As filed with the Securities and Exchange Commission on January 25, 2021

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

Academy Sports and Outdoors, Inc.
(Exact name of registrant as specified in its charter)

Delaware	5940	85-1800912
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification No.)

1800 North Mason Road
Katy, Texas 77449
(281) 646-5200
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Rene G. Casares, Esq.
Senior Vice President and General Counsel
1800 North Mason Road
Katy, Texas 77449
(281) 646-5200
(Name, address, including zip code, and telephone number, including area code, of registrant's agent for service)

With copies to:

Joseph H. Kaufman, Esq. Sunny Cheong, Esq. Simpson Thacher & Bartlett LLP 425 Lexington Avenue New York, New York 10017 (212) 455-2000	Marc D. Jaffe, Esq. Ian D. Schuman, Esq. Latham & Watkins LLP 885 Third Avenue New York, New York 10022 (212) 906-1200

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☐

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price(2)	Proposed Maximum Aggregate Offering Price(1)(2)	Amount of Registration Fee
Common Stock, $0.01 par value per share	13,800,000	$22.16	$305,808,000	$33,364

(1) Includes 1,800,000 shares of common stock that the underwriters have the option to purchase. See "Underwriting (Conflicts of Interest)."

(2) Estimated solely for the purpose of determining the amount of the registration fee in accordance with Rule 457(c) under the Securities Act of 1933, as amended. The proposed maximum offering price per share and proposed maximum aggregate offering price are based on the average high and low prices of the registrant's common stock on January 21, 2021 as reported on the NASDAQ Global Select Market.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities nor a solicitation of an offer to buy these securities in any jurisdiction where the offer and sale is not permitted.

Subject to completion, dated January 25, 2021

Preliminary Prospectus

12,000,000 Shares

Academy Sports and Outdoors, Inc.

Common Stock

The selling stockholders named in this prospectus are offering 12,000,000 shares of common stock of Academy Sports and Outdoors, Inc. We will not receive any proceeds from the sale of our common stock by the selling stockholders.

Our common stock is listed on the Nasdaq Global Select Market, or Nasdaq, under the symbol "ASO." On January 22, 2021, the closing sales price of our common stock as reported on the Nasdaq was $22.46 per share.

To the extent that the underwriters sell more than 12,000,000 shares of our common stock, the underwriters have the option to purchase up to an additional 1,800,000 shares from the selling stockholders at the public offering price, less the underwriting discounts and commissions, within 30 days of the date of this prospectus. We will not receive any proceeds from the sale of our common stock by the selling stockholders pursuant to any exercise of the underwriters' option to purchase additional shares.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 23 to read about factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission, or the SEC, nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to the Selling Stockholders
Per Share	$	$	$
Total	$	$	$

(1) See "Underwriting (Conflicts of Interest)" for additional information regarding underwriting compensation.

The underwriters expect to deliver the shares on or about , 2021.

Credit Suisse **J.P. Morgan** **KKR** **BofA Securities**

The date of this prospectus is , 2021.

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You should rely only on the information contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. None of us, the selling stockholders or the underwriters have authorized anyone to provide you with different information. The information contained in this prospectus or any free writing prospectus prepared by us or on our behalf is accurate only as of their respective dates, regardless of the time of delivery of this prospectus, or any free writing prospectus, as the case may be, or any sale of shares of our common stock.

For investors outside the United States: the selling stockholders and the underwriters are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. None of us, the selling stockholders or the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

INDUSTRY AND MARKET DATA

Within this prospectus, we reference information and statistics regarding the sporting goods and outdoor recreation retail industries. We have obtained this information and statistics from various independent third-party sources, including independent industry publications, reports by market research firms and other independent sources. Some data and other information contained in this prospectus are also based on management's estimates and calculations, which are derived from our review and interpretation of internal company research, surveys and independent sources. Data regarding the industries in which we compete and our market position and market share within these industries are inherently imprecise and are subject to significant business, economic and competitive uncertainties beyond our control, but we believe they generally indicate size, position and market share within these industries. While we believe such information is reliable, we have not independently verified any third-party information. While we believe our internal company research, surveys and estimates are reliable, such research, surveys and estimates have not been verified by any independent source. In addition, assumptions and estimates of our and our industries' future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause our future performance to differ materially from our assumptions and estimates. See "Forward-Looking Statements." As a result, you should be aware that market, ranking, and other similar industry data included in this prospectus, and estimates and beliefs based on that data may not be reliable. None of us, the selling stockholders and the underwriters can guarantee the accuracy or completeness of any such information contained in this prospectus.

TRADEMARKS, TRADENAMES, SERVICE MARKS AND COPYRIGHTS

We own and license a number of registered and common law trademarks and pending applications for trademark registrations in the United States, primarily through our subsidiaries, including, for example: Academy Sports + Outdoors®, Magellan Outdoors®, BCG®, O'rageous® and Outdoor Gourmet®. Unless otherwise indicated, all trademarks appearing in this prospectus are proprietary to us, our affiliates and/or licensors. This prospectus also contains trademarks, tradenames, service marks and copyrights of other companies, which are the property of their respective owners. Solely for convenience, certain trademarks, tradenames, service marks and copyrights referred to in this prospectus may appear without the ©, ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, tradenames, service marks and copyrights. We do not intend our use or display of other parties' trademarks, tradenames, service marks or copyrights to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

BASIS OF PRESENTATION

Certain Definitions

The following terms are used in this prospectus unless otherwise noted or indicated by the context:

- "2015 Term Loan Facility" means our senior secured term loans facility due July 2, 2022, which was repaid in full on November 6, 2020 with the net proceeds from the 2027 Notes and the Term Loan Facility, together with cash on hand;
- "2027 Notes" means our 6.00% senior secured notes due November 15, 2027, as described under "Description of Certain Indebtedness;"
- "ABL Facility" means our senior secured asset-based revolving credit facility, as described under "Description of Certain Indebtedness;"

- “Academy,” “Academy Sports + Outdoors,” the “Company,” “we,” “us” and “our” refer to, (1) prior to October 1, 2020, New Academy Holding Company, LLC, a Delaware limited liability company and the prior parent holding company for our operations, and its consolidated subsidiaries; and (2) on and after October 1, 2020, Academy Sports and Outdoors, Inc., a Delaware corporation and the current parent holding company for our operations, and its consolidated subsidiaries;
- “Adviser” has the meaning set forth under “Certain Relationships and Related Party Transactions—Monitoring Agreement;”
- “Allstar Managers” means Allstar Managers, LLC, an entity owned by certain current and former executives and directors of the Company, which was dissolved in December 2020;
- “Average order value” means in-store and e-commerce merchandise sales divided by the number of sales transactions, which indicates the average amount of a sales receipt;
- “BOPIS” means our buy-online-pickup-in-store program;
- “Comparable sales” means the percentage of period-over-period net sales increase or decrease, in the aggregate, for stores open after thirteen full fiscal months as well as for all e-commerce sales. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—How We Assess the Performance of Our Business—Comparable Sales.” There may be variations in the way in which some of our competitors and other retailers calculate comparable sales. As a result, data included in this prospectus regarding our comparable sales may not be comparable to similar data made available by other retailers;
- “footprint” means, in the aggregate, the geographic locations where our stores are located. As of the date of this prospectus, our stores are located in the following states: Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, North Carolina, Oklahoma, South Carolina, Tennessee and Texas;
- “full-line sporting goods and outdoor recreation retailers” means: retailers who offer all three of the following categories, across all price points and brands (i) sporting goods (e.g., team and individual sports, footwear/apparel, fitness), (ii) outdoor goods (e.g., hunting gear, fishing rods, outdoor cooking, camping), and (iii) recreation goods (e.g., pools, backyard living, bikes). Among the current full-line sporting goods and outdoor recreation retailers in the United States, management has determined that the Company is one of the leading full-line sporting goods and outdoor recreation retailers because its annual revenue in each of the years from 2014 to 2019 is the second highest;
- “Gochman Investors” means, collectively, certain investors who are family descendants of our founder, Max Gochman;
- “IPO” means the initial public offering of our common stock, which closed on October 6, 2020;
- “IPO Option Exercise” means the issuance and sale by us of 1,807,495 shares of our common stock on November 3, 2020 to the underwriters of the IPO pursuant to the partial exercise by the underwriters of their option to purchase up to 2,343,750 additional shares to cover over-allotments, if any, in connection with the IPO, which option has expired with respect to the remaining shares;
- “KKR” means, collectively, investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P.;
- “KKR Stockholders” means, collectively, investment entities owned by KKR;
- “largest value-oriented sporting goods and outdoor recreation retailer in the country” refers to management’s determination of the Company’s comparative position based upon (i) the Company’s competitive pricing index, which illustrates the Company’s prices are lower on average compared to those full-line sporting goods and recreational retailers with higher annual revenue, and (ii) the Company’s 2019 and 2020 customer surveys, which indicate that customers perceive the Company as being more value-oriented than all of the other full-line sporting goods and recreation retailers;

- “mature stores” means stores that have been in operation for longer than four years;
- “number of sales transactions” means total quantity of sales transactions generated, whether in-store or online;
- “owned brands” means our private label brands, which include both our own brands, as well as brands we license under exclusive license contracts;
- “Refinancing Transactions” means, collectively, the refinancing transactions, which occurred on November 6, 2020, consisting of (i) the issuance of the 2027 Notes; (ii) the entry into the Term Loan Facility; (iii) our use of the net proceeds from the 2027 Notes and the Term Loan Facility, together with cash on hand, to repay the 2015 Term Loan Facility; and (iv) the amendment of the ABL Facility to, among other things, extend its maturity to November 6, 2025;
- “Reorganization Transactions” means the series of reorganization transactions that took place on October 1, 2020 in connection with the IPO and resulted in, among other things, New Academy Holding Company, LLC, the prior holding company for the business described in this prospectus, being contributed to Academy Sports and Outdoors, Inc. by its unitholders and becoming a wholly owned subsidiary of Academy Sports and Outdoors, Inc.; and
- “Term Loan Facility” means our senior secured term loan facility, as described under “Description of Certain Indebtedness.”

Presentation of Financial Information

Academy Sports and Outdoors, Inc. conducts its operations through its subsidiaries, including its indirect subsidiary, Academy, Ltd., an operating company which is doing business as “Academy Sports + Outdoors.”

We operate on a retail fiscal calendar pursuant to which our fiscal year consists of 52 or 53 weeks, ending on the Saturday closest to January 31 (which such Saturday may occur on a date following January 31) each year. References to any “year,” “quarter,” “half” or “month” mean “fiscal year,” “fiscal quarter,” “fiscal half year” and “fiscal month,” respectively, unless the context requires otherwise. References to “2015,” “2016,” “2017,” “2018” and “2019” relate to our fiscal years ended January 30, 2016, January 28, 2017, February 3, 2018, February 2, 2019 and February 1, 2020, respectively, unless the context requires otherwise. References to “2020” relate to our fiscal year ending January 30, 2021, unless the context requires otherwise.

