

# **GOLFSMITH INTERNATIONAL HOLDINGS, INC.**

## **CODE OF BUSINESS CONDUCT AND ETHICS**

**for**

### **DIRECTORS, OFFICERS AND EMPLOYEES**

Golfsmith International Holdings, Inc. (together with its subsidiaries, “Golfsmith”) is committed to the highest standards of legal and ethical business conduct. This Code of Business Conduct and Ethics (the “Code”) summarizes the legal, ethical and regulatory standards that Golfsmith must follow and is a reminder to our directors, officers and employees, of the seriousness of that commitment. Compliance with this Code and high standards of business conduct is mandatory for every Golfsmith employee.

#### **INTRODUCTION**

Our business is becoming increasingly complex, both in terms of the products and services we provide and the laws with which we must comply. To help our directors, officers and employees understand what is expected of them and to carry out their responsibilities, we have created this Code.

This Code is not intended to be a comprehensive guide to all of our policies or to all your responsibilities under law or regulation. It provides general parameters to help you resolve the ethical and legal issues you encounter in conducting our business. You should think of this Code as a guideline, or a minimum requirement, that must always be followed. If you have any questions about anything in the Code or appropriate actions in light of the Code, you may contact the Golfsmith’s Human Resources Department (“Human Resources”) or Golfsmith’s General Counsel (the “General Counsel”).

We expect each of our directors, officers and employees to read and become familiar with the ethical standards described in this Code and to affirm your agreement to adhere to these standards by signing the Compliance Certificate that appears as Exhibit A to this Code. Violations of the law, our corporate policies, or this Code may lead to disciplinary action, including dismissal.

#### **I. WE INSIST ON HONEST AND ETHICAL CONDUCT BY ALL OF OUR DIRECTORS, OFFICERS, EMPLOYEES AND OTHER REPRESENTATIVES**

We have built our business based on excellence in products and services; not only quality products and services for our customers, but also quality employees and representatives who adhere to the very highest standards of honesty, ethics and fairness in our dealings with all of our business contacts. We place the highest value on the integrity of our directors, our officers and our employees and demand this level of integrity in all our dealings. We insist on not only ethical dealings with others, but on the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

When faced with a business decision with ethical implications, each director, officer or employee should ask himself or herself the following questions:

- Would my actions inspire trust?
- Are my actions legal? If legal, are they also ethical? Are my actions fair and honest in every respect?
- Is anyone's life, health or safety endangered by this action?
- Can I defend this action with a clear conscience before my supervisor, fellow employees and the general public?
- Would my supervisor act this way? Would it be helpful to ask my supervisor about this matter before I act?
- Would I want my actions reported in the newspaper?

### Fair Dealing

Each director, officer and employee should deal honestly and fairly with Golfsmith's customers, suppliers, competitors and employees. No director, officer or employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair-dealing practice.

Although sales are the lifeblood of any organization, we market our products, services and technologies fairly and vigorously based on our honesty, creativity and ingenuity and the proven quality and reliability of the products. Effectively serving our stockholders and customers is our most important goal — in the eyes of the customer you are Golfsmith. In our dealings with customers and suppliers, we:

- prohibit bribes, kickbacks or any other form of improper payment, direct or indirect, to any representative of government, labor union, customer or supplier in order to obtain a contract, some other commercial benefit or government action;
- prohibit our directors, officers and employees from accepting any bribe, kickback or improper payment from anyone;
- require clear and precise communication in our contracts, our advertising, our literature, and our other public statements and seek to eliminate misstatement of fact or misleading impressions;
- reflect accurately on all invoices to customers the sale price and terms of sales for products sold or services rendered;
- protect all proprietary data our customers or suppliers provide to us as reflected in our agreements with them; and

- prohibit our representatives from otherwise taking unfair advantage of our customers or suppliers, or other third parties, through manipulation, concealment, abuse of privileged information or any other unfair-dealing practice.

### Conflicts of Interest

A conflict of interest occurs when a director's, officer's, or employee's private interest interferes, or even appears to interfere, in any way with the interests of Golfsmith as a whole.

Our directors, officers and employees must avoid any activity that may involve, or may appear to involve, a conflict of interest between their personal interests and the interests of Golfsmith. In particular, without the specific permission of our Board of Directors, no director, officer or employee shall:

- be a consultant to, or a director, officer or employee of, or otherwise operate an outside business, unless otherwise approved by the General Counsel, that:
  - markets products or services in competition with our current or potential products and services,
  - supplies products or services to Golfsmith,
  - purchases products or services from Golfsmith, or
  - has any financial interest, including significant stock ownership, in any entity with which we do business that might create or give the appearance of a conflict of interest;
- seek or accept any personal loan or services from any entity with which we do business, except from financial institutions or service providers offering similar loans or services to third parties under similar terms in the ordinary course of their respective businesses;
- be a consultant to, or a director, officer or employee of, or otherwise operate an outside business if the demands of the outside business would interfere with the director's, officer's or employee's responsibilities to us, unless otherwise approved by the General Counsel (if in doubt, consult your supervisor);
- accept any personal loan or guarantee of obligations from Golfsmith, except to the extent such arrangements are legally permissible; or
- conduct business on behalf of Golfsmith with immediate family members, which include spouses, children, parents, siblings and persons sharing the same home whether or not legal relatives.

