

MATERIAL CHANGE REPORT

1. **Reporting Issuer:**

Nevada Bob's Golf Inc. ("Nevada Bob's" or the "Company")

2. **Date of Material Change:**

May 16, 2000

3. **News Release**

A press release disclosing the details outlined in this Material Change Report was issued by Nevada Bob's from Calgary, Alberta on May 16, 2000 and disseminated through the facilities of Canada NewsWire and would have been received by the securities commissions where Nevada Bob's is a "reporting issuer" in the normal course of its dissemination.

4. **Summary of Material Change:**

Birdie Private Placement

Birdie Holdings Ltd. ("Birdie") has entered into a binding agreement with the Company dated May 16, 2000 whereby it has agreed to invest cash into the Company in the amount of US\$5,000,000 in exchange for a convertible debenture of the Company (the "Birdie Debenture"). A portion of these proceeds shall be applied against the Company's term debt to Foothill Capital Corporation ("Foothill"). The Birdie Debenture shall be secured, to the fullest extent possible, by certain of the Company's intellectual property assets. The Birdie Debenture is convertible into common shares of the Company on or before a certain date.

Duncan Private Placement

Duncan Holdings, Inc. ("Duncan") has entered into a binding agreement with the Company dated May 16, 2000 whereby it has agreed to invest cash into the Company in the amount of US\$5,000,000 in exchange for a convertible debenture of the Company (the "Duncan Debenture"). The Duncan Debenture is convertible into common shares of the Company on or before a certain date. In addition, Duncan has agreed to exchange certain subordinated notes receivable of Nevada Bob's held by it, totaling US \$16,630,000 (the "Duncan Notes Receivable"), for common shares of the Company.

Acquisition of Birdie

Nevada Bob's, Birdie and all of Birdie's shareholders (the "Birdie Shareholders") have entered into a binding agreement dated May 16, 2000 whereby Nevada Bob's agrees to acquire from the Birdie Shareholders all of Birdie's shares. In consideration of their Birdie Shares, Nevada Bob's shall issue to the Birdie Shareholders that number of Nevada Bob's common shares that results in the Birdie Shareholders holding fifty (50%) percent (or some lesser percentage as mutually agreed to by the parties to this agreement and subject to a fairness opinion to be received) of the number of Nevada Bob's shares issued and outstanding after the completion of the Birdie acquisition.

The granting of the Birdie Debenture and the Duncan Debenture are subject to certain conditions precedent, including the consent of the Company's secured lenders. The conversion transactions whereby the Birdie Debenture, the Duncan Debenture and the Duncan Notes Receivable are to be converted into Nevada Bob's shares, as well as the Birdie acquisition, are each subject to certain conditions precedent, including regulatory, stock exchange and shareholder approval as well as the receipt of satisfactory fairness opinions as required.

5. **Full Description of Material Change:**

Please see attached Schedule "A"

6. **Reliance on Confidentiality Provision:**

Not Applicable

7. **Omitted Information:**

Not Applicable

8. **Senior Officer:**

For further information, please contact Lyle P. Edwards, President and Chief Executive Officer of Nevada Bob's in Calgary, Alberta at (403) 294 0600.

9. **Statement of Senior Officer:**

The foregoing accurately discloses the material change referred to in this report.

DATED as of the 26th day of May, 2000 at the City of Calgary, in the Province of Alberta.

"Bruce Allford"

Bruce Allford

Corporate Secretary

Nevada Bob's Golf Inc.