Any reference to the “2020 third quarter” or similar reference refers to the thirteen week period ended October 31, 2020, and any reference to the “2019 third quarter” or similar reference refers to the thirteen week period ended November 2, 2019. Any reference to “current year-to-date”, “year-to-date 2020” or similar reference represents the thirty-nine week period ended October 31, 2020, and any reference to “prior year-to-date”, “year-to-date 2019” or similar reference represents the thirty-nine week period ended November 2, 2019.

Numerical figures included in this prospectus have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in various tables may not be arithmetic aggregations of the figures that precede them.

NON-GAAP FINANCIAL MEASURES

This prospectus contains "non-GAAP financial measures," which are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with accounting principles generally accepted in the United States, or GAAP. Specifically, we make use of the non-GAAP financial measures "Adjusted EBITDA," "Adjusted Net Income (Loss)," "Pro Forma Adjusted Net Income (Loss)," "Pro Forma Adjusted Earnings per Share" and "Adjusted Free Cash Flow."

Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We believe Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share are useful to investors in highlighting trends in our operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments. Management believes Adjusted Free Cash Flow is a useful measure of liquidity and an additional basis for assessing our ability to generate cash. Management uses Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

Management supplements GAAP results with non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow are not recognized terms under GAAP and should not be considered as an alternative to net income (loss) as a measure of financial performance or net cash provided by operating activities as a measure of liquidity, or any other performance measures derived in accordance with GAAP. Additionally, these measures are not intended to be a measure of free cash flow available for management's discretionary use as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. The presentations of these measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of, our results as reported under GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company. For a discussion of the use of these measures and a reconciliation of the most directly comparable GAAP measures, see "Summary—Summary Historical Consolidated Financial and Other Data."

We also present adjusted comparable sales, which is a non-GAAP measure, in this prospectus. For a discussion of adjusted comparable sales and a reconciliation to comparable sales, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Measures—Adjusted comparable sales."

SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before deciding to invest in our common stock. You should read the entire prospectus carefully, including "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and our consolidated financial statements and related notes included elsewhere in this prospectus, before making an investment decision. This summary contains forward-looking statements that involve risks and uncertainties.

Who We Are

Academy Sports + Outdoors is one of the leading full-line sporting goods and outdoor recreation retailers in the United States. We estimate that we served 30 million unique customers and completed approximately 80 million transactions in 2019 across our seamless omnichannel platform and highly productive stores, resulting in net sales of $4.8 billion and making us the largest value-oriented sporting goods and outdoor recreation retailer in the country. We have continually increased our market share by expanding our leadership in fast-growing merchandise categories and offering a broad, value-oriented assortment with deep and localized customer connections.

We believe the following key attributes differentiate us from our competitors:

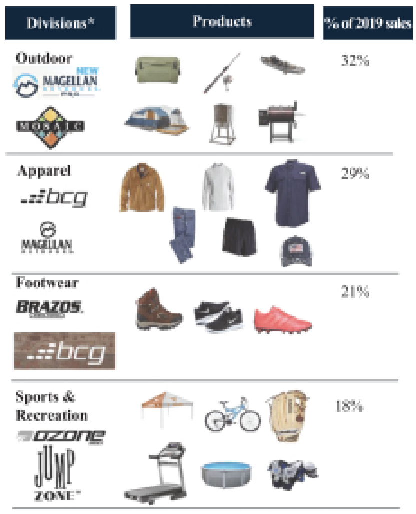
- Value-based assortment that enables our customers to participate and have fun, no matter their budget.
- Broad assortment that extends beyond sporting goods and apparel to outdoor recreation.
- Emerging, rapidly growing and profitable omnichannel strategy that leverages our strong BOPIS and shipping fulfillment capabilities.
- Strong customer loyalty, with opportunities to increase penetration in existing markets.
- Regional focus in the southern United States with a strong and growing presence in six of the top 10 fastest-growing metropolitan statistical areas, or MSAs.
- Core customers comprising active families that we support with one-stop shop convenience.
- Significant whitespace opportunity for both in-fill and adjacent geographies and new markets.
- Strong financial profile with accelerating performance and attractive cash flow generation.

Originally founded in 1938 as a family business in Texas, we have grown to 259 stores across 16 contiguous states, primarily in the southern United States. Our mission is to provide "Fun for All" and fulfill this mission with a localized merchandising strategy and value proposition that deeply connect with a broad range of consumers. Our product assortment focuses on key categories of outdoor, apparel, footwear and sports & recreation (representing 32%, 29%, 21% and 18% of our 2019 net sales, respectively) through both leading national brands and a portfolio of 17 owned brands, which go well beyond traditional sporting goods and apparel offerings.

Our retail locations range in size from approximately 40,000 to 130,000 gross square feet, with an average size of approximately 70,000 gross square feet, and have no mall exposure. Our box size and layout create a spacious in-store experience for the current shopping environment and easily accessible front of store checkout that drives efficiency for our BOPIS and curbside pickup customers. Our stores are supported by over 20,000 knowledgeable team members offering a high-touch service element. Our stores have remained open during the COVID-19 pandemic as a result of our essential product offering and enhanced safety measures, resulting in continued market share gains and greater visibility in newer markets to the Academy brand and increased community connections. We operate three distribution centers that service our stores and our growing e-commerce platform, which reaches 47 states today. We have significant new store whitespace and our disciplined approach to store openings has allowed most stores to achieve profitability within the first twelve months of opening a store.

We are active members of the communities in which we operate. Our long-time customers have grown up with the Academy brand over time and pass their passion for us on to the next generation, enabling us to benefit from strong customer loyalty and shopping frequency in our embedded regional markets.

Our broad assortment appeals to all ages, incomes and aspirations, including beginning and advanced athletes, families enjoying outdoor recreation and enthusiasts pursuing their passion for sports and the outdoors. We enable our customers to enjoy a variety of sports and outdoors activities, whether they are trying out a new sport, tailgating for a sporting event or hosting a family barbecue. We enhance our customers' shopping experience through our knowledgeable and passionate team members and value-added store services, making us a preferred, one-stop shopping destination. We carefully tailor our products and services to meet local needs and offer our customers memorable experiences that help us maintain lasting emotional connections with our loyal customer base and the communities we serve.



*Owned brands represent ~20% of 2019 net sales

We sell a range of sporting and outdoor recreation products. Our strong merchandise assortment is anchored by our broad offering of year-round items, such as fitness equipment and apparel, work and casual wear, folding chairs, wagons and tents, training and running shoes and coolers. We also carry a deep selection of seasonal items, such as sports equipment and apparel, seasonal wear and accessories, hunting and fishing equipment and apparel, patio furniture, trampolines, play sets, bicycles and severe weather supplies. We provide locally relevant offerings, such as crawfish boilers in Louisiana, licensed apparel for area sports fans, baits and lures for area fishing spots and beach towels in coastal markets. Our value-based assortment also includes exclusive products from our portfolio of 17 owned brands. Nearly 20% of our 2019 sales were from our owned brands, such as Magellan Outdoors and BCG, which offer a distinct offering to our customers and approximately 60% of our customers purchased an owned brand item from us in 2019. Our merchandising creates a balanced sales mix throughout the year with no single season accounting for more than 28% of our annual sales.

Our stores deliver industry-leading unit sales and profitability, including 2019 net sales per store of $18.7 million, average sales per square foot of $264, and average EBITDA per store of $1.3 million. Our customers love the Academy store shopping experience because they are able to easily find, learn about, feel, try on and walk out with their favorite items. Our one-stop, convenient store layout, together with our highly trained team members offering value-added customer services, drive strong and consistent store foot traffic and transaction volume, with our average customers visiting our stores two to four times per year and our best customers visiting our stores nine times per year. The majority of our stores are located in high-traffic shopping centers, while none of the stores are located in, or anchored to, malls.

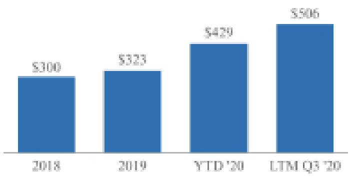
Our emerging, profitable e-commerce platform that leverages our strong BOPIS and shipping fulfillment capabilities has achieved year-over-year sales growth of 8% and 209% during 2019 and the year-to-date 2020, respectively. Our e-commerce sales represented 5% and 10% of our merchandise sales in 2019 and the year-to-date 2020, respectively. We are deepening our customer relationships, further integrating our e-commerce platform with our stores and driving operating efficiencies by developing our omnichannel capabilities. Our BOPIS program, launched in 2019, accounted for approximately 24% and 50% of our e-commerce sales during 2019 and the year-to-date 2020, respectively, and allows customers to place an order on our website and pick up their product at a desired location, either in-store or curbside. Our website also serves as a platform for marketing and product education, enhancing our customer experience and driving traffic to our stores. Our website is introducing new customers to the Academy brand, with approximately 25% of our e-commerce sales during first half 2020 coming from new households.

We serve our communities by supporting events, programs and organizations that help make a positive impact, including the sponsorship of over 1,500 local sports teams. We promote and encourage safety and responsibility, so that everyone can feel confident and comfortable doing what they love, by offering products and information that enable our customers to be smart, responsible and safe. We have a long history of providing essential products for crisis preparedness and have helped our communities, customers and team members through various natural disasters and crises.

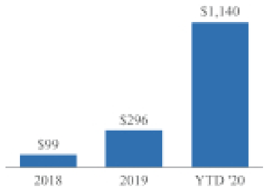
We finished the twelve months ended October 31, 2020 with approximately $5.5 billion in sales, $235 million of net income and $506 million in Adjusted EBITDA. Although comparable sales have been negative for the past three fiscal years, we have seen five consecutive quarters of positive comparable sales as of 2020 third quarter. In addition, 2020 third quarter reflected our fifth consecutive quarter of Adjusted EBITDA growth and our sixth consecutive quarter of Adjusted Free Cash Flow growth. We earned net income of $21 million, $120 million and $235 million and Pro Forma Adjusted Net Income of $41 million, $76 million and $226 million in 2018, 2019 and the twelve months ended October 31, 2020, respectively, which included $217 million of net income and $209 million of Pro Forma Adjusted Net Income for year-to-date 2020. See "—Summary Historical Consolidated Financial and Other Data" for definitions of Adjusted EBITDA, Pro Forma Adjusted Net Income and Adjusted Free Cash Flow and reconciliations of Adjusted EBITDA and Pro Forma Adjusted Net Income to net income and Adjusted Free Cash Flow to net cash provided by operating activities.

Net Sales ($ in millions)

Adj. EBITDA ($ in millions)



Cum. Adjusted FCF ($ in millions)



Our Performance Improvement Initiatives

We have made significant progress on several key performance improvement initiatives that drove positive comparable sales and Adjusted EBITDA growth in the last five consecutive quarters ended October 31, 2020, and created a foundation for our future growth. These key initiatives include:

- *Strengthened leadership team* – Our leadership team comprises nine highly experienced and proven individuals, six of whom joined Academy from 2017 to 2018, led by our Chief Executive Officer and including our Chief Financial Officer, Chief Merchandising Officer, EVP of Retail Operations, SVP of Omnichannel, and Chief Information Officer. Our leadership team also recently demonstrated its ability to adapt, operate and gain market share and new customers during the most challenging of retail environments, including its ability to safely operate our stores and distribution centers, source and deliver our merchandise, and manage our liquidity and expenses in all elements of our business during the COVID-19 pandemic.