If a director, officer or employee considers undertaking any transaction or relationship that reasonably could be expected to give rise to an actual or apparent conflict between him or her and Golfsmith or in his or her personal or professional relationship, the director, officer or employee must disclose such activity in advance to either Human Resources of the General

Counsel. Disclosure of any potential conflict is the key to remaining in full compliance with this policy.

### Corporate Opportunities

Directors, officers and employees of Golfsmith are prohibited from engaging in the following corporate opportunities:

- taking for themselves personally opportunities that are discovered through the use of Golfsmith property, information or position;
- using Golfsmith property, information or position for personal gain; and
- competing with Golfsmith.

Directors, officers and employees owe a duty to Golfsmith to advance Golfsmith's legitimate interests when the opportunity to do so arises.

### Inside Information

Directors, officers and employees of Golfsmith who are aware of material, nonpublic information may not, directly or through family members or other persons or entities, buy or sell securities of (i) Golfsmith or (ii) any other company if the director, officer or employee is aware of material, nonpublic information about that company obtained in the course of his or her employment with or engagement by Golfsmith.

If family or friends of a director, officer or employee asks for advice about buying or selling Golfsmith's stock, such director, officer or employee should not provide any advice. Federal law and Golfsmith's policy prohibits any director, officer or employee from "tipping" others (e.g., family or friends) regarding material, non-public information that such director, officer or employee learns about Golfsmith or other publicly-traded company in the course of employment.

For additional information, directors, officers and employees should refer to Golfsmith's Policy on the Prevention of Insider Trading. Directors, officers and employees who have any questions about specific securities transactions should obtain additional guidance in advance of the transactions from the General Counsel.

### Confidential Information

Our directors, officers and employees are entrusted with our confidential information and with the confidential information of our suppliers, customers or other business partners. Such confidential information includes all non-public information that might be of use to Golfsmith's competitors, or harmful to Golfsmith or Golfsmith's customers, if disclosed. Examples of this information include: (1) technical information about current and future products, services or research; (2) business or marketing plans or projections; (3) earnings and other internal financial data; (4) personnel information; (5) supplier and customer lists; and (6) all other non-public information that, if disclosed, might be of use to our competitors, or harmful to our suppliers,

customers or other business partners. This information is our property, or the property of our suppliers, customers or business partners, and in many cases was developed at great expense.

To protect this information, it is Golfsmith's policy that:

- confidential information of Golfsmith should be disclosed within Golfsmith only on a need-to-know basis;
- confidential information of Golfsmith or of other parties should be held in secure locations accessible only to personnel on a need-to-know basis;
- confidential information of Golfsmith (paper or electronic) must be marked with additional handling instructions as designated by Golfsmith;
- confidential information of Golfsmith should be disclosed outside Golfsmith only when required by law or when necessary to further Golfsmith's business activities and in accordance with Golfsmith's disclosure guidelines.

#### Use and Protection of Corporate Assets

Golfsmith's assets are to be used only for the legitimate business purposes of Golfsmith and only by authorized employees or their designees. This includes both tangible and intangible assets.

Examples of tangible assets include equipment such as computers, supplies, vehicles, telephones, copy machines and furniture. Examples of intangible assets include intellectual property such as pending patent information, trade secrets or other confidential or proprietary information (whether in printed or electronic form). All electronic media and communication systems, including Golfsmith's electronic mail (e-mail) system, internet access and voice mail are Golfsmith's assets and are to be used for appropriate business purposes only.

Directors, officers and employees are responsible for ensuring the appropriate measures are taken to assure that Golfsmith's assets are properly protected. In addition, directors, officers and employees should take appropriate measures to ensure the efficient use of Golfsmith's assets, since theft, carelessness and waste have a direct impact on Golfsmith's profitability.

#### Gifts and Business Courtesies

Other than gifts or other business courtesies of a nominal value, neither directors, officers or employees nor their relatives may give or receive gifts or other business courtesies to or from customers, suppliers, vendors or other business partners. Even if the gift or other business courtesy is less than nominal value, directors, officers and employees should only accept such a gift or other business courtesy if it is consistent with common business practice. Any offer to an employee, officer or director of a gift or other business courtesy that exceeds nominal value, or that seems inconsistent with common business practices, should be immediately referred to the General Counsel.

