any such Receivables, Contracts or agreements. None of the Purchaser, the Operating Agent, the Collateral Agent or any of the Purchaser Secured Parties shall be required or obligated in any manner to perform or fulfill any of the obligations of the CGS Originator, the Seller or the Servicer under or pursuant to any such Receivable, Contract or agreement, or to make any payment, or to make any inquiry as to the nature or the sufficiency of any payment received by it or the sufficiency of any performance by any party under any such Receivable, Contract or agreement, or to present or file any claims, or to take any action to collect or enforce any performance or the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 8.06. Covenants of the Seller and the Servicer Regarding the

Seller Collateral.

(a) Offices and Records. The Seller shall maintain its principal

place of business and chief executive office and the office at which it stores its Records at the respective locations specified in Schedule 4.01(b) or, upon

30 days' prior written notice to the Purchaser, the Operating Agent and the Collateral Agent, at such other location in a jurisdiction where all action requested by the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 14.15 shall have been taken with respect to the Seller Collateral.

The Seller shall also maintain each location where Seller Collateral is located and each office at which it stores its Records only at the respective locations specified in Schedule 4.01(b) or at such other substituted or additional

locations with respect to which the Seller shall, not later than 30 days after establishing such location, (x) have notified the Purchaser, the Operating Agent and the Collateral Agent thereof, and (y) have taken all action necessary or otherwise requested by the Purchaser, the Operating Agent or the Collateral Agent pursuant to Section 12.15 with respect to the Seller Collateral. Each of

the Seller and the Servicer shall, at its own cost and expense, maintain adequate and complete records of the Transferred Receivables and the Seller Collateral, including records of any and all payments received, credits granted and merchandise returned with respect thereto and all other dealings therewith. Each of the Seller and the Servicer shall mark conspicuously with a legend, in form and substance satisfactory to the Collateral Agent, its books and records, computer tapes, computer disks and credit files pertaining to the Seller Collateral, and its file cabinets or other storage facilities where it maintains information pertaining thereto, to evidence this Agreement and the assignment and Liens granted pursuant to this Article VIII. Upon the occurrence and during

the continuance of a Termination Event, the Seller and Servicer shall deliver and turn over such books and records to the Collateral Agent or its representatives at any time on demand of the Collateral Agent. Prior to the occurrence of a Termination Event and upon notice from the Collateral Agent, the Seller and the Servicer shall permit any representative of the Operating Agent or the Collateral Agent to inspect such books and records and shall provide photocopies thereof to the Operating Agent and the Collateral Agent as more specifically set forth in Section 8.06(b).

(b) Access. Each of the Seller and the Servicer shall, at its own

expense, during normal business hours, from time to time upon one Business Day's prior notice as frequently as the Operating Agent or the Collateral Agent determines to be appropriate: (i) provide the Purchaser, the Operating Agent or the Collateral Agent and any of their respective officers, employees and agents access to its properties (including properties utilized in connection with the collection, processing or servicing of the Transferred Receivables), facilities, advisors and employees (including officers) and to the Seller Collateral, (ii) permit the Purchaser, the Operating Agent or the Collateral Agent and any of their respective officers, employees and agents to inspect, audit and make extracts from its books and records, including all Records, (iii) permit the Purchaser, the Operating Agent or the Collateral Agent and their respective officers, employees and agents to inspect, review and evaluate the Transferred Receivables and the Seller Collateral and (iv) permit the Purchaser, the Operating Agent or the Collateral Agent and their respective officers, employees and agents to discuss matters relating to the Transferred Receivables or its performance under this Agreement or the other Related Documents or its affairs, finances and accounts with any of its officers, directors, employees, representatives or agents (in each case,

with those persons having knowledge of such matters) and with its independent certified public accountants. If (A) an Incipient Termination Event or a Termination Event shall have occurred and be continuing or (B) the Operating Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems the Purchaser's rights or interests in the Transferred Receivables, the Seller Assigned Agreements or any other Seller Collateral insecure, then each of the Seller and the Servicer shall, at its own expense, provide such access at all times and without advance notice and provide the Purchaser, the Operating Agent or the Collateral Agent with access to its suppliers and customers. Each of the Seller and the Servicer shall make available to the Operating Agent or the Collateral Agent and their respective counsel, as quickly as is possible under the circumstances, originals or copies of all books and records, including Records, that the Operating Agent or the Collateral Agent may request. Each of the Seller and the Servicer shall deliver any document or instrument necessary for the Operating Agent or the Collateral Agent, as they may from time to time request, to obtain records from any service bureau or other Person that maintains records for the Seller or the Servicer, and shall maintain duplicate records or supporting documentation on media, including computer tapes and discs owned by the Seller or the Servicer.

(c) Communication with Accountants. Each of the Seller and the

Servicer authorizes the Purchaser, the Operating Agent and the Collateral Agent to communicate directly with its independent certified public accountants and authorizes and shall instruct those accountants and advisors to disclose and make available to the Purchaser, the Operating Agent and the Collateral Agent any and all financial statements and other supporting financial documents, schedules and information relating to the Seller or the Servicer (including copies of any issued management letters) with respect to its business, financial condition and other affairs.

(d) Collection of Transferred Receivables. Except as otherwise

provided in this Section 8.06(d), the Servicer shall continue to collect or

cause to be collected, at its sole cost and expense, all amounts due or to become due to the Seller under the Transferred Receivables, the Seller Assigned Agreements and any other Seller Collateral. In connection therewith, the Servicer shall take such action as it, and from and after the occurrence and during the continuance of a Termination Event, the Collateral Agent, may deem necessary or desirable to enforce collection of the Transferred Receivables, the Seller Assigned Agreements and the other Seller Collateral; provided, that the

Seller or Servicer may, rather than commencing any such action or taking any other enforcement action, at its option, elect to pay to the Purchaser the Outstanding Balance of any such Transferred Receivable; provided further, that

if (i) an Incipient Termination Event or a Termination Event shall have occurred and be continuing or (ii) the Operating Agent, in good faith, believes that an Incipient Termination Event or a Termination Event is imminent or deems the Purchaser's rights or interests in the Transferred Receivables, the Seller Assigned Agreements or any other Seller Collateral insecure, then the Collateral Agent may, without prior notice to the Seller or Servicer, notify any Obligor under any Transferred Receivable or obligors under the Seller Assigned Agreements of the assignment of such Transferred Receivables or Seller Assigned Agreements, as the case may be, to the Purchaser hereunder and direct that payments of all amounts due or to become due to the Seller thereunder be made directly to the Collateral

Agent or any servicer, collection agent or lockbox or other account designated by the Collateral Agent and, upon such notification and at the sole cost and expense of the Servicer, the Collateral Agent may enforce collection of any such Transferred Receivable or the Seller Assigned Agreements and adjust, settle or compromise the amount or payment thereof.