- *Build omnichannel* – After investing approximately $50 million over the last three years in our omnichannel capabilities, we launched several new omnichannel initiatives in 2019, including our BOPIS program and new website design, content and functionality. While still early in our omnichannel strategy, we have built a profitable omnichannel business that is poised for continued growth and improvement of capabilities.
- *Localized merchandising* – Since 2018, we improved the localization of our assortment across selected inventory offerings. This initiative resulted in an improved customer shopping experience and increased sales.
- *Category focus* – In 2019, we improved and focused our assortments in priority product categories, such as team sports, fishing and outdoors, while exiting certain other product categories, such as luggage, electronics and toys, that were less profitable or unprofitable, slower moving, and not core to our sporting goods and outdoor offering.
- *Enhance store optimization* – We leverage technology to enable our store team members to better manage, prioritize and reduce tasks to give them more time to engage in customer service, thereby increasing our productivity and sales conversion.
- *Digital marketing program* – During the last two years, we shifted our primary marketing focus from print to digital marketing. Our improved website also supports our stores with digital marketing and our BOPIS program. Each of these initiatives has given us a closer connection with our customers.
- *Implement loyalty program* – We launched the Academy Credit Card program in May 2019, which constituted approximately 4% of first half 2020 net sales. Academy Credit Card represents a significant opportunity to build customer loyalty, as our Academy Credit Card customers both spend more per trip and visit our stores more often.
- *Programmatic inventory management* – We implemented a new disciplined price markdown strategy that has improved our margins and inventory management, as well as a new merchandise planning and allocation system that enables us to target inventory by store market to allow us to localize our offerings and sizes. This along with automated inventory ordering drove a significant amount of our margin expansion and improved inventory turns from 2.68x in 2017 to 3.55x for the twelve months ended October 31, 2020.
- *Develop small box format* – We opened our first small format store (approximately 40,000 square feet) in Dallas, Texas in 2019. We believe this new smaller format store allows us to open new stores in urban and less dense areas. During first half 2020, this smaller format store experienced approximately 25% higher sales per square foot and 13% higher inventory turns than the average of all Academy stores, the latter of which had $150 sales per square foot and 2.44x inventory turns. We evaluate performance inclusive of store sales, as well as BOPIS sales and other fulfilled sales from the location.

More recently, as a result of the COVID-19 pandemic, consumers are spending more time at and around home engaging in recreation and leisure activities that include our key categories. The outdoor recreation industry, in particular, has tailwinds arising out of the COVID-19 pandemic, as indicated by a survey from Civic Science, stating 43% of Americans expect to be doing more outdoor recreational activities in the future in order to facilitate social distancing. We expect that this will continue throughout the duration of the pandemic and will result in a long-term increase to our customer base. The industry has seen unprecedented increases in participation across several categories which we consider to be our “power categories.” This includes outdoor (comprised of camping, hiking and kayaking), running, fitness and team sports, which saw participation increases of 9%, 3%, 3% and 5%, respectively, from 2014 to 2018. According to Allied Market Research, sales growth from 2019 through 2027 in categories we participate, such as outdoor, team sports, apparel and footwear, is expected to grow approximately 6% per annum. We have invested in and built our operating platforms over the last several years and, coupled with our product offering and accessible stores, have laid the foundation for our future growth and success in this environment. It is difficult to ascertain with precision what portion of our increased comparable sales during the first half of 2020 is attributable to the increase in e-commerce sales due to the COVID-19 pandemic as compared to the impact of the business improvements described above.

Our Industry

We compete in a $70 billion fragmented market of retailers that sell sporting goods, outdoor recreation products, fan shop, apparel, footwear and other nontraditional sporting goods and general merchandise, such as casual and work apparel, barbecue and cooking equipment, patio furniture, outdoor games, severe weather supplies and pet care. The retail business is highly competitive based on many variables including price, product assortment, customer service, omnichannel experience and store locations.

The retail sporting goods and outdoor recreation retail industry comprises six principal categories of retailers:

- Mass general merchants
- Large format sporting goods stores
- Traditional sporting goods stores
- Specialty outdoor retailers
- Specialty footwear retailers
- Catalogue & Internet retailers

Our primary competitors are large format sporting goods stores and mass general merchants that offer sporting goods, outdoor recreation products and other lifestyle and recreational merchandise.

The overall U.S. sporting goods and outdoors recreation industry is constantly evolving and demand for certain sports and outdoors recreation goods may increase or decrease depending upon the economics, demographics or popularity of each activity. We monitor local demographics and buying trends and tailor our merchandise assortment to the preferences of the local community. As interests change, our broad selection allows us to adapt to shifts and expand or contract our product mix to meet the changing customer demand. Over the last two years, there have been a number of market trends and tailwinds in our favor. We believe we are well positioned to capture the demand from the rising popularity of fast growing trends, including athleisure wear, insulated coolers and cups and outdoor recreation, such as fishing. Additionally, we benefit from recent shifting of customer spend towards in-home health and wellness and dedicating more time to memory-making experiences. More recently, as a result of the COVID-19 pandemic, consumers are spending more time at and around home engaging in isolated recreation and leisure activities that we support. The rising popularity in loyalty to premium brands, and importance of experience for customers also serve as constructive tailwinds to our business. We believe we are well positioned to capture an increasing portion of the wallets of important growing demographics, such as female and Hispanic customers.

We have proven to be adaptive through periods of significant industry transformation. As consolidations and e-commerce disruption have threatened and, in some cases, played a role in shutting down some of our peers, we have taken advantage of these changes by taking market share. Our value-based operating strategy and expansive assortment beyond traditional sporting goods, such as our outdoor gear and work wear categories, have been keys to our success, because they provide a one-stop shop for our customers who are searching for assortment, value and convenience.

Our Competitive Strengths

We attribute our success to the following competitive strengths:

Regional leader in growing industry

We are the second largest full-line sporting goods and outdoor recreation retailer in the United States, with 2019 net sales of $4.8 billion. We believe our stores are well positioned geographically, with a strong and growing presence in six of the top 10 fastest-growing MSAs, including Dallas, Houston, Atlanta, Austin, Charlotte and San Antonio. As of August 1, 2020, 29% of our stores are in four of the top five fastest-growing MSAs. This deep penetration of our established markets results in high customer awareness of, and loyalty to, the Academy name and frequent visits to our conveniently located stores.

The size of the sporting goods and outdoor recreation industry was estimated at $70 billion in the United States in 2018, and it is growing. According to Allied Market Research, sales growth from 2019 through 2027 in categories we participate, such as outdoor, team sports, apparel and footwear, is expected to grow approximately 6% per annum.

Broad assortment and compelling value proposition across the spectrum

We believe we sit in a sweet-spot of consumer demand, offering a broad, value-based assortment of sporting goods and outdoor recreation products, so our customers can participate and have fun, no matter their budget. Sporting goods shoppers consistently rate us as the top retailer for offering sporting and outdoor recreation products for a wide range of customers and being a one-stop shop. We carefully curate our products to provide the right assortment that appeal to beginners, experts, families and casual participants. In May 2020, over one-third of our customers tried a new sport or activity and came to Academy for the products they needed to get started in their new pursuit. We are the largest value-oriented sporting goods and outdoor recreation retailer in the United States. Our sporting goods customers ranked value as the most important driver in deciding where to shop and Academy was rated as the top retailer for value among sporting goods retailers. We maintain our leading value-oriented position by offering customers extensive choices of “good, better and best” merchandise at a range of competitive prices, coupled with convenient omnichannel solutions, a one-stop shopping experience and helpful customer services, such as free assembly of certain products, product demonstrations, hunting and fishing license certifications, fishing line spooling and bulk product carrying out, among others. We offer a price-beat guarantee where, if our customers find a lower price on an identical, in-stock merchandise advertised in print by any local retailer or select online retailers, we will beat that price by 5%. Our effective merchandise mix and compelling value proposition allow us to cater to both the price-conscious shopper, such as the active parent of a household with several children participating in various sports, and the discriminating shopper, such as the hunting and fishing expert. We are for all.

Diversified mix of industry-leading national brands and owned brands

Our access to national brand and owned brand merchandise creates a comprehensive portfolio of value-based and diversified products, spanning various price-points, that differentiates our assortment from our peers. Our category, brand and price-point mix is unique to Academy and difficult to replicate at other retailers. Approximately 80% of our 2019 merchandise sales was comprised of national brand products, with the remainder coming from exclusive products in our portfolio of 17 owned brands. We have minimal product overlap with direct-to-consumer brands and competitors. No single brand we carry accounted for more than 12% of our 2019 sales.

We have premium access to hundreds of well-recognized national brands, such as Nike, Carhartt, adidas, Under Armour, Columbia Sportswear, North Face and Winchester, which are critical to our market penetration. These brands rely on us to broaden their consumer reach, which fosters a mutually beneficial relationship when it comes to pricing and assortment. We play a critical role in delivering customer volume for these brands, especially as mall-based retailers face further headwinds and our industry consolidates. Our national brand assortment spans across each brand's price spectrum beyond those of our competitors and we expand below the national brand price spectrum by complementing the assortment with our owned brands. As such, we receive favorable product exclusivity from leading suppliers.

Our owned brand portfolio consists of 17 brands, including Magellan Outdoors, BCG, Academy Sports + Outdoors and Outdoor Gourmet. Our owned brand strategy focuses on in-filling categories and price points that our national brand products may not satisfy. Our owned brand offerings support and complement our overall merchandising strategy due to limited price-point overlap with national brands. Our two largest owned brands, Magellan Outdoors and BCG, are among our fastest growing brands, growing year-over-year at 7.6% and 3.9% in 2019, respectively. Additionally, our owned brands generate strong brand equity and drive significant customer loyalty, as several of our exclusive products, such as the Academy-logo folding chair and folding wagon, are top-selling items. Approximately 60% of our customers purchased an owned brand item from us in 2019. Whether it is seeing a row of Academy- branded chairs at a softball game, or individuals wearing Magellan Outdoors shirts around town, our owned brands are worn and used throughout our footprint.

Differentiated in-store experience

Our differentiated in-store experience, convenient locations and our helpful team members ensure that our customers can rely on us on any given day or situation in our region to deliver the right product at a competitive price. We provide a localized in-store experience that allows us to deepen our customer relationships. We tailor our product assortment by store, season and market to enhance year-round profitability. For example, our customers expect us to carry the right baits and lures customized for the local fishing spots, such as heavier selections of saltwater lures in our coastal locations. Stores with different climates and seasonal patterns each receive an assortment that better matches the local conditions. Stores located near a university carry a large selection of that school's licensed apparel giving them a look and feel of the local bookstore, which appeals to the nearby loyal fans and customers. We consider crawfish cookers to be an absolute necessity for our customers in Louisiana, and beach towels are a stronger seller in coastal markets than they are in inland markets. Our customers often shop our stores for same-day-need purchases, such as before a big game with unexpected weather changes, or to purchase an add-on product that was forgotten on a day trip. We have developed considerable expertise in identifying, stocking and selling a relevant assortment to meet the local needs and demands.