Employees, officers and directors may offer or accept reasonable and appropriate business meals or entertainment, provided that the activity has a clear business purpose. Such activity shall not involve excessive expenditures. The guidelines for reasonable and appropriate activities shall be normal industry practice in your locality consistent with local legal requirements. While the gift value described above does not strictly apply in the case of meals and entertainment, those limitations are an indication of the reasonableness of the meals or entertainment.

## **II. WE PROVIDE FULL, FAIR, ACCURATE, TIMELY AND UNDERSTANDABLE DISCLOSURE**

We are committed to providing our stockholders and investors with full, fair, accurate, timely and understandable disclosure in the reports that we file with the Securities and Exchange Commission. To this end, our directors, officers and employees shall, within their respective field of responsibility:

- not make false or misleading entries in our books and records for any reason;
- not condone any undisclosed or unrecorded bank accounts or assets established for any purpose;
- comply with generally accepted accounting principles at all times;
- notify our Chief Financial Officer if there is an unreported transaction;
- maintain a system of internal accounting controls that will provide reasonable assurances to management that all transactions are properly recorded;
- maintain books and records that accurately and fairly reflect our transactions;
- prohibit the establishment of any undisclosed or unrecorded funds or assets;
- maintain a system of internal controls that will provide reasonable assurances to our management that material information about Golfsmith is made known to management, particularly during the periods in which our periodic reports are being prepared;
- present information in a clear and orderly manner and avoid the use of unnecessary legal and financial language in our periodic reports; and
- not communicate to the public any nonpublic information except through, or as approved by, our Chief Financial Officer, Chief Executive Officer or Investor Relations Officer, if any.

## **III. WE COMPLY WITH ALL LAWS, RULES AND REGULATIONS**

We will comply with both the letter and spirit of all U.S. and non-U.S. laws, rules and regulations applicable in the country, state and local jurisdiction where Golfsmith conducts

business and expect all of our directors, officers and employees to obey the law. Specifically, we are committed to:

- maintaining a safe and healthy work environment;
- promoting a workplace that is free from discrimination or harassment based on race, color, religion, sex, age, national origin, disability or other factors that are unrelated to Golfsmith's business interests;
- supporting fair competition and laws prohibiting restraints of trade and other unfair trade practices;
- conducting our activities in full compliance with all applicable environmental laws;
- prohibiting any insider trading;
- keeping the political activities of our directors, officers and employees separate from our business;
- prohibiting any illegal payments, gifts, or gratuities to any government officials or political party;
- prohibiting the unauthorized use, reproduction, or distribution of any third party's trade secrets, copyrighted information or confidential information;
- complying with all applicable state and federal securities laws or any provisions of applicable state or federal law relating to fraud against stockholders;
- not tolerating any behavior that could constitute securities fraud, mail fraud, bank fraud, or wire fraud; and
- prohibiting the sale or export, either directly or through our representatives, of our products to countries where technology related goods such as ours may not be sold.

#### Antitrust Matters

Antitrust laws are intended to protect and promote free and fair competition. These laws apply to all U.S. and some non-U.S. transactions by businesses in the United States. Therefore, directors, officers and employees should not exchange information with competitors regarding prices or market share and should refrain from exchanging other information that could be construed as a violation of antitrust laws.

The following agreements and arrangements are among those that constitute violations of applicable laws and must not be engaged in under any circumstances:

- agreements with competitors to fix prices or any other terms and conditions of sale;
- agreements with competitors to boycott specified suppliers or customers;

- agreements with competitors to allocate products, territories or markets, or to limit the production or sale of products or product lines;
- agreements with customers to fix resale prices; and
- any behavior which can be construed as an attempt to monopolize.

A violation of antitrust laws is a serious offense. In the United States, it is not uncommon for individuals to be criminally prosecuted. Directors, officers and employees should report to the General Counsel any instance in which such discussions are initiated by other companies.

### Government Investigations

It is the policy of Golfsmith to fully cooperate with any appropriate government investigation. If a director, officer or employee learns about a possible government investigation or inquiry, he or she should inform the General Counsel immediately.

Golfsmith prohibits any director, officer or employee from altering, destroying, mutilating or concealing a record, document, or other object, or attempting to do so, with the intent to impair the object's integrity or availability for use in an official proceeding. Golfsmith prohibits any director, officer or employee from otherwise obstructing, influencing or impeding any official proceeding, including any attempts to do so.

## **IV. WAIVERS OF THE CODE**

From time to time, Golfsmith may waive some provisions of this Code. Any waiver of the Code in respect of directors, officers or employees must be made by the General Counsel and must be promptly disclosed as required by the rules of Nasdaq. In determining whether to waive any of the provisions of this Code, the General Counsel will consider whether the proposed waiver: (i) is prohibited by this Code; (ii) is consistent with ethical and honest conduct; and (iii) would result in a conflict of interest.