**Schedule "A" to the Material Change Report
of Nevada Bob's Golf Inc.
Dated May 26, 2000**

FULL DESCRIPTION OF MATERIAL CHANGE

Birdie Private Placement

The Loan Transaction

1. Birdie Holdings Ltd. ("Birdie") has agreed to invest cash into Nevada Bob's Golf Inc. ("Nevada Bob's" or the "Company") in the amount of US\$5,000,000 in exchange for a convertible debenture of the Company (the "Birdie Debenture") (the "Birdie Loan Transaction"). The proceeds from the Birdie Loan Transaction shall be used as follows:
 - a. repayment of the term loan obligation to Foothill Capital Corporation ("Foothill"); and
 - b. partial payment of trade payables and immediate corporate needs.
2. The Birdie Loan Transaction shall close on the later of (i) the completion of satisfactory due diligence by Birdie on the Company and its assets, and (ii) the date that all of the conditions set forth in paragraph 3 below have been satisfied (the "Loan Closing"). In respect of the due diligence to be performed by Birdie on Nevada Bob's and its assets, Birdie agrees to commence such due diligence procedures immediately and will use its best efforts to complete the due diligence process as quickly as possible.
3. The Birdie Loan Transaction shall be conditional upon the satisfaction of each of the following conditions:
 - a. the execution of formal documentation between Nevada Bob's and Birdie, which documentation shall include the Birdie Debenture (which debenture shall include those representations, warranties, conditions and terms normally found in corporate loan debentures of this type) and all other documents reasonably required by Nevada Bob's or Birdie or their counsel. The Birdie Debenture shall contain, as security, the undertaking of the Company to grant security ranking, *pari passu* with the security to be granted under the Duncan Debenture, over:
 - i. the Company's voting shares ("Subco Shares") of a majority owned Delaware subsidiary company ("Subco") which shall own, at the relevant time, all Nevada Bob's trade-marks and trade names world wide, excluding the United Kingdom and Europe (the "Trade Marks") subject to a pending executory contract with Sheridan Reserve Corporation ("Sheridan"); and
 - ii. the Company's rights as a licensee of an exclusive license to use the Trade Marks for all purposes subject to the pending executory contract with Sheridan,(the property outlined in subparagraphs 3.a.i. and ii. above being referred to herein as the "IP");
 - b. the consent of each of Foothill Capital Corporation and Duncan Investments No. 4, Inc. to the Birdie Loan Transaction, the release of their security over the IP, the Subco Shares and the Sheridan Shares (as defined below) and to the granting of new security to Duncan and Birdie over the IP;
 - c. the loan transaction involving Duncan outlined below, shall have closed contemporaneously with the Birdie Loan Transaction;
 - d. the form of security to be granted to Duncan and Birdie over the IP and the Sheridan Shares shall be satisfactory in the opinion of each of Nevada Bob's and Birdie's counsel;

- e. the completion of satisfactory due diligence by Birdie on Nevada Bob's and its assets including, if necessary, the receipt by Nevada Bob's of all consents, waivers and approvals from other parties to any material agreements or as required by law; and
- f. the approval of both Nevada Bobs' and Birdie's board of directors.

The Birdie Conversion Transaction

1. Subject to the conditions set forth in paragraph 3 below, Birdie (or its permitted assignee) agrees to convert the Birdie Debenture into Common Shares at a conversion price of US\$0.17 per share for a total of 29,411,765 Common Shares (this transaction being referred to herein as the "Birdie Conversion Transaction").
2. Birdie and Nevada Bob's agree that the Birdie Conversion Transaction shall take place immediately after the conditions to the Birdie Conversion Transaction set forth in paragraph 3 below have been satisfied. Notwithstanding the above, if the Birdie Conversion Transaction or the acquisition of Birdie by Nevada Bob's does not occur within 200 days of May 16, 2000, the Birdie Debenture, and interest on the principal amount thereof at the rate of LIBOR plus 2%, shall be immediately due and payable and Birdie shall be relieved of its obligation to carry out the Birdie Conversion Transaction.
3. The closing of the Birdie Conversion Transaction shall be conditional upon the satisfaction of the following conditions:
 - a. the execution of formal documentation between Nevada Bob's and Birdie reflecting the terms of the Birdie Conversion Transaction, including the Birdie Debenture and all other documents reasonably required by Nevada Bob's, Birdie or their counsel;
 - b. the approval of both Nevada Bobs' and Birdie's board of directors;
 - c. the receipt by Nevada Bob's of written approval of the Birdie Conversion Transaction from the holders of at least 50.1% of Nevada Bob's Common Shares issued and outstanding at the relevant time, which approval shall be in a form satisfactory to The Toronto Stock Exchange (the "TSE");
 - d. the receipt of written approval from the TSE to the issuance of the number of Common Shares set forth above on conversion of the Birdie Debenture, as well as to those Nevada Bob's shares to be issued in payment of any finders' fee arising from the completion of the within transactions, on terms satisfactory to Nevada Bob's and Birdie, acting reasonably; and
 - e. the completion of satisfactory due diligence by Birdie on Nevada Bob's and its assets including, if necessary, the receipt by Nevada Bob's of all consents, waivers and approvals from other parties to any material agreements or as required by law or securities regulation.
4. The parties agree that time is of the essence and that each will use all reasonable, commercial efforts, in good faith, to complete the Birdie Loan Transaction and the Birdie Conversion Transaction as expeditiously as possible. Specifically, and without restriction, the parties agree to use all reasonable commercial efforts, in good faith, to complete the Birdie Conversion Transaction no later than 30 days from May 16, 2000.