We provide an engaging customer shopping experience that drives customer traffic. Our visual merchandising strategy creates an entertaining and interactive in-store shopping experience for a broad range of shoppers. Our stores generally have consistent store layouts providing our customers with familiarity across our entire store base. Our in-store experience is further enhanced by the value-added customer service delivered by our highly trained and passionate staff. Value-added services we provide include free assembly of certain products, such as bicycles, grills and bows, fitness equipment demonstrations, issuances and renewals of hunting and fishing licenses, fishing line spooling and carrying bulk items to the car, among others. We sell many products, such as baseball bats and gloves, football helmets, fishing rods and reels, fitness equipment and bicycles, that require a "touch and feel" experience, as well as bulky items that would otherwise be difficult or costly to ship. We employ team members who we fondly refer to as our *Enthusiasts* – passionate local experts who are specially recruited and trained for category-specific positions. Our *Enthusiasts* use the products they sell and have the first-hand knowledge of the communities they serve, allowing them to advise and equip customers with products that suit the customers' specific needs and the nuances of the local environment. We believe our stores often serve as gathering spots, as our customers come back to engage with our *Enthusiasts* to share experiences and obtain further advice and assistance.

Large and loyal customer base

We endeavor to offer products for customers of all ages, incomes and aspirations across sporting and outdoor recreation activities, seasons and experience levels. As such, we have a balanced, year-round business and a large customer base. In 2019, we estimate we served 30 million unique customers and we completed approximately 80 million transactions, resulting in strong household penetration in our core markets.

Our customers love shopping at Academy. Our average customer visits our stores anywhere from two to four times per year and our best customers visit our stores nine times per year. Academy customers are loyal. Based on our customer surveys, approximately 30% of our customers' annual sporting goods, outdoor and recreation expenditures are made at Academy, in comparison to approximately 20% for our competitors that are large format sporting goods stores and specialty outdoor retailers and their customers. As of August 1, 2020, we estimate we have gained approximately two million new customers this year.

While we serve all customers, our core customers are young active families who are driven to have a life full of different sports and outdoors recreation activities. For these customers, fun is forever at their fingertips, and they constantly look for ways to create memories together as a family. Being a conveniently located, value-oriented, one-stop shop for fun merchandise is why these customers love to shop at Academy. When these families shop at Academy, they often split up to find the items for their respective activities and meet back together before checking out. Our core customers are more active shoppers – they shop us more often and are more likely to be omnichannel customers.

Fans and spectators also constitute a large part of our customer base. Academy-branded folding chairs and wagons are frequently spotted at any local sporting or spectator event. We are active members in our communities, sponsoring events for the NCAA Southeastern Conference, local events, such as the Bassmaster Classic fishing tournament, and over 1,500 local sports teams. We also provide an exciting shopping experience for our communities following a major sports title or local team championship, such as a World Series or NCAA football championship, when we extend our local store hours late into the night to celebrate with our customers and meet their immediate need for a championship apparel or gear to display their team pride. These celebrations strengthen customer loyalty.

Highly experienced and passionate senior management team with a proven track record

Our company is led by a highly-accomplished senior management team with significant public market experience, a proven track record for driving operational efficiency, and a history of using customer data to improve our customer experience and drive our omnichannel strategy. Our senior management team has an average of 24 years of retail experience. Six out of the nine members of our senior management team, including our Chairman, President and Chief Executive Officer, Ken C. Hicks, were hired beginning early 2017 to lead the development and execution of our strategic growth and initiatives in merchandising, e-commerce and omnichannel, stores, information technology and finance. Together, our senior management has delivered strong results, with five consecutive quarters of positive comparable sales as of 2020 third quarter, Adjusted EBITDA growth to $323 million in 2019, or 8%, compared to 2018, and Adjusted Free Cash Flow growth of $99 million in 2018 to $197 million in 2019.

Strong and adaptive financial performance through economic cycles

We have remained strong and adaptive over the years through a variety of economic cycles, including economic downturns. Our customers are loyal in any economic environment, and we believe they become even more loyal to our compelling value proposition when the economy is challenged, like during the current recessionary environment resulting from the COVID-19 pandemic. We find that customers will continue to pursue their wellness, interests and passions, regardless of the economic backdrop. As a result, we have gained market share during all economic cycles, including during April and May 2020. We attribute this to customers knowing we offer a broad assortment of the items they want during a down cycle at everyday value.

We have consistently demonstrated steady revenue growth, expanded profit margins and disciplined capital expenditures. We generated $4.8 billion in net sales, $120 million in net income and $323 million in Adjusted EBITDA in 2019. In 2019, we also generated $264 million of net cash provided by operating activities and $197 million in Adjusted Free Cash Flow, while limiting net capital expenditures to $63 million. We have reduced our net leverage ratio to 1.1x as of end of 2020 third quarter compared to 5.2x as of end of both 2017 and 2018 and 4.1x as of end of 2019.

We have a proven store model that has generated strong Adjusted Free Cash Flow, store-level profitability and return on invested capital. All but one of our 217 mature stores (stores opened longer than four years) were profitable on a four-wall basis for the twelve months ended October 31, 2020 and our new stores have average payback periods of four to five years.

Our Growth Strategy

We are focused on the following four growth drivers:

Leverage technology and content to drive our omnichannel strategy

Our e-commerce sales represented 5% and 10% of our merchandise sales for 2019 and for the year-to-date 2020, respectively. E-commerce sales increased 406% from the prior quarter in first quarter 2020, 210% from the prior quarter in second quarter 2020 and 96% from the prior quarter in 2020 third quarter. Our goal is to increase our omnichannel penetration quickly and significantly. To meet this goal, since 2011, we have invested $225 million in omnichannel and information technology initiatives to improve our customers' online experience, with an emphasis on our mobile site and product information content. These investments have resulted in faster load times, more relevant search content, better site design, and a more-streamlined checkout process. We have also invested in omnichannel initiatives, such as BOPIS, curbside pickup and access to store inventory availability online.

Omnichannel offerings are becoming increasingly important, as our customers want options when they shop. During the first half 2020, our omnichannel customers spent 43% more than our store-only customers and 197% more than our online only customers. Since we launched our BOPIS program in 2019, we have seen significant e-commerce penetration that generates higher average order value and incremental in-store purchases. BOPIS orders accounted for 50% of all e-commerce sales during the year-to-date 2020. Our omnichannel platform also offers return-to-store capabilities for online orders, curbside fulfillment, the ability to place online orders in our stores if we are out of stock, and the ability to ship orders placed online from our retail locations. These capabilities help reduce the risk of lost sales and shorten delivery times for online orders while improving inventory productivity. We launched our ship-to-store capabilities in 2020 third quarter, which will continue to give our customers more options on how to shop Academy.

Our website also serves as the gateway to shopping in our stores. These customers leverage our website to learn more about the products and brands we sell, read reviews from other customers, compare prices and ensure their local Academy store has the inventory prior to heading to the store. Our website is also critical to reaching customers outside of our current store footprint. For the twelve months ended August 1, 2020, we reached approximately 6.7 million unique households, across 200 cities, in 44 states through ship-to-home orders made through our website. In 2019, 11% of our online transactions were ordered by customers in markets with no Academy stores. Our e-commerce platform's top ten out-of-store-footprint MSAs include adjacent markets, such as Tampa, Miami and Savannah. As we continue to bolster our omnichannel offerings, we expect to drive traffic to our stores and website and expand our reach beyond our store footprint.

Enhance customer engagement and increase retention

We believe we have a significant opportunity to continue to expand our customer base. Better understanding our customers' buying trends allows us to better target and cater to our customers. Our robust customer database has 38 million unique customers, and we continue to grow this through increased penetration of e-commerce sales and through the success of our Academy Credit Card program.

We utilize data obtained from our customer relationship management, or CRM, tools and targeted customer surveys. Our CRM tools enable us to create effective customer-targeting strategies. Our current CRM programs focus on welcoming our first-time customers, thanking our big spenders, reactivating our lapsed customers and cross-selling our category customers (including our hunting, sports equipment and recreation categories). With 38 million customers in our database, there is ample opportunity to increase our communication directly with our customers via one-on-one marketing. We are also leveraging the information from our approximately 80 million annual transactions to make more informed, localized decisions on promotion, marketing and inventory.

Online transactions are critical to helping us understand and analyze buying patterns. Data collected through our website allows us to personalize promotions for customers and recommend products based on purchase behavior. The Academy Credit Card program also provides data to track our customers' purchases across all channels, giving us the ability to better serve and target those customers. Launched in May 2019, the Academy Credit Card program constituted approximately 4% of first half 2020 net sales. Our customers are attracted to the Academy Credit Card because of its bank-funded 5% discount on every Academy purchase and free standard shipping on online orders of $15 or more. Academy Credit Card holders are responsible for paying all fees associated with having an Academy Credit Card, including any late fees, and we are responsible for paying all costs associated with shipping online orders of $15 or more purchased with an Academy Credit Card.

We believe we possess a significant amount of high quality customer data, which we can leverage to enhance customer engagement and retention and drive purchase conversion.

Enhance operational excellence

We intend to enhance profitability by improving our operational efficiencies. We will continue to optimize our merchandise presentation through strategic store remodeling and enhanced visual storytelling, improve our inventory management through disciplined pricing markdowns, and augment the customer experience through more efficient queuing and check out procedures.

Much of our margin expansion from 2017 to 2019 can be attributed to our improvements in inventory management. We can improve operations across our organization by optimizing our in-store inventory management and implementing automated re-ordering and labor scheduling. We have deployed several new tools to this end, which will enable us to further improve inventory handling and vendor management. For example, we have implemented third-party programs to analyze our inventory stock throughout the year at every location.

This implementation, along with other factors, has allowed us to improve our inventory management in stores, increasing the average inventory turns from 2.68x in 2017 to 3.55x for the twelve months ended October 31, 2020, and has helped us to identify and exit certain product categories, such as luggage and toys.

We believe we can also enhance store operations through technology and personnel investments that will allow our team members to better manage and prioritize tasks, thereby increasing their productivity and sales conversion. These investments, for example, will reduce administrative tasks to enable more time for engaging in customer service.

Our supply chain initiatives include improving our logistics by leveraging our merchandising planning and assortment capabilities and facilitating product flow through our distribution centers. We use technology to track inventory daily and keep our distribution centers and stores in sync. Our data-driven process allows us to improve communication with our suppliers and ensure we are rightfully equipped with the correct inventory in our regional locations, and has and will continue to help us to identify and exit certain product categories, such as luggage and toys. Although we believe these initiatives have helped us, we experienced a gross margin decline in the first quarter 2020 as a result of a shift in consumer preferences due to the COVID-19 pandemic and the related increased popularity in our isolated recreation, outdoor and leisure activity products, which are generally lower margin goods.