(e) Performance of Seller Assigned Agreements. Each of the Seller

and the Servicer shall (i) perform and observe all the terms and provisions of the Seller Assigned Agreements to be performed or observed by it, maintain the Seller Assigned Agreements in full force and effect, enforce the Seller Assigned Agreements in accordance with their terms and take all action as may from time to time be requested by the Collateral Agent in order to accomplish the foregoing, and (ii) upon the request of and as directed by the Operating Agent or the Collateral Agent, make such demands and requests to any other party to the Seller Assigned Agreements as are permitted to be made by the Seller or the Servicer thereunder.

ARTICLE IX.

TERMINATION EVENTS

Section 9.01. Termination Events. If any of the following events

(each, a "Termination Event") shall occur (regardless of the reason therefor):

(a) the Seller or the Parent Guarantor shall (i) fail to make any payment of any Seller Secured Obligation when due and payable and the same shall remain unremedied for one Business Day or more, or (ii) fail or neglect to perform, keep or observe any other provision of this Agreement or the other Related Documents (other than any provision embodied in or covered by any other clause of this Section 9.01) and the same shall remain unremedied for five

Business Days or more after written notice thereof shall have been given by the Operating Agent or the Collateral Agent to the Seller;

(b) a default or breach shall occur under the CGS Transfer Agreement, any other agreement, document or instrument to which the CGS Originator, the Parent Guarantor, the Seller or the Servicer is a party or by which any such Person or its property is bound that is not cured within any applicable grace period therefor, and such default or breach (i) involves the failure to make any payment when due in respect of any Debt (other than the Seller Secured Obligations) of any such Person which, except with respect to the Seller, is in excess of \$5,000,000 in the aggregate, or (ii) causes, or permits any holder of such Debt or a trustee or agent to cause, Debt or a portion thereof which, except with respect to the Seller, is in excess of \$5,000,000 in the aggregate to become due prior to its stated maturity or prior to its regularly scheduled dates of payment, regardless of whether such default is waived, or such right is exercised, by such holder, trustee or agent;

(c) a case or proceeding shall have been commenced against the CGS Originator, the Parent Guarantor, the Seller or the Servicer seeking a decree or order in respect of

any such Person (i) under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) appointing a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any such Person or for any substantial part of such Person's assets, or (iii) ordering the winding-up or liquidation of the affairs of any such Person;

(d) the CGS Originator, the Parent Guarantor, the Seller or the Servicer shall (i) file a petition seeking relief under the Bankruptcy Code or any other applicable federal, state or foreign bankruptcy or other similar law, (ii) consent or fail to object in a timely and appropriate manner to the institution of proceedings thereunder or to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee or sequestrator (or similar official) for any such Person or for any substantial part of such Person's assets, (iii) make an assignment for the benefit of creditors, or (iv) take any corporate action in furtherance of any of the foregoing;

(e) (i) the CGS Originator, the Parent Guarantor, the Seller or the Servicer admits in writing its inability to, or is generally unable to, pay its Debts as such Debts become due, or (ii) the fair market value of the CGS Originator's or the Seller's liabilities exceeds the fair market value of its assets;

(f) a final judgment or judgments for the payment of money in excess of \$1,000,000 in the aggregate at any time outstanding shall be rendered against the CGS Originator, the Parent Guarantor, any Affiliate of the CGS Originator, the Parent Guarantor or the Servicer and the same shall not, within 30 days after the entry thereof, have been discharged or execution thereof stayed or bonded pending appeal, or shall not have been discharged prior to the expiration of any such stay;

(g) a judgment or order for the payment of money shall be rendered against the Seller;

(h) (i) any information contained in any Investment Base Certificate is untrue or incorrect in any respect, or, any information given with respect to Reserves in the Investment Base Certificate is not made in good faith and is not based on reasonable estimates, or (ii) any representation or warranty of the CGS Originator or the Parent Guarantor or the Seller herein or in any other Related Document or in any written statement, report, financial statement or certificate (other than an Investment Base Certificate) made or delivered by the CGS Originator or the Parent Guarantor or the Seller to any Affected Party hereto or thereto is untrue or incorrect in any material respect as of the date when made or deemed made;

(i) any Governmental Authority (including the IRS or the PBGC) shall file notice of a Lien with regard to any assets of the CGS Originator or the Parent Guarantor (other than a Lien (i) limited by its terms to assets other than Receivables and (ii) not materially adversely affecting the financial condition of the CGS Originator or the Parent Guarantor or Callaway Golf Sales Company's ability to perform as Servicer hereunder);

(j) any Governmental Authority (including the IRS or the PBGC) shall file notice of a Lien with regard to any of the assets of the Seller;

(k) the Operating Agent or the Collateral Agent shall have determined (and so notified the Seller) that any event or condition that has had or could reasonably be expected to have or result in a Material Adverse Effect has occurred;

(l) (i) a default or breach shall occur under any provision of Section 4.05 of the CGS Transfer Agreement, (ii) a default or breach shall occur

under any provision of Sections 4.02(o), 4.04, 5.01 or 8.14 of the CGS Transfer

Agreement or Sections 4.02(g), 4.04, 5.01 or 8.14 of the Odyssey Transfer

Agreement and the same shall remain unremedied for one Business Day or more after the occurrence thereof, (iii) a default or breach shall occur under any other provision of the CGS Transfer Agreement or the Odyssey Transfer Agreement and the same shall remain unremedied for five Business Days or more after written notice thereof shall have been given by the Operating Agent or the Collateral Agent to the Seller or (iv) the CGS Transfer Agreement shall for any reason cease to evidence the transfer to the Seller of the legal and equitable title to, and ownership of, the Transferred Receivables;

(m) except as otherwise expressly provided herein, any Blocked Account Agreement or the CGS Transfer Agreement shall have been modified, amended or terminated without the prior written consent of the Purchaser, the Operating Agent and the Collateral Agent;

(n) an Event of Servicer Termination shall have occurred;

(o) the Operating Agent shall have determined that the funding of Transferred Receivables hereunder is impracticable for any reason whatsoever, including as a result of (i) a drop in or withdrawal of any of the ratings assigned to the Commercial Paper, (ii) the imposition of Additional Amounts, (iii) restrictions on the amount of Transferred Receivables the Purchaser may finance or (iv) the inability of Redwood to issue Commercial Paper;

(p) (i) with respect to the Transferred Receivables, (A) prior to their Purchase hereunder, the Seller shall cease to hold valid and properly perfected title to and sole record and beneficial ownership in such Transferred Receivables or (B) after their Purchase hereunder, (1) the Purchaser shall cease to hold either (a) valid and properly perfected title to and sole record and beneficial ownership in such Transferred Receivables or (b) a first priority, perfected Lien in such Transferred Receivables; or (ii) the Purchaser and the Collateral Agent shall cease to hold a first priority, perfected Lien in the Seller Collateral;

(q) a Seller LOC Draw shall have occurred;

(r) the obligations of the Liquidity Lenders to make Liquidity Loans shall have terminated and not otherwise been replaced;

(s) a default or breach of any of the covenants set forth in Annex W of the CGS Transfer Agreement or Annex 5;

(t) an event of default under the Collateral Agent Agreement or any other Program Document shall have occurred;