The Duncan Loan Transaction

1. Duncan Holdings, Inc. ("Duncan") has agreed to invest cash into Nevada Bob's in the amount of US\$5,000,000 in exchange for a convertible debenture of the Company (the "Duncan Debenture") (the "Duncan Loan Transaction"). The proceeds from the Duncan Loan Transaction shall be used as follows:
 - a. repayment of the term loan obligation to Foothill; and
 - b. partial payment of trade payables and immediate corporate needs.
2. The Duncan Loan Transaction shall close on the later of (i) the completion of satisfactory due diligence by Duncan on the Company and its assets, and (ii) the date that all of the conditions set forth in paragraph 3 below have been satisfied (the "Duncan Loan Closing"). In respect of the due diligence to be performed on Nevada Bob's and its assets, Duncan agrees to commence such due diligence procedures immediately and will use its best efforts to complete the due diligence process as quickly as possible.
3. The Loan Transaction shall be conditional upon the satisfaction of each of the following conditions:
 - a. the execution of formal documentation between Nevada Bob's and Duncan, which documentation shall include the Duncan Debenture and all other documents reasonably required by Nevada Bob's or Duncan or their counsel. The Duncan Debenture shall contain, as security, the undertaking of the Company to grant security ranking *pari passu* with the security to be granted under the Birdie Debenture, over the IP;
 - b. the consent of each of Foothill and Duncan to the Duncan Loan Transaction, the release of their security over the IP, the Subco shares and the Sheridan Shares (as defined below) and to the granting of new security to Duncan and Birdie over the IP;
 - c. the Birdie Loan Transaction shall have closed contemporaneously with the Duncan Loan Transaction;
 - d. the form of security to be granted to Duncan and Birdie over the Subco shares, if any, shall be satisfactory in the opinion of Nevada Bobs' US counsel; and
 - e. the approval of Nevada Bobs' board of directors.

The Duncan Conversion Transaction

1. Subject to the conditions set forth in paragraph 3 below, Duncan agrees with both Nevada Bob's and Birdie, that it shall:
 - a. exchange certain subordinated notes receivable of Nevada Bob's held by it, totaling US \$16,630,000 (the "Duncan Notes Receivable") into:
 - i. to the extent of US\$13,630,000, Common Shares at a conversion price of US\$.20 per share for a total of 63,150,000 Common Shares; and
 - ii. to the extent of US\$3,000,000, by the delivery to Duncan of that number of shares of Sheridan owned by the Company (the "Sheridan Shares") having a value, at the relevant time, of no less than US\$3,000,000. It is further agreed that in the event that Nevada Bob's is not able to convey the Sheridan Shares to Duncan on conversion of the Duncan Subordinated Debt as set forth above, by reason of Nevada Bob's not being in receipt of such Sheridan Shares or by reason of law, or otherwise, Duncan shall be entitled to convert any remaining portion of the Duncan Subordinated Debt into Common Shares at the deemed value of US\$0.20 per share; and

- b. convert the Duncan Debenture of US\$5,000,000 into Common Shares at a conversion price of US\$0.17 per share for a total of 29,411,765 Common Shares,

(the transactions referred to in subparagraphs 1.a and b above being collectively referred to herein as the "Duncan Conversion Transaction").