As our e-commerce sales continue to shift further towards BOPIS and curbside fulfillment, our overall omnichannel platform becomes more profitable, and we expect this trend to continue as we add more omnichannel solutions, such as ship-to-store, and further develop our omnichannel order execution and fulfillment capabilities.

Capitalize on substantial whitespace and in-fill opportunities

We have significant growth opportunities in both our core markets and outside of our footprint. We believe our real estate strategy has positioned us well for further expansion, and our track record has demonstrated that we can open and operate stores profitably. Our disciplined approach to new store openings has allowed most of our stores to achieve profitability within the first twelve months of opening a store. As of October 31, 2020, we had 217 mature stores, and all but one were profitable on a four-wall basis for the twelve months ended October 31, 2020. We expect to open eight to 10 new stores per year starting in 2022, which is similar to our growth rates from 2018 to 2019.

In-fill market opportunity

We classify in-fill markets as regions where we already have a well-established presence. We believe we have an opportunity to expand into surrounding metro areas and more rural locations. Some examples include Dallas/Fort Worth, Atlanta, Raleigh-Durham, Charlotte, New Orleans and Jacksonville. We believe our in-fill opportunity currently includes approximately 120 locations that could accommodate our preferred size of stores in markets we would consider.

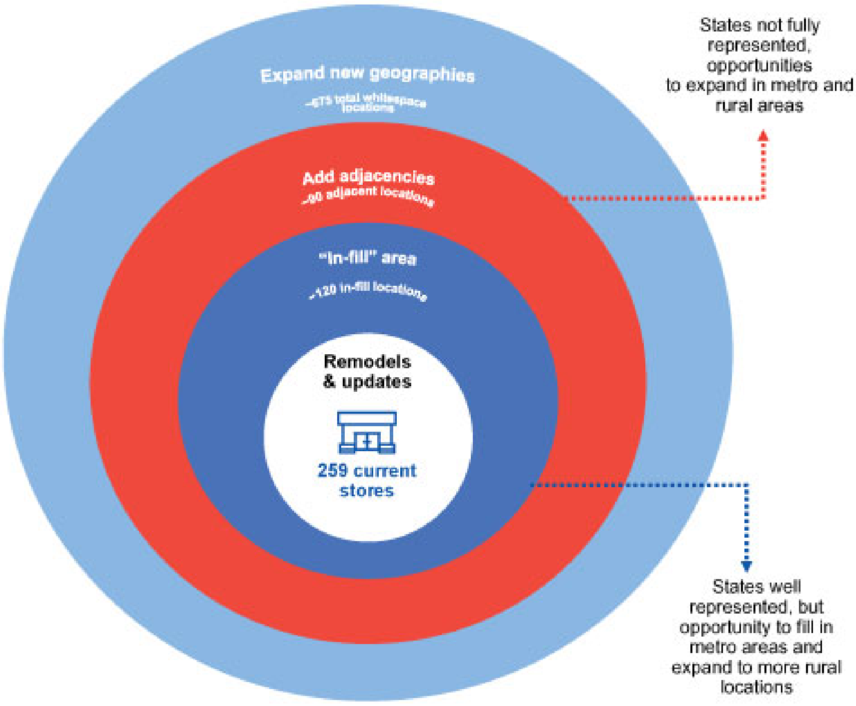
Adjacent market opportunity

We consider adjacent markets to include markets that are not fully represented. We believe these regions provide opportunities to expand in metro and rural areas that sit right outside of our current footprint. We believe our adjacent market opportunity currently includes approximately 90 locations that could accommodate our preferred size of stores in markets we would consider.

Greenfield opportunity

Beyond our in-fill and adjacent markets, we believe we have the opportunity to expand across the nation. We currently have store locations in 16 states, which leaves us substantial room for growth beyond our core geographies. We believe our greenfield opportunity currently includes approximately 675 locations that could accommodate our preferred size of stores in markets we would consider.

Significant growth opportunity



The majority of our store expansion is expected to be with our traditional box size of approximately 70,000 gross square feet. We have also recently tested a smaller store format, which is approximately 40% smaller than our average store, that we believe will be advantageous for in-fill markets and other metropolitan areas.

While we will continue to prioritize investments in our existing operations and omnichannel capabilities, we will continue to judiciously expand. We have online delivery capabilities in almost every state and will focus on disciplined new store openings. As we reach into new and existing markets, we expect our omnichannel platform to lead the way in our geographic expansion.

Recent Developments

Preliminary, Unaudited Estimates for the Nine-Week Period Ended January 2, 2021

We estimate that our comparable sales grew approximately 16.6% during the first nine weeks of the fourth quarter 2020 (from November 1, 2020 to January 2, 2021). This comparable sales increase was driven primarily by double digit sales growth in all of our merchandise categories. Additionally, our number of transactions, average ticket, units per transaction and average unit retails also increased during the period and contributed to this comparable sales increase. As of January 2, 2021, we operated 259 retail locations in 16 states.

This preliminary financial information is for the first nine weeks of our fourth quarter 2020 and the fourth quarter 2020 has not ended. The unaudited, estimated results for this nine-week period represent only a portion of our fourth quarter 2020, are preliminary, based upon our estimates and currently available information, and are subject to revision based upon, among other things, quarter-end closing procedures and/or adjustments, the completion of our interim consolidated financial statements and other operational procedures. This preliminary financial information should not be viewed as a substitute for full interim financial statements prepared in accordance with GAAP and reviewed by our auditors. These preliminary results are not necessarily indicative of the results to be achieved for the thirteen-week period ending January 30, 2021 or any future period. Our actual results may be materially different from our estimates, which should not be regarded as a representation by us, our management, the selling stockholders or the underwriters as to our actual results for the thirteen-week period ending January 30, 2021. You should not place undue reliance on these estimates. This preliminary financial data has been prepared by, and is the responsibility of, our management. Deloitte & Touche LLP has not audited, reviewed, compiled or performed any procedures with respect to the accompanying preliminary financial data. Accordingly, Deloitte & Touche LLP does not express an opinion or any other form of assurance with respect thereto.

Risks Related to Our Business and this Offering

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described in "Risk Factors" before making a decision to invest in our common stock. If any of these risks actually occurs, our business, results of operations and financial condition may be materially adversely affected. In such case, the trading price of our common stock may decline and you may lose part or all of your investment. Below is a summary of some of the principal risks we face:

- overall decline in the health of the economy and consumer discretionary spending;
- our ability to predict or effectively react to changes in consumer tastes and preferences, to acquire and sell brand name merchandise at competitive prices, and/or to manage our inventory balances;
- intense competition in the sporting goods and outdoor recreation retail industries;
- the impact of COVID-19 on our business and financial results;
- our ability to safeguard sensitive or confidential data relating to us and our customers, team members and vendors;
- risks associated with our reliance on internationally manufactured merchandise;
- our ability to comply with laws and regulations affecting our business, including those relating to the sale, manufacture and import of consumer products;
- claims, demands and lawsuits to which we are, and may in the future, be subject and the risk that our insurance or indemnities coverage may not be sufficient;
- harm to our reputation;
- our ability to operate, update or implement our information technology systems;
- our substantial indebtedness;
- our being a "controlled company" within the meaning of Nasdaq rules and, as a result, qualifying for exemptions from certain corporate governance requirements; and
- KKR Stockholders controlling us and their interests conflicting with ours or yours in the future.

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KKR

KKR is a leading global investment firm that manages multiple alternative asset classes, including private equity, credit and real assets, with strategic partners that manage hedge funds. KKR aims to generate attractive investment returns for its fund investors by following a patient and disciplined investment approach, employing world-class people, and driving growth and value creation with KKR portfolio companies. KKR invests its own capital alongside the capital it manages for fund investors and provides financing solutions and investment opportunities through its capital markets business.

Our Corporate Information

Our common stock began trading on Nasdaq under the symbol "ASO" on October 2, 2020 and we consummated the IPO on October 6, 2020.

Our principal offices are located at 1800 North Mason Road, Katy, Texas 77449. Our telephone number is (281) 646-5200. We maintain a website at academy.com. The reference to our website is intended to be an inactive textual reference only. **The information contained on, or that can be accessed through, our website is not part of this prospectus.**

The Offering

Common stock offered by the selling stockholders	12,000,000 shares.
Option to purchase additional shares of common stock	The selling stockholders have granted the underwriters a 30-day option from the date of this prospectus to purchase up to 1,800,000 additional shares of our common stock at the public offering price, less underwriting discounts and commissions.
Common stock outstanding	90,936,907 shares (as of January 2, 2021).
Use of proceeds	We will not receive any proceeds from the sale of shares being sold in this offering including from any exercise by the underwriters of their option to purchase additional shares. The selling stockholders will receive all of the net proceeds and bear all commissions and discounts, if any, from the sale of our common stock pursuant to this prospectus. See "Use of Proceeds" and "Selling Stockholders."
	The selling stockholders will bear the underwriting commissions and discounts, if any, attributable to their sale of our common stock, and expenses incurred by the selling shareholders for brokerage, accounting, tax or legal services or any other expenses incurred by the selling shareholders. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including, without limitation, all registration and filing fees, and fees and expenses of our counsel and one counsel for the selling stockholders and our independent registered public accountants.
Conflicts of Interest	Affiliates of KKR beneficially own in excess of 10% of our issued and outstanding common stock. Because KKR Capital Markets LLC, an affiliate of KKR, is an underwriter in this offering and its affiliates own in excess of 10% of our issued and outstanding common stock, KKR Capital Markets LLC is deemed to have a "conflict of interest" under Rule 5121, or Rule 5121, of the Financial Industry Regulatory Authority, Inc., or FINRA. Accordingly, this offering is being made in compliance with the requirements of Rule 5121. Pursuant to that rule, the appointment of a "qualified independent underwriter" is not required in connection with this offering, because a bona fide public market exists in the shares, as that term is defined in Rule 5121. See "Underwriting (Conflicts of Interest)."
Controlled company	After the completion of this offering, KKR Stockholders will collectively beneficially own approximately 56% of the voting power of our common stock. We currently intend to avail ourselves of the controlled company exemption under the corporate governance standards of Nasdaq.

Dividend policy	We have no current plans to pay dividends on our common stock. Any decision to declare and pay dividends in the future will be made at the sole discretion of our board of directors and will depend on, among other things, our results of operations, cash requirements, financial condition, legal, tax, regulatory and contractual restrictions, including restrictions in the agreements governing our indebtedness, and other factors that our board of directors may deem relevant. See "Dividend Policy."
Risk factors	Investing in shares of our common stock involves a high degree of risk. See "Risk Factors" for a discussion of factors you should carefully consider before investing in shares of our common stock.
Material U.S. federal income and estate tax consequences to non-U.S. holders	For a discussion of certain U.S. federal income and estate tax consequences that may be relevant to non-U.S. stockholders, see "Material U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders."
Nasdaq trading symbol	"ASO."

Unless we indicate otherwise or the context otherwise requires, this prospectus reflects and assumes no exercise of the underwriters' option to purchase 1,800,000 additional shares of our common stock.