(u) the short term debt rating of a Liquidity Lender shall have been downgraded by a Rating Agency and such Liquidity Lender shall not have been replaced in accordance with the terms of the Liquidity Loan Agreement within 30 days thereafter;

(v) the Purchase Discount Rate shall be less than 50% for two consecutive Settlement Periods;

(w) the Seller shall amend its bylaws or its certificate or articles of incorporation without the express prior written consent of the Purchaser, the Operating Agent and the Collateral Agent;

(x) GFC shall have received an Election Notice pursuant to Section 2.01(d) of the CGS Transfer Agreement;

(y) the Seller shall fail to maintain the Default Ratio, the Delinquency Ratio, or the Dilution Ratio or Receivable Collection Turnover as set forth in Annex 5; or

(z) any material provision of any Related Document shall for any reason cease to be valid, binding and enforceable in accordance with its terms (or the CGS Originator, the Parent Guarantor or the Seller shall challenge the enforceability of any Related Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Related Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms);

then, and in any such event, the Operating Agent shall, at the request of, or may, with the consent of, the Purchaser or the Collateral Agent, by notice to the Seller, declare the Facility Termination Date to have occurred without demand, protest or further notice of any kind, all of which are hereby expressly waived by the Seller; provided, that the Facility Termination Date shall

automatically occur (i) upon the occurrence of any of the Termination Events described in Sections 9.01(c), (d), (e), (q), (r), (t), (u), or (x) or (ii)

three days after the occurrence of the Termination Event described in Section

9.01(a) (i) if the same shall not have been remedied by such time, in each case

without demand, protest or any notice of any kind, all of which are hereby expressly waived by the Seller.

Section 9.02. Events of Servicer Termination. If any of the

following events (each, an "Event of Servicer Termination") shall occur

(regardless of the reason therefor):

(a) the Servicer shall fail or neglect to perform, keep or observe any provision of this Agreement or the other Related Documents (whether in its capacity as the CGS Originator or the Servicer) and the same shall remain unremedied for three (3) Business Days or more after written notice thereof shall have been given by the Purchaser, the Operating Agent or the Collateral Agent to the Servicer;

(b) any representation or warranty of the Servicer herein or in any other Related Document or in any written statement, report, financial statement or certificate made or delivered by the Servicer to the Purchaser, the Operating Agent or the Collateral Agent hereto or thereto is untrue or incorrect in any material respect as of the date when made or deemed made;

(c) the Operating Agent or the Collateral Agent shall have determined that any event or condition that materially adversely affects the ability of the Servicer to collect the Transferred Receivables or to otherwise perform hereunder has occurred;

(d) a Termination Event shall have occurred or this Agreement shall have been terminated;

(e) a deterioration has taken place in the quality of servicing of Transferred Receivables or other Receivables serviced by the Servicer that either the Operating Agent or the Collateral Agent, each in its sole discretion, determines to be material, and such material deterioration has not been eliminated within 30 days after written notice thereof shall have been given by the Operating Agent or the Collateral Agent to the Servicer;

(f) the Servicer shall assign or purport to assign any of its obligations hereunder or under the CGS Transfer Agreement without the prior written consent of the Operating Agent and the Collateral Agent;

(g) a Change of Control shall have occurred; or

(h) the Seller's board of directors shall have determined that it is in the best interests of the Seller to terminate the duties of the Servicer hereunder and shall have given the Servicer, the Purchaser, the Operating Agent and the Collateral Agent at least 30 days' written notice thereof;

then, and in any such event, the Operating Agent shall, at the request of, or may, with the consent of, the Purchaser or the Collateral Agent, by delivery of a Servicer Termination Notice to the Seller and the Servicer, terminate the servicing responsibilities of the Servicer hereunder, without demand, protest or further notice of any kind, all of which are hereby waived by the Servicer. Upon the delivery of any such notice, all authority and power of the Servicer under this Agreement and the CGS Transfer Agreement shall pass to and be vested in the Successor Servicer acting pursuant to Section 11.02; provided, that

notwithstanding anything to the contrary herein, the Servicer agrees to continue to follow the procedures set forth in Section 7.02 with respect to

Collections on the Transferred Receivables until a Successor Servicer has assumed the responsibilities and obligations of the Servicer in accordance with Section 11.02.

ARTICLE X.

REMEDIES

Section 10.01. Actions Upon Termination Event. If any Termination

Event shall have occurred and be continuing and the Operating Agent shall have declared the Facility Termination Date to have occurred or the Facility Termination Date shall be deemed to have occurred pursuant to Section 9.01, then

the Collateral Agent may exercise in respect of the Seller Collateral, in addition to any and all other rights and remedies granted to it hereunder, under any other Related Document or under any other instrument or agreement securing, evidencing or relating to the Seller Secured Obligations or otherwise available to it, all of the rights and remedies of a secured party upon default under the UCC (such rights and remedies to be cumulative and nonexclusive), and, in addition, may take the following actions:

(a) The Collateral Agent may, without notice to the Seller except as required by law and at any time or from time to time, charge, offset or otherwise apply amounts payable to the Seller from the Collection Account, any Blocked Account, the Retention Account or any part of such accounts in accordance with the priorities set forth in Sections 6.05 and 6.07 against all or any part of the Seller Secured Obligations.

(b) The Collateral Agent may, without notice except as specified below, solicit and accept bids for and sell the Seller Collateral or any part thereof in one or more parcels at public or private sale, at any exchange, broker's board or any of the Purchaser's, Operating Agent's or Collateral Agent's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Collateral Agent may deem commercially reasonable. The Collateral Agent shall have the right to conduct such sales on the Seller's premises or elsewhere and shall have the right to use any of the Seller's premises without charge for such sales at such time or times as the Collateral Agent deems necessary or advisable. The Seller agrees that, to the extent notice of sale shall be required by law, at least ten Business Days' notice to the Seller of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Collateral Agent shall not be obligated to make any sale of Seller Collateral regardless of notice of sale having been given. The Collateral Agent may adjourn any public or private sale from time to time by announcement at the time and place fixed for such sale, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Every such sale shall operate to divest all right, title, interest, claim and demand whatsoever of the Seller in and to the Seller Collateral so sold, and shall be a perpetual bar, both at law and in equity, against the CGS Originator, the Seller, any Person claiming the Seller Collateral sold through the CGS Originator or the Seller, and their respective successors or assigns. The Collateral Agent shall deposit the net proceeds of any such sale in the Collection Account and such proceeds shall be disbursed in accordance with Section 6.05.

(c) Upon the completion of any sale under Section 10.01(b), the

Seller or the Servicer shall deliver or cause to be delivered to the purchaser or purchasers at such sale on the date thereof, or within a reasonable time thereafter if it shall be impracticable to make immediate delivery, all of the Seller Collateral sold on such date, but in any event full title and right of possession to such property shall vest in such purchaser or purchasers upon the completion of such sale. Nevertheless, if so requested by the Collateral Agent or by any such purchaser, the Seller shall confirm any such sale or transfer by executing and delivering to such purchaser all proper instruments of conveyance and transfer and releases as may be designated in any such request.