2. Duncan and Nevada Bob's agree that the Duncan Conversion Transaction shall take place immediately after the conditions to the Duncan Conversion Transaction set forth in paragraph 3 below have been satisfied. Notwithstanding the above, if the Duncan Conversion Transaction does not occur within 200 days of May 16, 2000, the Duncan Debenture shall be immediately due and payable and Duncan shall be relieved of its obligation to carry out the Duncan Conversion Transaction.
3. The closing of the Duncan Conversion Transaction shall be conditional upon the satisfaction of the following conditions:
 - a. the execution of formal documentation between Nevada Bob's and Duncan reflecting the terms of the Duncan Conversion Transaction, including the Duncan Debenture and all other documents reasonably required by Nevada Bob's, Duncan or their counsel;
 - b. the receipt of written approval to the issuance of the number of Common Shares issuable pursuant to the Duncan Conversion Transaction from the TSE, as well as to those Nevada Bob's Shares to be issued in payment of any finders' fee arising from the completion of the within transactions and the transactions contemplated between Birdie and Nevada Bob's, on terms satisfactory to Nevada Bob's and Duncan, acting reasonably;
 - c. if required pursuant to Ontario Securities Commission Policies ("OSC Policy") or by the TSE, Nevada Bob's shall have received, or have been advised by its financial advisor that it will receive, a valuation and a fairness opinion from Nevada Bobs' financial advisor that the Duncan Conversion Transaction is fair, from a financial point of view, to the shareholders of Nevada Bob's (the "Duncan Fairness Opinion");
 - d. the board of directors of Nevada Bob's, and, if required, any independent committee thereof, shall have unanimously determined that, upon review of the Duncan Fairness Opinion and in consultation with their advisors, that the Duncan Conversion Transaction is fair, from a financial perspective, to the shareholders of Nevada Bob's, and shall have approved of such transaction;
 - e. if required pursuant to OSC Policy or by the TSE, the approval of the "disinterested" minority shareholders of Nevada Bob's to the Duncan Conversion Transaction, secured at a duly convened meeting of the shareholders of Nevada Bob's; and
 - f. the receipt of acceptable assurances from Nevada Bobs' counsel that the Sheridan Shares, upon receipt by Nevada Bob's, shall be transferable by Nevada Bob's to Duncan pursuant to the Duncan Conversion Transaction.

The Birdie Acquisition

General Description

1. Nevada Bob's, Birdie and all of Birdie's shareholders, or their assignee (the "Birdie Shareholders"), have entered into a binding agreement dated May 16, 2000 whereby Nevada Bob's agrees to acquire from the Birdie Shareholders all of Birdie's shares (the "Birdie Acquisition"). In consideration of their Birdie Shares, Nevada Bob's shall issue to the Birdie Shareholders that number of Nevada Bob's common shares that results in the Birdie Shareholders holding fifty (50%) percent (or some lesser percentage as mutually agreed to by the parties to this agreement and subject to a fairness opinion to be received) of the number of Nevada Bob's shares issued and outstanding after the completion of the Birdie Acquisition.

2. The closing of the Birdie Acquisition shall take place on the earlier of: (i) the next business day after the Nevada Bob's shareholder meeting convened to approve the Birdie Acquisition; and (ii) the next business day after all regulatory, shareholder and stock exchange conditions to the Birdie Acquisition have been satisfied. Notwithstanding the above, in the event Closing does not occur within 200 days of May 16, 2000, all parties shall be relieved of their obligations to carry out the Birdie Acquisition and shall be entitled to terminate the Acquisition Agreement (as defined below).
3. Following the completion of this transaction, Nevada Bobs' board of directors shall be comprised of three representatives of the current Nevada Bob's shareholders, three representatives of the Birdie Shareholders and six other individuals agreed by the parties, provided that at least 50% of the Nevada Bob's board is comprised of Canadian residents.