The number of shares of common stock after this offering excludes:

- 9,424,127 shares of common stock issuable upon exercise of outstanding options, (i) 6,381,288 of which are vested, with a weighted-average exercise price of $9.51 per share, and (ii) 3,042,839 of which are not vested, with a weighted-average exercise price of $16.87 per share, in each case, issued under the New Academy Holding Company, LLC 2011 Unit Incentive Plan, or the 2011 Equity Plan. See "Executive Compensation—Equity Compensation Plans—2011 Equity Plan;"
- 1,413,286 shares of common stock issuable upon settlement of outstanding restricted stock units, all of which are not vested, in each case, issued under the 2011 Equity Plan. See "Executive Compensation—Equity Compensation Plans—2011 Equity Plan;"
- (i) 172,464 shares of common stock issuable upon exercise of outstanding options, none of which are vested, with a weighted-average exercise price of $13.71, (ii) 36,813 shares of common stock issuable upon settlement of outstanding restricted stock units, none of which are vested, and (iii) 4,940,723 shares of common stock reserved for future issuance, in each case, under our new 2020 Omnibus Incentive Plan, or the 2020 Equity Plan. See "Executive Compensation—Equity Compensation Plans—2020 Equity Plan;" and
- 1,000,000 shares of common stock reserved for future issuance under our new 2020 Employee Stock Purchase Plan, or the ESPP. See "Executive Compensation—Equity Compensation Plans—2020 Employee Stock Purchase Plan."

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

Set forth below is our summary historical consolidated financial and other data as of the dates and for the periods indicated. The summary historical financial data as of February 1, 2020 and February 2, 2019 and for 2019, 2018 and 2017 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The summary historical financial data as of February 3, 2018 has been derived from our consolidated financial statements not included in this prospectus. The summary historical financial data as of and for the thirty-nine weeks ended October 31, 2020 and November 2, 2019 has been derived from our unaudited condensed consolidated financial statements included elsewhere in this prospectus. The results of operations for any period are not necessarily indicative of our future financial condition or results of operations.

You should read the following summary financial and other data below together with the information under “Selected Historical Consolidated Financial Data,” “Capitalization” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes and our unaudited condensed consolidated financial statements and related notes, each included elsewhere in this prospectus.

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Period length	52 weeks	52 weeks	53 weeks	39 weeks	39 weeks
(In thousands)					
Statement of Income Data:					
Net sales(1)	$ 4,829,897	$ 4,783,893	$ 4,835,582	$ 4,091,797	$ 3,459,405
Costs of goods sold	3,398,743	3,415,941	3,436,618	2,856,840	2,398,783
Gross margin	1,431,154	1,367,952	1,398,964	1,234,957	1,060,622
Selling, general and administrative expenses	1,251,733	1,239,002	1,241,643	955,591	923,418
Operating income	179,421	128,950	157,321	279,366	137,204
Interest expense, net	101,307	108,652	104,857	70,487	77,171
(Gain) on early retirement of debt, net(2)	(42,265)	—	(6,294)	(7,831)	(42,265)
Other (income), net	(2,481)	(3,095)	(2,524)	(857)	(1,921)
Income before income taxes	122,860	23,393	61,282	217,567	104,219
Income tax expense	2,817	1,951	2,781	325	1,914
Net income	$ 120,043	$ 21,442	$ 58,501	$ 217,242	$ 102,305

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Period length	52 weeks	52 weeks	53 weeks	39 weeks	39 weeks
(In thousands, except store data and per share data)					
Balance Sheet Data (end of period):					
Cash and cash equivalents	$ 149,385	$ 75,691	$ 31,045	$ 869,725	$ 43,538
Merchandise inventories, net	1,099,749	1,134,156	1,223,486	1,082,907	1,331,969
Working capital(3)	538,795	582,789	605,083	750,990	571,788
Total assets(3)	4,331,321	3,238,957	3,323,046	4,981,916	4,488,709
Total debt, net of deferred loan costs	1,462,658	1,625,060	1,675,356	1,427,135	1,510,859
Total equity	988,219	857,039	832,687	984,564	969,083
Cash Flow Data:					
Net cash provided by operating activities	$ 263,669	$ 198,481	$ 83,355	$ 857,218	$ 94,756
Net cash used in investing activities	(66,783)	(99,027)	(115,901)	(13,790)	(52,579)
Net cash provided by (used in) financing activities	(123,192)	(54,808)	8,514	(123,088)	(74,330)
Capital expenditures	62,818	107,905	132,126	(21,915)	(48,614)
Store Data (unaudited):					
Comparable sales increase (decrease)	(0.7)%	(2.5)%	(5.2)%	16.1%	(1.1)%
Number of stores at end of period	259	253	244	259	259
Total square feet at end of period (in millions)	18.3	17.9	17.3	18.3	18.3
Net sales per square foot(4)	$ 264	$ 267	$ 279	$ 224	$ 189
Other Financial Data (unaudited):					
Adjusted EBITDA(5)	$ 322,814	$ 300,259	$ 315,420	$ 428,640	$ 245,596
Adjusted Net Income(5)	101,469	55,405	72,078	278,001	77,862
Pro Forma Adjusted Net Income(5)	75,927	41,338	53,732	208,591	58,327
Pro Forma Adjusted Earnings per Share(5):					
Basic	1.08			2.82	0.80
Diluted	1.05			2.70	0.78
Adjusted Free Cash Flow(5)	196,886	99,454	(32,546)	843,428	42,177

(1) The impact of the 53rd week to 2017 net sales was $60.6 million.

(2) In first half 2020 and in 2019 and 2017, we repurchased principal on our 2015 Term Loan Facility, which was trading at a discount and recognized a gain, net of the write-off of related deferred loan costs. In first half 2020, we repurchased a total of $23.9 million of principal in open market transactions for an aggregate price of $16.0 million and recognized a related net gain of $7.8 million. In 2019, we repurchased a total of $147.7 million of principal in open market transactions for an aggregate purchase price of $104.6 million and recognized a related net gain of $42.3 million. In 2017, we repurchased $26.2 million of principal in open market transactions for an aggregate purchase price of $19.7 million and recognized a related net gain of $6.3 million.

(3) Effective February 3, 2019, we adopted the New Lease Standard, which requires that lessees recognize assets and liabilities arising from operating leases on the balance sheet. Adoption of the new standard resulted in $1.2 billion in right-of-use assets and a combined $1.2 billion between current lease liabilities and long-term lease liabilities included on the balance sheet as of February 3, 2019. See Note 2 and Note 14 to our audited consolidated financial statements included elsewhere in this prospectus for further details regarding the adoption of this standard.

(4) Calculated using net sales and square footage of all stores open at the end of the respective period. Square footage includes the in-store storage, receiving and office space that generally occupies approximately 15% of total store space in our stores.

(5) We define Adjusted EBITDA as net income (loss) before interest expense, net, income tax expense and depreciation, amortization and impairment, further adjusted to exclude consulting fees, Adviser monitoring fees, stock based compensation expense, gain on early extinguishment of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, inventory write-down adjustments associated with strategic merchandising initiative and other adjustments. We describe these adjustments reconciling net income (loss) to Adjusted EBITDA in the applicable table below. We define Adjusted Net Income (Loss) as net income (loss), plus consulting fees, Adviser monitoring fees, stock based compensation expense, gain on early extinguishment of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, inventory write-down adjustments associated with strategic merchandising initiative and other adjustments, less the tax effect of these adjustments. We define Pro Forma Adjusted Net Income (Loss) as Adjusted Net Income (Loss) less the retrospective tax effect of Adjusted Net Income (Loss) at our estimated effective tax rate of approximately 25% for periods prior to October 1, 2020, the effective date of our conversion to a C-Corporation. We define basic Pro Forma Adjusted Earnings per Share as Pro Forma Adjusted Net Income divided by the basic weighted average common shares outstanding during the period and diluted Pro Forma Adjusted Earnings per Share as Pro Forma Adjusted Net Income divided by the diluted weighted average common shares outstanding during the period. We describe these adjustments reconciling net income (loss) to Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share in the applicable table below. We define Adjusted Free Cash Flow as net cash provided by (used in) operating activities less net cash used in investing activities. We describe these adjustments reconciling net cash provided by operating activities to Adjusted Free Cash Flow in the applicable table below.

Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We believe Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share are useful to investors in highlighting trends in our operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments. Management believes Adjusted Free Cash Flow is a useful measure of liquidity and an additional basis for assessing our ability to generate cash. Management uses Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

Management supplements GAAP results with non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow are not recognized terms under GAAP and should not be considered as an alternative to net income (loss) as a measure of financial performance or net cash provided by operating activities as a measure of liquidity, or any other performance measures derived in accordance with GAAP. Additionally, these measures are not intended to be a measure of free cash flow available for management's discretionary use as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share should not be construed to imply that our future results will be unaffected by unusual or non-recurring items. In evaluating Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and

Adjusted Free Cash Flow, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by primarily relying on our GAAP results in addition to using Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow supplementally.

Our Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow measures have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share do not reflect costs or cash outlays for capital expenditures or contractual commitments;
- Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt, and Adjusted Free Cash Flow does not reflect the cash requirements necessary to service principal payments on our debt;
- Adjusted EBITDA does not reflect period to period changes in taxes, income tax expense or the cash necessary to pay income taxes;
- Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Adjusted Free Cash Flow do not reflect cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow should not be considered as measures of discretionary cash available to invest in business growth or to reduce indebtedness.

The following tables provide reconciliations of net income (loss) to Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share for the periods presented:

(In thousands)	Fiscal Year Ended February 1, 2020	Fiscal Year Ended February 2, 2019	Fiscal Year Ended February 3, 2018	Thirty-Nine Weeks Ended October 31, 2020	Thirty-Nine Weeks Ended November 2, 2019
Net income	$ 120,043	$ 21,442	$ 58,501	$ 217,242	$ 102,305
Interest expense, net	101,307	108,652	104,857	70,487	77,171
Income tax expense	2,817	1,951	2,781	325	1,914
Depreciation, amortization and impairment	117,254	134,190	135,680	79,718	88,693
Consulting fees (a)	3,601	949	10,263	194	3,517
Adviser monitoring fee (b)	3,636	3,522	3,387	14,793	2,697
Equity compensation (c)	7,881	4,633	4,580	27,049	5,872
Gain on early extinguishment of debt, net	(42,265)	—	(6,294)	(7,831)	(42,265)
Severance and executive transition costs (d)	1,429	4,350	7,409	4,137	1,237
Costs related to the COVID-19 pandemic (e)	—	—	—	17,632	—
Inventory write-down adjustments associated with strategic merchandising initiative (f)	—	18,225	4,400	—	—
Other (g)	7,111	2,345	(10,144)	4,894	4,455
Adjusted EBITDA	$ 322,814	$ 300,259	$ 315,420	$ 428,640	$ 245,596