(d) At any sale under Section 10.01(b), the Purchaser, the Operating

Agent, the Collateral Agent or any other Purchaser Secured Party may bid for and purchase the property offered for sale and, upon compliance with the terms of sale, may hold, retain and dispose of such property without further accountability therefor.

(e) The Collateral Agent may exercise, at the sole cost and expense of the Seller, any and all rights and remedies of the Seller under or in connection with the Seller Assigned Agreements or the other Seller Collateral, including any and all rights of the Seller to demand or otherwise require payment of any amount under, or performance of any provisions of, the Seller Assigned Agreements.

Section 10.02. Exercise of Remedies. No failure or delay on the part

of the Collateral Agent in exercising any right, power or privilege under this Agreement and no course of dealing between the CGS Originator, the Seller, the Servicer or the Operating Agent, on the one hand, and the Collateral Agent, on the other hand, shall operate as a waiver of such right, power or privilege, nor shall any single or partial exercise of any right, power or privilege under this Agreement preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. The rights and remedies under this Agreement are cumulative, may be exercised singly or concurrently, and are not exclusive of any rights or remedies that the Collateral Agent would otherwise have at law or in equity. No notice to or demand on any party hereto shall entitle such party to any other or further notice or demand in similar or other circumstances, or constitute a waiver of the right of the party providing such notice or making such demand to any other or further action in any circumstances without notice or demand.

Section 10.03. Power of Attorney. On the Closing Date, each of the

Seller and the Servicer shall execute and deliver a power of attorney substantially in the form attached hereto as Exhibit 10.03 (each, a "Power of

Attorney"). The power of attorney granted pursuant to each Power of Attorney is

a power coupled with an interest and shall be irrevocable until all of the Seller Secured Obligations are indefeasibly paid or otherwise satisfied in full. The powers conferred on the Collateral Agent under each Power of Attorney are solely to protect the Purchaser's Liens upon and interests in the Seller Collateral and shall not impose any duty upon the Collateral Agent to exercise any such powers. The Collateral Agent shall not be accountable

for any amount other than amounts that it actually receives as a result of the exercise of such powers and none of the Collateral Agent's officers, directors, employees, agents or representatives shall be responsible to the Seller or the Servicer for any act or failure to act, except in respect of damages attributable solely to their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction.

Section 10.04. Continuing Security Interest. This Agreement shall

create a continuing Lien in the Seller Collateral until the conditions to the release of the Liens of the Purchaser and the Collateral Agent thereon set forth in Section 6.07(b) have been satisfied.

ARTICLE XI.

SUCCESSOR SERVICER PROVISIONS

Section 11.01. Servicer Not to Resign. The Servicer shall not

resign from the obligations and duties hereby imposed on it except upon a determination that (a) the performance of its duties hereunder has become impermissible under applicable law or regulation and (b) there is no reasonable action that the Servicer could take to make the performance of its duties hereunder become permissible under applicable law. Any such determination shall (i) with respect to clause (a) above, be evidenced by an opinion of counsel to

such effect and (ii) with respect to clause (b) above, be evidenced by an

Officer's Certificate to such effect, in each case delivered to the Purchaser, the Collateral Agent and the Operating Agent. No such resignation shall become effective until a Successor Servicer shall have assumed the responsibilities and obligations of the Servicer in accordance with Section 11.02.

Section 11.02. Appointment of the Successor Servicer. In

connection with the termination of the Servicer's responsibilities or the resignation by the Servicer under this Agreement pursuant to Sections 9.02 or

11.01, the Operating Agent shall (a) succeed to and assume all of the Servicer's responsibilities, rights, duties and obligations as Servicer (but not in any other capacity, including specifically not the obligations of the Servicer set forth in Section 12.02) under this Agreement (and except that the Operating

Agent makes no representations and warranties pursuant to Section 4.02) and (b)

may at any time appoint a successor servicer to the Servicer that shall be acceptable to the Collateral Agent and shall succeed to all rights and assume all of the responsibilities, duties and liabilities of the Servicer under this Agreement (the Operating Agent, in such capacity, or such successor servicer being referred to as the "Successor Servicer"); provided, that the Successor

Servicer shall have no responsibility for any actions of the Servicer prior to the date of its appointment or assumption of duties as Successor Servicer. In selecting a Successor Servicer, the Operating Agent may obtain bids from any potential Successor Servicer and may agree to any bid it deems appropriate. The Successor Servicer shall accept its appointment by executing, acknowledging and delivering to the Operating Agent and the Collateral Agent an instrument in form and substance acceptable to the Operating Agent and the Collateral Agent.

Section 11.03. Duties of the Servicer. The Servicer covenants and

agrees that, following the appointment of, or assumption of duties by, a
Successor Servicer:

(a) The Servicer shall terminate its activities as Servicer hereunder in a manner that facilitates the transfer of servicing duties to the Successor Servicer and is otherwise acceptable to the Purchaser and the Collateral Agent and, without limiting the generality of the foregoing, shall timely deliver (i) any funds to the Collateral Agent that were required to be remitted to the Collateral Agent for deposit in the Collection Account and (ii) all Servicing Records and other information with respect to the Transferred Receivables to the Successor Servicer at a place selected by the Successor Servicer. The Servicer shall account for all funds and shall execute and deliver such instruments and do such other things as may be required to vest and confirm in the Successor Servicer all rights, powers, duties, responsibilities, obligations and liabilities of the Servicer.

(b) The Servicer shall terminate each existing Sub-Servicing Agreement and the Successor Servicer shall not be deemed to have assumed any of the Servicer's interests therein or to have replaced the Servicer as a party thereto.

Section 11.04. Effect of Termination or Resignation. Any

termination of or resignation by the Servicer hereunder shall not affect any claims that the Seller, the Purchaser, the Operating Agent or the Collateral Agent may have against the Servicer for events or actions taken or not taken by the Servicer arising prior to any such termination or resignation.

ARTICLE XII.

INDEMNIFICATION

Section 12.01. Indemnities by the Seller.