Conditions

1. The Birdie Acquisition shall be conditional upon the satisfaction of all of the following conditions, including those of the TSE:
 - a. the Birdie Acquisition shall be exempt from the "takeover bid" provisions of the securities legislation of those Provinces of Canada in which Nevada Bob's is a "reporting issuer";
 - b. the completion of satisfactory due diligence by Nevada Bob's on Birdie and its assets, including, if necessary, the receipt by Birdie of all consents, waivers and approvals from other parties to any material agreements or as required by law;
 - c. the completion of satisfactory due diligence by Birdie on Nevada Bob's and its assets, including, if necessary, the receipt by Nevada Bob's of all consents, waivers and approvals from other parties to any material agreements or as required by law or securities regulations;
 - d. the receipt by Nevada Bob's of, or the receipt by Nevada Bob's of advice from its financial advisor that it will receive, a valuation and fairness opinion from a qualified, independent third party that the Birdie Acquisition is fair, from a financial point of view, to the shareholders of Nevada Bob's (the "Birdie Acquisition Fairness Opinion"). The Birdie Acquisition Fairness Opinion, and the valuator providing same, shall comply with OSC Policy;
 - e. the board of directors of Nevada Bob's, and, if required, any independent committee thereof, shall have determined that, upon review of the Birdie Acquisition Fairness Opinion and in consultation with their advisors, that the Birdie Acquisition is fair, from a financial perspective, to the shareholders of Nevada Bob's;
 - f. the execution of formal documentation between Nevada Bob's, Birdie and the Birdie Shareholders in respect of the Birdie Acquisition, which documentation shall include a formal acquisition agreement (which agreement shall include those representations, warranties, conditions and terms normally found in corporate acquisition agreements of this type) (the "Acquisition Agreement") and all other documents reasonably required by Nevada Bob's, Birdie, the Birdie Shareholders or their respective counsel;
 - g. the rights of any person or entity to receive shares of Birdie including, without restriction, any stock option plans and options and stock equivalents, shall be evaluated and reorganized to the mutual satisfaction of all parties, each acting reasonably;
 - h. the receipt by Nevada Bob's of written approval from the TSE to the issuance of the number of Nevada Bob's Shares to be issued pursuant to the Birdie Acquisition, including those Nevada Bob's Shares to be issued in payment of any finders' fee arising from the completion of the Birdie Acquisition or any related transactions, on terms satisfactory to Nevada Bob's, acting reasonably;

- i. if required by securities or TSE regulation, including OSC Policy, the approval of the “disinterested” minority shareholders of Nevada Bob’s, shall be secured at a duly convened meeting of the shareholders of Nevada Bob’s; and
- j. the approval of Birdie’s board of directors.

Representations, Warranties and Covenants of the Parties

1. The parties make the following representations, warranties and covenants, which shall be reflected in the Acquisition Agreement:
 - a. Nevada Bob’s owns and/or is the franchisor of all “Nevada Bob’s” retail stores worldwide;
 - b. at the closing of the Birdie Acquisition Nevada Bob’s shall own the IP;
 - c. Nevada Bob’s has, *inter alia*, a credit facility with Foothill Capital Corporation which provides for advances equal to the lesser of US\$30,000,000 or the "Borrowing Base" as defined in the credit agreement, of which approximately US\$20,800,000 has been used to date;
 - d. Nevada Bob’s and Birdie agree, subject to the Birdie Acquisition Fairness Opinion, that the current respective values of Nevada Bob’s and Birdie shall be proportional to the post-merger ownership percentages of the current Nevada Bob’s shareholders and the Birdie Shareholders; and
 - e. Birdie shall have no less than US\$4,000,000 in cash in its bank accounts at the time of the Birdie Acquisition which will be used to fund media, advertising and internet initiatives.
2. Each of Nevada Bob’s, Birdie and the Birdie Shareholders have agreed to immediately cease and cause to be terminated all existing discussions and negotiations, if any, with any parties conducted before the date of this agreement with respect to any Acquisition Proposal (as defined below). Further each of Nevada Bob’s, Birdie and the Birdie Shareholders shall not, nor allow their respective subsidiaries to, nor authorize or permit any of their officers, directors or employees or their subsidiaries or any financial advisor, expert or other representative retained by them to solicit, initiate or encourage any inquiry or the making of any proposal to Nevada Bob’s, Birdie or the Birdie shareholders from any person which constitutes, or may reasonably be expected to lead to: (A) an acquisition from Nevada Bob’s, Birdie or the Birdie shareholders of any securities of Nevada Bob’s, Birdie or their subsidiaries; (B) any acquisition of a substantial amount of assets of any of Nevada Bob’s, Birdie or their subsidiaries; (C) an amalgamation, arrangement, merger, or consolidation of any of Nevada Bob’s, Birdie or their subsidiaries (any such inquiry or proposal in respect of any of the foregoing being an "Acquisition Proposal").