(In thousands, except per share data)	Fiscal Year Ended February 1, 2020	Fiscal Year Ended February 2, 2019	Fiscal Year Ended February 3, 2018	Thirty-Nine Weeks Ended October 31, 2020	Thirty-Nine Weeks Ended November 2, 2019
Net income	$ 120,043	$ 21,442	$ 58,501	$ 217,242	$ 102,305
Consulting fees (a)	3,601	949	10,263	194	3,517
Adviser monitoring fee (b)	3,636	3,522	3,387	14,793	2,697
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Gain on early extinguishment of debt, net	(42,265)	—	(6,294)	(7,831)	(42,265)
Severance and executive transition costs (d)	1,429	4,350	7,409	4,137	1,237
Costs related to the COVID-19 pandemic (e)	—	—	—	17,632	—
Inventory write-down adjustments associated with strategic merchandising initiative (f)	—	18,225	4,400	—	—
Other (g)	7,111	2,345	(10,144)	4,894	4,455
Tax effects of these adjustments (h)	33	(61)	(24)	(109)	44
Adjusted Net Income	$ 101,469	$ 55,405	$ 72,078	278,001	77,862
Estimated tax effect of change to C-Corporation status (i)	(25,542)	(14,067)	(18,346)	(69,410)	(19,535)
Pro Forma Adjusted Net Income	$ 75,927	$ 41,338	$ 53,732	$ 208,591	$ 58,327
Pro Forma Adjusted Earnings per Share:					
Basic	$ 1.08			$ 2.82	$ 0.80
Diluted	$ 1.05			$ 2.70	$ 0.78
Weighted average common shares outstanding:					
Basic	83,013			73,908	72,480
Diluted	85,332			77,171	74,766

(a) Represents outside consulting fees associated with our strategic cost savings and business optimization initiatives.
(b) Represents our contractual payments under our Monitoring Agreement with the Adviser, which was terminated in connection with the IPO. See "Certain Relationships and Related Party Transactions—Monitoring Agreement."
(c) Represents non-cash charges related to equity based compensation, which vary from period to period depending on certain factors such as timing and valuation of awards, achievement of performance targets and equity award forfeitures.
(d) Represents severance costs associated with executive leadership changes and enterprise-wide organizational changes.
(e) Represents costs incurred as a result of the COVID-19 pandemic, including temporary wage premiums, additional sick time, costs of additional cleaning supplies and third party cleaning services for the stores, corporate office and distribution centers, accelerated freight costs associated with shifting our inventory purchase earlier in the year to maintain stock and legal fees associated with consulting in local jurisdictions.
(f) Represents inventory write-down adjustments in connection with our new merchandising strategy adopted as part of our strategic transformation, including exiting certain categories of products.
(g) Other adjustments include (representing deductions or additions to Adjusted EBITDA and Adjusted Net Income (Loss), as applicable) amounts that management believes are not representative of our operating performance, including investment income, net losses associated with Hurricane Harvey, additional profits associated with the 53rd week in fiscal year 2017, additional profits associated with Houston Astros World Series appearances, installation costs for energy savings associated with our profitability initiatives, legal fees associated with a distribution to members of New Academy Holding Company, LLC and our 2020 Equity Plan, store exit costs and other costs associated with strategic cost savings and business optimization initiatives.
(h) Represents the tax effect of the total adjustments made to arrive at Adjusted Net Income (Loss) at our historical tax rate.
(i) Represents the retrospective tax effect of Adjusted Net Income (Loss) at our estimated effective tax rate of 25% for periods prior to October 1, 2020, the effective date of our conversion to a C-Corporation, upon which we became subject to federal income taxes.

The following table provides a reconciliation of net cash provided by operating activities to Adjusted Free Cash Flow for the periods presented:

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
(In thousands)	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Net cash provided by (used in) operating activities	$ 263,669	$ 198,481	$ 83,355	$ 857,218	$ 94,756
Net cash used in investing activities	(66,783)	(99,027)	(115,901)	(13,790)	(52,579)
Adjusted Free Cash Flow	$ 196,886	$ 99,454	$ (32,546)	$ 843,428	$ 42,177

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information set forth in this prospectus before deciding to invest in shares of our common stock. If any of the following risks actually occurs, our business, results of operations and financial condition may be materially adversely affected. In such case, the trading price of our common stock could decline and you may lose all or part of your investment.

Risks Related to Our Business

Our results of operations are highly dependent on the U.S. economy and U.S. consumer discretionary spending and an economic and financial downturn may cause a decline in U.S. consumer discretionary spending and may adversely affect our business, operations, liquidity, capital resources and financial results.

Our results of operations are affected by the relative condition of the U.S. economy. All of our sales are generated within the United States, making our results of operations highly dependent on the U.S. economy and U.S. consumer discretionary spending. A decline in discretionary spending by U.S. consumers could negatively affect our business and results of operations.

The general conditions that affect U.S. consumer discretionary spending in our markets include:

- health of the economy;
- consumer confidence in the economy;
- financial market volatility;
- wages, jobs and unemployment trends;
- the housing market, including real estate prices and mortgage rates;
- consumer credit availability;
- consumer debt levels;
- gasoline and fuel prices;
- interest rates and inflation;
- tax rates and tax policy;
- immigration policy;
- import and customs duties/tariffs and policy;
- impact of natural or man-made disasters;
- legislation and regulations;
- international unrest, trade disputes, labor shortages, and other disruptions to the supply chain;
- changes to raw material and commodity prices;
- national and international security and safety concerns; and
- impact of public health pandemics on team members and the economy.

Increasing volatility in financial markets may cause some of the aforementioned conditions to change with even greater degree of frequency and magnitude. In addition, the COVID-19 pandemic, or fear of such an event, could evolve into a worldwide crisis that could adversely affect the economies and financial markets of many countries, including the United States, resulting in an economic downturn that could affect demand for our products, materially adversely affect our business operations, our team members, facilities, partners, suppliers, distributors or customers, decrease traffic to our stores, create delays and inefficiencies in our supply chain, and make it difficult or impossible for us to deliver products to our customers.

Our comparable sales, net sales per square foot, customer traffic or average value per transaction may be adversely affected if, for example, our customers reduce their purchases with us due to job losses, foreclosures, bankruptcies, higher consumer debt and interest rates, higher taxes, reduced access to credit, falling home prices and lower consumer confidence. A reduction in overall consumer spending which causes customers to shift their spending to products other than those sold by us or to products sold by us that are less profitable could result in lower net sales, decreases in inventory turnover or a reduction in profitability due to lower margins, which could make it more difficult for us to generate cash flow sufficient to satisfy our obligations under our indebtedness. A prolonged period of depressed consumer spending could have a material adverse effect on our business.

Additionally, if the U.S. or global economy experiences a crisis or downturn, including any capital markets volatility or government intervention in the financial markets, or if the U.S. or global economy experiences a prolonged period of decelerating or negative growth, then our liquidity, capital resources or results of operations could be materially and adversely impacted. For example, although we typically generate funds from our operations to pay our operating expenses and fund our capital expenditures, our ability to continue to meet these cash requirements over the long-term may require access to additional sources of funds, including our ABL Facility, incremental term loan facilities and the equity and debt capital markets. Adverse financial and economic conditions may adversely affect our ability to draw on our ABL Facility, the ability of banks to honor draws on our ABL Facility or our ability to obtain incremental term loan facilities or access the equity and debt capital markets. In addition, adverse economic conditions could adversely affect our suppliers' access to the capital and liquidity required to maintain their inventory, production levels, timeliness and product quality and to operate their businesses, which could adversely affect our supply chain, or could reduce our suppliers' offerings of trade credit, customer incentives, vendor allowances, cooperative marketing expenditures and product promotions, which could adversely affect our results of operations. Adverse economic conditions could also make it difficult for both us and our suppliers to accurately forecast future product demand trends, which could cause us to carry too much or too little merchandise in various product categories, or could adversely affect our landlords and real estate developers of retail space, which may limit the availability of attractive leased store locations. The potential ongoing effects of an economic and financial crisis are difficult to forecast and mitigate. We may experience difficulties in operating and growing our operations to react to a U.S. or global financial or economic crisis or downturn. We may be unable, in such cases, to predict how robust a recovery of the U.S. or global economy will be or whether or not it will be sustained.

If we are unable to predict or effectively react to changes in consumer tastes and preferences, or if we fail to acquire and sell brand name merchandise at competitive prices, or if we are not successful in managing our inventory balances, then we may lose customers and our sales may decline and our results of operations may be negatively affected.

The level of success we achieve is dependent on, among other factors, the frequency of merchandise and service innovations, how accurately and timely we predict consumer tastes and preferences regarding sporting goods and outdoor recreation merchandise, the level of consumer demand, the availability of merchandise, the related impact on the demand for existing merchandise, and the competitive environment. Our products must appeal to a broad range of customers whose preferences cannot be predicted with certainty and are subject to change. We must identify, obtain supplies of, and offer to our customers, attractive, innovative and high-quality merchandise on a continuous basis. It is difficult to predict consistently and successfully the products and services our customers will demand as we often purchase products from our vendors several months in advance of the proposed delivery. Our failure to timely identify or effectively respond to changing consumer tastes, preferences and spending patterns could negatively affect our relationship with our customers, the demand for our merchandise and services and our market share, which could have a material adverse effect on our net sales and results of operations.

An unexpected major shift in consumer demand away from sporting goods, sports and casual apparel and footwear, and outdoor recreation products could have a material adverse effect on our business, results of operations and financial condition. Consumer spending on sporting goods, sports and casual apparel and footwear, and outdoor recreation products could decrease or be displaced by spending on other activities due to a number of factors, including:

- shifts in behavior away from team sports and outdoor activities in favor of media and electronics-driven leisure activities;
- state, local and federal government budget cuts on facilities and activities, such as school athletic budgets, parks, ball fields, recreational sports leagues, hunting and fishing services, etc.;
- legal and regulatory changes in federal and state hunting and fishing seasons, bag limits and firearm and ammunition restrictions;
- consumer activism relating to controversial products we may carry, services we may perform, or our corporate philosophy, including those relating to firearms and ammunition, which could cause them to take their retail business elsewhere;
- escalating costs of sporting and outdoor activities due to adverse changes in economic conditions, including rising fuel prices, rising participation fees and rising sporting license fees; and
- natural or man-made disasters (e.g., an oil spill closing large areas of hunting or fishing), including hurricanes, tornadoes, large storms and floods, and the effects of such events on the ability of large urban areas to continue spending on sporting goods and outdoor recreation products.

Total consumer spending may not continue to increase at historical rates due to slowed production growth and shifts in population demographics, and it may not increase in certain product categories given changes in consumer interests and participation rates. Our results of operations could be negatively affected if consumer spending on sporting goods and outdoor recreation products or sports participation rates decline.

Our business is highly dependent upon our ability to purchase brand name merchandise from our vendors at competitive prices. We cannot guarantee that we will be able to acquire such brand name merchandise at competitive prices or on competitive terms in the future. In this regard, brand name merchandise that is in high demand may be allocated by brand name vendors based upon the vendors' internal criterion which is beyond our control. If we lose any of our brand name vendors or if any of our brand name vendors fail to supply us with brand name merchandise, we may not be able to meet the demand of our customers for their brand names.