(a) Without limiting any other rights that the Purchaser, the Operating Agent, the Collateral Agent, the Liquidity Agent, any Liquidity Lender, the Letter of Credit Agent or any Letter of Credit Provider or any of their respective officers, directors, employees, attorneys, agents or representatives (each, a "Purchaser Indemnified Person") may have hereunder or

under applicable law, the Seller hereby agrees to indemnify and hold harmless each Purchaser Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such Purchaser Indemnified Person in connection with or arising out of the transactions contemplated under this Agreement or under any other Related Document or any actions or failures to act in connection therewith, including any and all legal costs and expenses arising out of or incurred in connection with disputes between or among any parties to any of the Related Documents; provided, that the Seller shall not be liable for any indemnification to a

Purchaser Indemnified Person to the extent that any such Indemnified Amount (x) results solely from (i) with respect to any Purchaser Indemnified Person other than the Purchaser, such Purchaser Indemnified Person's gross negligence or (ii) with respect to any

Purchaser Indemnified Person, such Purchaser Indemnified Person's willful misconduct, in each case as finally determined by a court of competent jurisdiction, or (y) constitutes recourse for uncollectible or uncollected Transferred Receivables. Without limiting the generality of the foregoing, the Seller shall pay on demand to each Purchaser Indemnified Person any and all Indemnified Amounts relating to or resulting from:

(A) reliance on any representation or warranty made or deemed made by the Seller (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by the Seller pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;

(B) the failure by the Seller to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or the Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation; or

(C) (1) the failure to vest and maintain vested in the Seller or the Purchaser valid and properly perfected title to and sole record and beneficial ownership of the Receivables that constitute Transferred Receivables, together with all Collections in respect thereof, free and clear of any Adverse Claim, (2) the failure to maintain or transfer to the Purchaser a first, priority, perfected Lien in the Seller Collateral and (3) the failure to maintain or transfer to the Collateral Agent a first priority, perfected Lien therein;

(D) any dispute, claim, offset or defense of any Obligor (other than its discharge in bankruptcy or a dispute, claim, offset or defense which is finally determined by a court of competent jurisdiction to be non-meritorious) to the payment of any Transferred Receivable that is the subject of a Purchase hereunder (including a defense based on such Receivable or the Contract therefor not being a legal, valid and binding obligation of such Obligor enforceable against it in accordance with its terms), or any other claim resulting from the sale of the merchandise or services giving rise to such Receivable or the furnishing of or failure to furnish such merchandise or services or relating to collection activities with respect to such Receivable (if such collection activities were performed by Callaway Golf Sales Company or any of its Affiliates acting as the Servicer), except to the extent that such dispute, claim, offset or defense results solely from any action or inaction on the part of any Purchaser Indemnified Person;

(E) any products liability claim or other claim arising out of or in connection with merchandise, insurance or services that is the subject of any Contract with respect to any Transferred Receivable;

(F) the commingling of Collections with respect to Transferred Receivables by the Seller at any time with its other funds or the funds of any other Person; or

(G) any failure by the Seller to cause the filing of, or any delay in filing, financing statements or other similar instruments or documents under the UCC of any applicable jurisdiction or any other applicable laws with respect to any Transferred Receivable that is the subject of a Purchase hereunder, whether at the time of any such Purchase or at any subsequent time.

(b) Any Indemnified Amounts subject to the indemnification provisions of this Section 12.01 not paid in accordance with Article VI shall be -----
paid by the Seller to the Purchaser Indemnified Person entitled thereto within five Business Days following demand therefor.

Section 12.02. Indemnities by the Servicer.

(a) Without limiting any other rights that a Purchaser Indemnified Person may have hereunder or under applicable law, the Servicer hereby agrees to indemnify and hold harmless each Purchaser Indemnified Person from and against any and all Indemnified Amounts that may be claimed or asserted against or incurred by any such Purchaser Indemnified Person in connection with or arising out of any breach by the Servicer of its obligations hereunder or under any other Related Document; provided, that the Servicer shall not be -----

liable for any indemnification to a Purchaser Indemnified Person to the extent that any such Indemnified Amount (x) results solely from (i) with respect to any Purchaser Indemnified Person other than the Purchaser, such Purchaser Indemnified Person's gross negligence or (ii) with respect to any Purchaser Indemnified Person, such Purchaser Indemnified Person's willful misconduct, in each case as finally determined by a court of competent jurisdiction, or (y) constitutes recourse for uncollectible or uncollected Transferred Receivables. Without limiting the generality of the foregoing, the Servicer shall pay on demand to each Purchaser Indemnified Person any and all Indemnified Amounts relating to or resulting from:

(A) reliance on any representation or warranty made or deemed made by the Servicer (or any of its officers) under or in connection with this Agreement or any other Related Document or on any other information delivered by the Servicer pursuant hereto or thereto that shall have been incorrect in any material respect when made or deemed made or delivered;

(B) the failure by the Servicer to comply with any term, provision or covenant contained in this Agreement, any other Related Document or any agreement executed in connection herewith or therewith, any applicable law, rule or regulation with respect to any Transferred Receivable or the Contract therefor, or the nonconformity of any Transferred Receivable or the Contract therefor with any such applicable law, rule or regulation;

(C) the imposition of any Adverse Claim with respect to any Transferred Receivable or the Seller Collateral as a result of any action taken by the Servicer hereunder; or

(D) the commingling of Collections with respect to Transferred Receivables by the Servicer at any time with its other funds or the funds of any other Person.

(b) Any Indemnified Amounts subject to the indemnification provisions of this Section 12.02 not paid in accordance with Article VI shall be -----
paid by the Servicer to the Purchaser Indemnified Person entitled thereto within five Business Days following demand therefor.

Section 12.03. Limitation of Damages; Purchaser Indemnified

Persons. NO PURCHASER INDEMNIFIED PERSON SHALL BE RESPONSIBLE OR LIABLE TO ANY

OTHER PARTY TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT, ANY SUCCESSOR, ASSIGNEE OR THIRD PARTY BENEFICIARY OF SUCH PERSON OR ANY OTHER PERSON ASSERTING CLAIMS DERIVATIVELY THROUGH SUCH PARTY, FOR INDIRECT, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF ANY TRANSACTION CONTEMPLATED HEREUNDER OR THEREUNDER.

ARTICLE XIII.

OPERATING AGENT AND COLLATERAL AGENT

Section 13.01. Authorization and Action. (a) The Operating Agent

may take such action and carry out such functions under this Agreement as are authorized to be performed by it pursuant to the terms of this Agreement, any other Related Document or the Operating Agent Agreement or otherwise contemplated hereby or thereby or are reasonably incidental thereto; provided,

that the duties of the Operating Agent hereunder shall be determined solely by the express provisions of this Agreement, and, other than the duties set forth in Section 13.02, any permissive right of the Operating Agent hereunder shall

not be construed as a duty.

(b) The Collateral Agent may take such action and carry out such functions under this Agreement as are authorized to be performed by it pursuant to the terms of this Agreement, any other Related Document or the Collateral Agent Agreement or otherwise contemplated hereby or thereby or are reasonably incidental thereto; provided, that the duties of the Collateral Agent hereunder

shall be determined solely by the express provisions of this Agreement, and, other than the duties set forth in Section 13.02, any permissive right of the

Collateral Agent hereunder shall not be construed as a duty.