## **V. MONITORING AND ENFORCEMENT OF THE CODE**

Compliance with the Code is, first and foremost, the individual responsibility of every director, officer and employee. We attempt to foster a work environment in which ethical issues and concerns may be raised and discussed with supervisors or with others without the fear of retribution. It is our responsibility to provide a system of reporting and access when you wish to report a suspected violation, or to seek counseling, and the normal chain of command cannot, for whatever reason, be used.

### Administration

Our Board of Directors has established the standards of business conduct contained in this Code and oversee compliance with this Code. Training on this Code will be included in the orientation of new employees and provided to existing directors, officers, and employees on an

on-going basis. To ensure familiarity with the Code, directors, officers, and employees will be asked to read the Code and sign a Compliance Certificate annually.

### Reporting Violations and Questions

Directors, officers, and employees must report, in person or in writing, any known or suspected violations of laws, governmental regulations or the Code, to Human Resources, the General Counsel or any member of the Audit Committee. Additionally, directors, officers, and employees may contact Human Resources or the General Counsel with a question or concern about the Code or a business practice. Any questions or violation reports will be addressed immediately and seriously, and can be made anonymously. If you feel uncomfortable reporting suspected violations to these individuals, you may report matters to LP Innovations, Inc., an independent business abuse hotline.

It is not sufficient to report a suspected violation of the Code to a co-worker or to any person other than one of the individuals designated above.

Upon receipt of a complaint under the Code, Golfsmith will investigate the complaint and will involve agencies and resources outside Golfsmith if and/or when such outside involvement appears advisable or necessary. The report and investigation will be kept confidential to the extent consistent with the need for a thorough investigation and response and taking into consideration Golfsmith's disclosure obligations and requirements.

### Consequences of a Violation

If it is determined that a director, officer or employee of Golfsmith has violated the Code, Golfsmith will take appropriate action including, but not limited to, disciplinary action, up to and including termination of employment. Such action shall be reasonably designed to deter wrongdoing and to promote accountability for adherence to this Code. In determining what action is appropriate in a particular case, the Board of Directors or such designee shall take into account all relevant information, including the nature and severity of the violation, whether the violation was intentional or inadvertent, the extent of the likely damage to Golfsmith and its stockholders resulting from the violation and whether the individual has committed previous violations of this Code or other corporate policy concerning ethical behavior. The Board of Directors shall provide a written notice to the individual involved in the violation stating that the Board of Directors or such designee has determined that there has been a violation and indicating the action to be taken by the Board of Directors against the individual. If it is determined that a non-employee (including any contractor, subcontractor, or other agent) has violated the Code, Golfsmith will take appropriate corrective action, which could include severing the contractor, subcontractor, or agency relationship. In either event, Golfsmith will take necessary corrective action reasonably calculated to address and to correct the alleged violation.

Violations of the rules and policies of conduct set forth in this Code may result in one or more of the following disciplinary actions, as appropriate:

- a warning;
- a reprimand (noted in the employee's personnel record);

- probation;
- demotion;
- temporary suspension;
- required reimbursement of losses or damages;
- termination of employment; and/or
- referral for criminal prosecution or civil action.

Disciplinary measures may apply to any supervisor who directs or approves such violations, or has knowledge of them and does not promptly correct them.

We will not allow any retaliation against a director, officer or employee who acts in good faith in reporting any violation

Golfsmith is committed to maintaining an environment in which people feel free to report all suspected incidents of inaccurate financial reporting or fraud. In no event will any action be taken against an employee for making a complaint or reporting, in good faith, known or suspected violations of Golfsmith's policy. Such employee will not lose his or her job for refusing an order he or she reasonably believes would violate the provisions of the Code, and any retaliation against such employee is prohibited.

No director, officer, employee or representative of Golfsmith may, or may cause Golfsmith to, take any retaliatory action (such as, discharge, demote, suspend, threaten, harass or in any other manner discriminate against an employee in the terms and conditions of employment, or interfere with the livelihood of any person) with respect to employees who:

- provide information or assist in investigations of securities law violations;
- file, testify, participate in, or otherwise assist in proceedings (including private actions) filed or about to be filed (with any knowledge of the employer) involving alleged violations of the securities laws or regulations or of securities fraud; or
- provides to a law enforcement officer any truthful information relating to the commission or possible commission of any offense under the laws of the United States.

Any report by any director, officer or employee will be kept confidential to the extent permitted by applicable laws and regulations and Golfsmith's ability to address such concerns. In certain instances, the identity of the reporting director, officer or employee may be provided to those persons involved in the investigation.

Last amended: June 12, 2006

**Compliance Certificate**