Section 13.02. Reliance. None of the Operating Agent, the

Collateral Agent, any of their respective Affiliates or any of their respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by any of them under or in connection with this Agreement, the other Related Documents or the Program Documents, except for damages solely caused by its or their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction. Without limiting the generality of the foregoing, and notwithstanding any term or provision hereof to the contrary, the Seller, the Servicer and the Purchaser hereby acknowledge and agree that each of the Operating Agent and the Collateral Agent (a) acts as agent hereunder for the Purchaser (and, with respect to the Collateral Agent, the Affected Parties) and has no duties or obligations to, shall incur no liabilities or obligations to, and does not act as an agent in any capacity for, the Seller (other than, with respect to the Collateral Agent, under the Power of Attorney with respect to remedial actions) or the CGS Originator, (b) may consult with legal counsel, independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts, (c) makes no representation or warranty hereunder to any Affected Party and shall not be responsible to any such Person for any statements, representations or warranties made in or in connection with this Agreement, the other Related Documents or the Program Documents, (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement, the other Related Documents or the Program Documents on the part of the Seller, the Servicer or the Purchaser or to inspect the property (including the books and records) of the Seller, the Servicer or the Purchaser, (e) shall not be responsible to the Seller, the Servicer or the Purchaser for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or the other Related Documents or any other instrument or document furnished pursuant hereto or thereto, (f) shall incur no liability under or in respect of this Agreement, the other Related Documents or the Program Documents by acting upon any notice, consent, certificate or other instrument or writing believed by it to be genuine and signed, sent or communicated by the proper party or parties and (g) shall not be bound to make any investigation into the facts or matters stated in any notice or other communication hereunder and may rely on the accuracy of such facts or matters. Notwithstanding the foregoing, each of the Operating Agent and the Collateral Agent acknowledges that it has a duty to transfer funds between and among the Deposit Accounts and the Collection Account, and make investments of funds on deposit in the Retention Account and the Collateral Account, in accordance with Article VI and the instructions of the Servicer.

Section 13.03. GE Capital and Affiliates. GE Capital and its

Affiliates may generally engage in any kind of business with any Obligor, the CGS Originator, the Seller, the Servicer or the Purchaser, any of their respective Affiliates and any Person who may do business with or own securities of such Persons or any of their respective Affiliates, all as if GE Capital were not the Operating Agent or the Collateral Agent and without the duty to account therefor to any Obligor, the CGS Originator, the Seller, the Servicer, the Purchaser or any other Person.

ARTICLE XIV.

MISCELLANEOUS

Section 14.01. Notices. Except as otherwise provided herein,

whenever it is provided herein that any notice, demand, request, consent, approval, declaration or other communication shall or may be given to or served upon any of the parties by any other parties, or whenever any of the parties desires to give or serve upon any other parties any communication with respect to this Agreement, each such notice, demand, request, consent, approval, declaration or other communication shall be in writing and shall be deemed to have been validly served, given or delivered (a) upon the earlier of actual receipt and three Business Days after deposit in the United States Mail, registered or certified mail, return receipt requested, with proper postage prepaid, (b) upon transmission, when sent by facsimile or other similar facsimile transmission (with such facsimile or facsimile promptly confirmed by delivery of a copy by personal delivery or United States Mail as otherwise provided in this Section 14.01), (c) one Business Day after deposit with a

reputable overnight courier with all charges prepaid or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address or facsimile number set forth under its name on the signature page hereof or to such other address (or facsimile number) as may be substituted by notice given as herein provided; provided, that each such

declaration or other communication shall be deemed to have been validly delivered to the Collateral Agent hereunder upon delivery to the Operating Agent in accordance with the terms of this Section 14.01. The giving of any notice

required hereunder may be waived in writing by the party entitled to receive such notice. Failure or delay in delivering copies of any notice, demand, request, consent, approval, declaration or other communication to any Person (other than the Purchaser, the Operating Agent and the Collateral Agent) designated in any written notice provided hereunder to receive copies shall in no way adversely affect the effectiveness of such notice, demand, request, consent, approval, declaration or other communication. Notwithstanding the foregoing, whenever it is provided herein that a notice is to be given to any other party hereto by a specific time, such notice shall only be effective if actually received by such party prior to such time, and if such notice is received after such time or on a day other than a Business Day, such notice shall only be effective on the immediately succeeding Business Day.

Section 14.02. Binding Effect; Assignability. This Agreement

shall be binding upon and inure to the benefit of the Seller, the Servicer, the Purchaser, the Operating Agent and the Collateral Agent and their respective successors and permitted assigns. Neither the Seller nor the Servicer may assign, transfer, hypothecate or otherwise convey any of their respective rights or obligations hereunder or interests herein without the express prior written consent of the Purchaser, the Operating Agent and the Collateral Agent and unless the Rating Agency Condition shall have been satisfied with respect to any such assignment. Any such purported assignment, transfer, hypothecation or other conveyance by the Seller or the Servicer without the prior express written consent of the Purchaser, the Operating Agent and the Collateral Agent shall be void. The Purchaser, the Operating Agent or the Collateral Agent may, at any time, assign any of its rights and obligations hereunder or interests herein to any Person and any such assignee may further assign at any time its rights and obligations hereunder or interests herein (including any

rights it may have in and to the Transferred Receivables and the Seller Collateral and any rights it may have to exercise remedies hereunder), in each case without the consent of the CGS Originator, the Seller or the Servicer. The Seller acknowledges and agrees that, upon any such assignment, the assignee thereof may enforce directly, without joinder of the Purchaser, all of the obligations of the Seller hereunder.

Section 14.03. Termination; Survival of Seller Secured

Obligations Upon Facility Termination Date.

(a) This Agreement shall create and constitute the continuing obligations of the parties hereto in accordance with its terms, and shall remain in full force and effect until the Termination Date.

(b) Except as otherwise expressly provided herein or in any other Related Document, no termination or cancellation (regardless of cause or procedure) of any commitment made by any Affected Party under this Agreement shall in any way affect or impair the obligations, duties and liabilities of the Seller or the rights of any Affected Party relating to any unpaid portion of the Seller Secured Obligations, due or not due, liquidated, contingent or unliquidated or any transaction or event occurring prior to such termination, or any transaction or event, the performance of which is required after the Facility Termination Date. Except as otherwise expressly provided herein or in any other Related Document, all undertakings, agreements, covenants, warranties and representations of or binding upon the Seller or the Servicer, and all rights of any Affected Party hereunder, all as contained in the Related Documents, shall not terminate or expire, but rather shall survive any such termination or cancellation and shall continue in full force and effect until the Termination Date; provided, that the rights and remedies provided for herein

with respect to any breach of any representation or warranty made by the Seller or the Servicer pursuant to Article IV, the indemnification and payment

provisions of Article XII and Sections 14.04, 14.05 and 14.06 shall be

continuing and shall survive the Termination Date.

Section 14.04. Costs, Expenses and Taxes. (a) The Seller shall

reimburse the Purchaser, the Operating Agent and the Collateral Agent for all out-of-pocket expenses incurred in connection with the negotiation and preparation of this Agreement and the other Related Documents (including the reasonable fees and expenses of all of its special counsel, advisors, consultants and auditors retained in connection with the transactions contemplated thereby and advice in connection therewith). The Seller shall reimburse the Purchaser, the Operating Agent and the Collateral Agent for all fees, costs and expenses, including the fees, costs and expenses of counsel or other advisors (including environmental and management consultants and appraisers) for advice, assistance, or other representation in connection with:

(i) the forwarding to the Seller or any other Person on behalf of the Seller by the Purchaser of any payments for Purchases made by it hereunder;

(ii) any amendment, modification or waiver of, consent with respect to, or termination of this Agreement or any of the other Related Documents or advice in connection with the administration thereof or their respective rights hereunder or thereunder;

(iii) any Litigation, contest or dispute (whether instituted by the Seller, the Purchaser, the Operating Agent, the Collateral Agent or any other Person as a party, witness, or otherwise) in any way relating to the Seller Collateral, any of the Related Documents or any other agreement to be executed or delivered in connection herewith or therewith, including any Litigation, contest, dispute, suit, case, proceeding or action, and any appeal or review thereof, in connection with a case commenced by or against the Seller or any other Person that may be obligated to the Purchaser, the Operating Agent or the Collateral Agent by virtue of the Related Documents, including any such Litigation, contest, dispute, suit, proceeding or action arising in connection with any work-out or restructuring of the transactions contemplated hereby during the pendency of one or more Termination Events;

(iv) any attempt to enforce any remedies of the Purchaser, the Operating Agent or the Collateral Agent against the Seller or any other Person that may be obligated to them by virtue of any of the Related Documents, including any such attempt to enforce any such remedies in the course of any work-out or restructuring of the transactions contemplated hereby during the pendency of one or more Termination Events;

(v) any work-out or restructuring of the transactions contemplated hereby during the pendency of one or more Termination Events; and

(vi) efforts to (A) monitor the Purchases or any of the Seller Secured Obligations, (B) evaluate, observe or assess the CGS Originator, the Seller or the Servicer or their respective affairs, and (C) verify, protect, evaluate, assess, appraise, collect, sell, liquidate or otherwise dispose of any of the Seller Collateral;

including all attorneys' and other professional and service providers' fees arising from such services, including those in connection with any appellate proceedings, and all expenses, costs, charges and other fees incurred by such counsel and others in connection with or relating to any of the events or actions described in this Section 14.04, all of which shall be payable, on

demand, by the Seller to the Purchaser, the Operating Agent or the Collateral Agent, as applicable. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: fees, costs and expenses of accountants, environmental advisors, appraisers, investment bankers, management and other consultants and paralegals; court costs and expenses; photocopying and duplication expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram or facsimile charges; secretarial overtime

charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal or other advisory services.

(b) In addition, the Seller shall pay on demand any and all stamp, sales, excise and other taxes (excluding income taxes) and fees payable or determined to be payable in connection with the execution, delivery, filing or recording of this Agreement or any other Related Document, and the Seller agrees to indemnify and save each Purchaser Indemnified Person harmless from and against any and all liabilities with respect to or resulting from any delay or failure to pay such taxes and fees.

Section 14.05. Confidentiality.

(a) Except to the extent otherwise required by applicable law, as required to be filed publicly with the Securities and Exchange Commission, or unless the Operating Agent shall otherwise consent in writing, the Seller and the Servicer agree to maintain the confidentiality of this Agreement (and all drafts hereof and documents ancillary hereto) in its communications with third parties other than any Affected Party or any Purchaser Indemnified Person and otherwise and not to disclose, deliver or otherwise make available to any third party (other than its directors, officers, employees, accountants or counsel) the original or any copy of all or any part of this Agreement (or any draft hereof and documents ancillary hereto) except to an Affected Party or a Purchaser Indemnified Person.

(b) The Seller and the Servicer each agree that it shall not (and shall not permit any of its Subsidiaries to) issue any news release or make any public announcement pertaining to the transactions contemplated by this Agreement and the other Related Documents without the prior written consent of the Purchaser and the Operating Agent (which consent shall not be unreasonably withheld) unless such news release or public announcement is required by law, in which case the Seller or the Servicer, as applicable, shall consult with the Purchaser and the Operating Agent prior to the issuance of such news release or public announcement. The Seller may, however, disclose the general terms of the transactions contemplated by this Agreement and the other Related Documents to trade creditors, suppliers and other similarly-situated Persons so long as such disclosure is not in the form of a news release or public announcement.

Section 14.06. No Proceedings. Each of the Seller and the

Servicer hereby agrees that, from and after the Closing Date and until the date one year plus one day following the date on which the Commercial Paper with the latest maturity has been indefeasibly paid in full in cash, it will not, directly or indirectly, institute or cause to be instituted against the Purchaser any proceeding of the type referred to in Sections 9.01(c) and

9.01(d).

Section 14.07. Complete Agreement; Modification of Agreement;

Intercreditor Agreement. This Agreement and the other Related Documents

constitute the complete agreement among the parties hereto with respect to the subject matter hereof and thereof, supersede all prior agreements and understandings relating to the subject matter hereof and thereof, and may not be

modified, altered or amended except as set forth in Section 14.08. The rights of the Purchaser, the Operating Agent and the Collateral Agent hereunder and under the other Related Documents with respect to the "Lenders" and the "Agent" party to the Credit Facility are subject to the terms of the Intercreditor Agreement to the extent provided therein.

Section 14.08. Amendments and Waivers. No amendment,

modification, termination or waiver of any provision of this Agreement or any of the other Related Documents, or any consent to any departure by the Seller or the Servicer therefrom, shall in any event be effective unless the same shall be in writing and signed by each of the parties hereto or thereto provided, that (i) the Operating Agent shall notify each of the Rating Agencies concurrently with the execution of any amendment to any provision of this Agreement or any of the other Related Documents, and (ii) it shall be a condition precedent to the effectiveness of any material amendment to any provision of this Agreement or any of the other Related Documents that the Rating Agency Condition shall have been satisfied in respect thereof.

Section 14.09. No Waiver; Remedies. The failure by the Purchaser,

the Operating Agent or the Collateral Agent, at any time or times, to require strict performance by the Seller or the Servicer of any provision of this Agreement or the Purchase Assignment shall not waive, affect or diminish any right of the Purchaser, the Operating Agent or the Collateral Agent thereafter to demand strict compliance and performance herewith or therewith. Any suspension or waiver of any breach or default hereunder shall not suspend, waive or affect any other breach or default whether the same is prior or subsequent thereto and whether the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of the Seller or the Servicer contained in this Agreement or any Purchase Assignment, and no breach or default by the Seller or the Servicer hereunder or thereunder, shall be deemed to have been suspended or waived by the Purchaser, the Operating Agent or the Collateral Agent unless such waiver or suspension is by an instrument in writing signed by an officer of or other duly authorized signatory of the Purchaser, the Operating Agent and the Collateral Agent and directed to the Seller or the Servicer, as applicable, specifying such suspension or waiver. The rights and remedies of the Purchaser, the Operating Agent and the Collateral Agent under this Agreement shall be cumulative and nonexclusive of any other rights and remedies that the Purchaser, the Operating Agent and the Collateral Agent may have under any other agreement, including the other Related Documents, by operation of law or otherwise. Recourse to the Seller Collateral shall not be required.

SECTION 14.10. GOVERNING LAW; CONSENT TO JURISDICTION; WAIVER OF

JURY TRIAL.

(A) THIS AGREEMENT AND EACH OTHER RELATED DOCUMENT (EXCEPT TO THE EXTENT THAT ANY RELATED DOCUMENT EXPRESSLY PROVIDES TO THE CONTRARY) AND THE OBLIGATIONS ARISING HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS, INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, BE GOVERNED BY, AND

CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAW PROVISIONS THEREOF) AND ANY APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

(B) EACH PARTY HERETO HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN THE BOROUGH OF MANHATTAN IN NEW YORK CITY SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN THEM PERTAINING TO THIS AGREEMENT OR TO ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT; PROVIDED, THAT EACH

PARTY HERETO ACKNOWLEDGES THAT ANY APPEALS FROM THOSE COURTS MAY HAVE TO BE HEARD BY A COURT LOCATED OUTSIDE OF THE BOROUGH OF MANHATTAN IN NEW YORK CITY; PROVIDED FURTHER, THAT NOTHING IN THIS AGREEMENT SHALL BE DEEMED OR OPERATE TO

PRECLUDE THE PURCHASER, THE OPERATING AGENT OR THE COLLATERAL AGENT FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO REALIZE ON THE SELLER COLLATERAL OR ANY OTHER SECURITY FOR THE SELLER SECURED OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE PURCHASER, THE OPERATING AGENT OR THE COLLATERAL AGENT. EACH PARTY HERETO SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH PARTY HERETO HEREBY WAIVES ANY OBJECTION THAT SUCH PARTY MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS AND HEREBY CONSENTS TO THE GRANTING OF SUCH LEGAL

OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT. EACH PARTY HERETO HEREBY WAIVES PERSONAL SERVICE OF THE SUMMONS, COMPLAINT AND OTHER PROCESS ISSUED IN ANY SUCH ACTION OR SUIT AND AGREES THAT SERVICE OF SUCH SUMMONS, COMPLAINT AND OTHER PROCESS MAY BE MADE BY REGISTERED OR CERTIFIED MAIL ADDRESSED TO SUCH PARTY AT THE ADDRESS SET FORTH BENEATH ITS NAME ON THE SIGNATURE PAGES HEREOF AND THAT SERVICE SO MADE SHALL BE DEEMED COMPLETED UPON THE EARLIER OF SUCH PARTY'S ACTUAL RECEIPT THEREOF OR THREE DAYS AFTER DEPOSIT IN THE UNITED STATES MAIL, PROPER POSTAGE PREPAID. NOTHING IN THIS SECTION SHALL AFFECT THE RIGHT OF ANY PARTY HERETO TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

(C) BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND

THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS. THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER SOUNDING IN CONTRACT, TORT OR OTHERWISE, ARISING OUT OF, CONNECTED WITH, RELATED TO, OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED AMONG THEM IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

Section 14.11. Counterparts. This Agreement may be executed in

any number of separate counterparts, each of which shall collectively and separately constitute one agreement.

Section 14.12. Severability. Wherever possible, each provision of

this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law, but if any provision of this Agreement shall be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity without invalidating the remainder of such provision or the remaining provisions of this Agreement.

Section 14.13. Section Titles. The section titles and table of

contents contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the agreement between the parties hereto.

Section 14.14. Limited Recourse. The obligations of the Purchaser

under this Agreement and all Related Documents are solely the corporate obligations of the Purchaser. No recourse shall be had for the payment of any amount owing in respect of Purchases or for the payment of any fee hereunder or any other obligation or claim arising out of or based upon this Agreement or any other Related Document against any Stockholder, employee, officer, director, agent or incorporator of the Purchaser. Any accrued obligations owing by the Purchaser under this Agreement shall be payable by the Purchaser solely to the extent that funds are available therefor from time to time in accordance with the provisions of Article VI of the Collateral Agent Agreement and Article VI of

this Agreement (and such accrued obligations shall not be extinguished until paid in full).

Section 14.15. Further Assurances.

(a) Each of the Seller and the Servicer shall, at its sole cost and expense, upon request of the Purchaser, the Operating Agent or the Collateral Agent, promptly and duly execute and deliver any and all further instruments and documents and take such further action that may be necessary or desirable or that the Purchaser, the Operating Agent or the Collateral Agent may request to (i) perfect, protect, preserve, continue and maintain fully the Purchases made and the

right, title and interests (including Liens) granted to the Purchaser under this Agreement, (ii) enable the Purchaser, the Operating Agent or the Collateral Agent to exercise and enforce its rights under this Agreement, any of the other Related Documents or the Collateral Agent Agreement or (iii) otherwise carry out more effectively the provisions and purposes of this Agreement or any other Related Document. Without limiting the generality of the foregoing, the Seller shall, upon request of the Purchaser, the Operating Agent or the Collateral Agent, (A) execute and file such financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices that may be necessary or desirable or that the Purchaser, the Operating Agent or the Collateral Agent may request to perfect, protect and preserve the Purchases made and the Liens granted pursuant to this Agreement, free and clear of all Adverse Claims, (B) mark, or cause the Servicer to mark, each Contract evidencing each Transferred Receivable with a legend, acceptable to the Purchaser, the Operating Agent and the Collateral Agent evidencing that the Purchaser has purchased all right and title thereto and interest therein as provided herein, (C) mark, or cause the Servicer to mark, its master data processing records evidencing such Transferred Receivables with such a legend and (D) notify or cause the Servicer to notify Obligors of the transfer of Transferred Receivables effected hereunder.

(b) Without limiting the generality of the foregoing, the Seller hereby authorizes the Purchaser and the Collateral Agent, and the Purchaser hereby authorizes the Collateral Agent, to file one or more financing or continuation statements, or amendments thereto or assignments thereof, relating to all or any part of the Transferred Receivables, including Collections with respect thereto, or the Seller Collateral without the signature of the Seller or, as applicable, the Purchaser to the extent permitted by applicable law. A carbon, photographic or other reproduction of this Agreement or of any notice or financing statement covering the Transferred Receivables, the Seller Collateral or any part thereof shall be sufficient as a notice or financing statement where permitted by law.

IN WITNESS WHEREOF, the parties have caused this Receivables Purchase and Servicing Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

GOLF FUNDING CORPORATION

By /s/ David A. Rane

Name _____
Title _____

Address:

2285 Rutherford Road
Carlsbad, California 92008
Attention: President

REDWOOD RECEIVABLES CORPORATION

By /s/ David A. Rane

Name _____
Assistant Secretary

Address:

c/o General Electric Capital Corporation
3001 Summer Street, 2nd Floor
Stamford, Connecticut 06927
Telephone: (203) 961-5488
Facsimile: (203) 961-2953

CALLAWAY GOLF SALES COMPANY

By /s/ David A. Rane

Name _____
Title _____

Address:

2285 Rutherford Road
Carlsbad, California 92008
Attention: President
Telecopy: (760) 929-8120

GENERAL ELECTRIC CAPITAL CORPORATION,
as Operating Agent and Collateral Agent

By /s/ Denis M. Creeden

Name

Duly Authorized Signatory

Address:

201 High Ridge Road
Stamford, Connecticut 06927
Attention: Vice President - Portfolio/Callaway
Telephone: (203) 316-7607
Facsimile: (203) 316-7821