We must maintain sufficient inventory levels of merchandise that our customers desire to successfully operate our business. A shortage of popular merchandise could reduce our net sales. Conversely, we also must seek to avoid accumulating excess inventory to maintain appropriate in-stock levels. If we overstock unpopular merchandise, then we may be forced to take significant inventory markdowns or miss opportunities for the sale of other merchandise, both of which could have a negative impact on our profitability, and, in turn, our sales may decline or we may be required to sell the merchandise we have obtained at lower prices. For example, the popularity of much of the licensed apparel we offer is dependent on the performance of certain sporting teams throughout the course of the applicable sports seasons. If we overestimate or underestimate the projected success of a certain sports team, we may have to take significant mark-downs of our licensed apparel for that sports team or we may miss the opportunity to sell additional licensed apparel or other products with that sports team's logo. The success of sporting teams is highly uncertain and difficult to predict. In addition, macro factors, such as the COVID-19 pandemic, may significantly affect whether or not certain sports leagues are able to host their games in their usual seasons, and if they are, whether or not spectators can attend. Our licensed apparel is significantly more popular when spectators are able to attend the games of the sports teams featured on such apparel. If we are not successful in managing our inventory balances, our results of operations may be negatively affected.

Intense competition in the sporting goods and outdoor recreation retail industries could limit our growth and reduce our profitability.

The market for sporting and outdoor recreation goods is highly fragmented and intensely competitive. Our current and prospective competitors include many large companies, some of which have substantially greater market presence, name recognition and financial, marketing and other resources than us. We compete directly or indirectly with the following categories of companies:

- mass general merchants;
- large format sporting goods stores;
- traditional sporting goods stores;
- specialty outdoor retailers;
- specialty footwear retailers; and
- catalogue and internet retailers.

Pressure from our competitors could require us to reduce our prices or increase our spending for advertising and promotion. Traditional competitors have become increasingly promotional and, if our competitors reduce their prices, it may be difficult for us to reach our net sales goals without reducing our prices, which could impact our margins. Increased competition in markets in which we have stores or the adoption by competitors of innovative store formats, aggressive pricing, promotion or delivery strategies and retail sale methods, such as the Internet, could cause us to lose market share and could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, as the popularity and use of Internet sites and free merchandise shipping continue to increase, our business faces increased competition from various domestic and international sources, including our suppliers. Additionally, the ability of consumers to compare prices on a real-time basis through the use of smartphones and digital technology puts additional pressure on us to maintain competitive prices vis-à-vis our competitors. We may require significant capital in the future to sustain or grow our business, including our store and e-commerce activities, due to increased competition, and there is no assurance that cash flow from operations will be sufficient to meet those needs or that additional sources of capital will be available on acceptable terms or at all.

The impact of COVID-19 may adversely affect our business and financial results.

The worldwide COVID-19 pandemic has negatively impacted the global and U.S. economies, disrupted consumer spending and global supply chains, and created significant volatility and disruption of labor and financial markets. The COVID-19 pandemic may have an adverse impact on our business and financial performance, including an economic downturn that adversely affects demand for our products, adversely affects our business operations, our team members, facilities, partners, suppliers, distributors or customers, decreases demand for our products, creates delays and inefficiencies in our supply chain, and makes it difficult for us to timely provide products to our customers. The extent of the impact of the COVID-19 pandemic on our business and financial performance, including our ability to execute our near-term and long-term business strategies and initiatives in the expected time frame, will depend on future developments, including the duration and severity of the pandemic, which are uncertain and cannot be predicted.

As a result of the COVID-19 pandemic, various governmental authorities and we have imposed and may further impose numerous requirements and restrictions on the operations of our facilities that are intended to protect the health and safety of our team members, consumers and communities, including temporary full or partial closures of our stores, distribution centers and corporate headquarters, restrictions on our goods and services eligible for sale, restrictions on the ability of customers and team members to reach our stores and other facilities and the neighboring businesses upon which we rely to drive traffic to our stores, and the closures of schools and businesses that our team members may rely upon for childcare while they work. The situation also has necessitated the imposition of significant new safety measures to which we must adhere to safely serve our customers while also providing for the safety of our team members and suppliers, including limitations on the number of customers and team members allowed in our stores at any given time, shorter operating hours, and increased distancing, face covering, cleaning and sanitization protocols. Each of these necessary measures has substantially increased our operating costs, including, but not limited to, costs incurred to implement the operational changes described above and certain payments to or other costs relating to team members who are not working during the pandemic. These limitations, requirements and decreases, which are unprecedented, unexpected, ongoing and indefinite, may adversely impact our business and results. During the first quarter 2020, we closed our corporate headquarters, temporarily furloughed a significant portion of our corporate team members, and most of our active corporate team members worked from home due to local shutdown orders, and any need to take these actions again in the future may negatively impact productivity and cause other disruptions to our business. We began partially reopening our corporate headquarters during May 2020 to a limited number of team members and the remainder of our corporate team members returned to our corporate headquarters on June 8, 2020, in accordance with local guidelines. Our information technology systems and cybersecurity could also be adversely affected due to any significant increase in remote working of our team members due to any future closing of our corporate headquarters and in online orders due to a significant increase in online transactions. The operations of our stores, distribution centers, and corporate office could be further restricted, if we deem necessary or if recommended or mandated by authorities and these measures could have an adverse impact on our sales and profits.

As a result of the COVID-19 pandemic, we may have fewer resources to operate our business and we could also see deterioration in macroeconomic factors that typically affect us. In addition, consumer fears about becoming ill with the disease may continue, which will adversely affect traffic to our stores. Any significant reduction in consumer willingness to visit stores, levels of consumer spending at our stores or team member willingness to staff our facilities, or the further temporary closure of our facilities, relating to the pandemic or its impact on the economy, consumer sentiment or health concerns, could result in a loss of sales and profits and other material adverse effects. Consumer spending generally may also be negatively impacted by general macroeconomic conditions and consumer confidence, including the impacts of any recession, resulting from the COVID-19 pandemic. Any decreased spending at stores or online caused by decreased consumer confidence and spending following the pandemic could result in a loss of sales and profits and other material adverse effects. Also, if we do not respond appropriately to the pandemic, or if customers do not perceive our response to be adequate for a particular region or our company as a whole, we could suffer damage to our reputation and our brand, which could adversely affect our business in the future.

The COVID-19 pandemic also has the potential to significantly impact our supply chain if the factories that manufacture our products, the distributors that distribute our products, the distribution centers where we manage our inventory, or the operations of our logistics and other service providers are disrupted, temporarily closed or experience worker shortages. We may also see further disruptions or delays in shipments and negative impacts to pricing of certain components of our products. The COVID-19 pandemic has already impacted the suppliers of products we sell, particularly as a result of mandatory shutdowns in locations where our products are manufactured.

A significant amount of our merchandise is produced in China and the COVID-19 outbreak in China has resulted in significant governmental measures being implemented in China to control the spread of the virus, including, among others, restrictions on manufacturing and the movement of team members in many regions of the country. These measures in China have resulted in, and may result in further, disruptions to our supply chain, including the temporary closure of third-party manufacturer facilities, interruptions in labor and/or product supply, or restrictions on the export or shipment of our products. As a result, our third-party manufacturers may not have the materials, capacity, or capability to manufacture our products according to our schedule and specifications. If our third-party manufacturers’ operations are curtailed, we may need to seek alternate manufacturing sources, which may be more expensive. Alternate sources may not be available or may result in delays in shipments to us from our supply chain and subsequently to our customers, each of which would affect our results of operations. While the disruptions and restrictions on the ability to travel, quarantines, and temporary closures of the facilities of our third-party manufacturers and suppliers, as well as general limitations on movement in the region, are expected to be temporary, the duration of the production and supply chain disruption, and related financial impact, cannot be estimated at this time. Should the production and distribution closures continue for an extended period of time, the impact on our supply chain in China and globally could have a material adverse effect on our results of operations and cash flows.

The extent to which COVID-19 impacts our results, financial position and liquidity will depend on future developments, including new information which may emerge concerning the severity of the pandemic and any actions or inactions to contain COVID-19 or mitigate its impact, among others, which are highly uncertain and cannot be predicted. The extent of the impact of COVID-19 on our business and financial results will also depend on the duration and spread of the outbreak, including whether there is a “second wave” caused by additional periods of increases or spikes in the number of COVID-19 cases, further mutations or related strains of the virus (or even the threat or perception that this could occur), within the markets in which we operate and the related impact on consumer confidence and spending, labor supply or product supply, all of which are highly uncertain. Actions we have taken or may take, or decisions we have made or may make, as a consequence of the COVID-19 pandemic may result in the Company becoming a party to litigation claims and/or legal proceedings, including claims relating to our customers or team members getting ill after visiting or working in our stores and other facilities, which could consume significant financial and managerial resources, result in decreased demand for our products and injury to our reputation. We may also face further closure requirements and other operational restrictions with respect to some or all of our facilities for prolonged periods of time due to, among other factors, evolving and increasingly stringent governmental restrictions including public health directives, quarantine policies or social distancing measures. An extended period of ongoing disruption could materially affect our business, results of operations, access to sources of liquidity and financial condition.

Any failure to protect the integrity, security and use of sensitive or confidential data that we hold relating to us and our customers, team members and vendors, whether as a result of unauthorized disclosure, data loss or a breach of our information technology systems, could result in lost sales, fines and/or lawsuits, a loss of confidence in us, and harm to our reputation, business, results of operations and financial condition.

The secure processing, maintenance, transmission and storage of our customer, team member, vendor and company data is critical to us, and we devote significant resources to protecting this data. We collect and store sensitive and confidential data, including our intellectual property and proprietary business information and that of our vendors, and personally identifiable information of our customers and team members, in our data centers and on our networks. Additionally, the success of our retail stores and online operations depends upon the secure transmission of confidential information, including the use of cashless payments. Our customers provide personal, payment card and gift card information to purchase products or services, enroll in promotional programs, apply for credit, register and make purchases on our website, or otherwise communicate and interact with us. We may share information about such persons with vendors that assist with performing certain aspects of our business.

We and our vendors rely on commercially available information technology security measures, including systems, software, tools, plans and monitoring to provide security for processing, maintenance, transmission and storage of our customer, team member, vendor and company data. Despite the security measures we and our vendors have in place, our facilities and information technology systems, and those of our third-party service providers, may be vulnerable to, and unable to detect and appropriately respond to, security breaches, cyber-security attacks by computer hackers, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar disruptions. Any security breach could compromise our networks and the data and confidential personal or business information stored there could be accessed, publicly disclosed, misappropriated, destroyed, lost or stolen. In addition, data and security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breach by our team members or by persons with whom we have commercial relationships that result in the unauthorized release of confidential personal or business information. Any such breach, access, misappropriation, loss or other unauthorized or inadvertent disclosure of confidential information, whether by us or our vendors, could attract a substantial amount of media attention, damage our relationships with our customers, team members and vendors and cause a loss of confidence in us, violate applicable privacy laws and obligations and expose us to costly government enforcement actions or private litigation and financial liability (possibly beyond the scope or limits of our insurance coverage), increase the costs we incur to protect against or remediate such breaches and comply with consumer protection and data privacy laws and obligations or disrupt our operations and distract our management and other key personnel from performing their primary operational duties, any of which could adversely affect our reputation, business, results of operations and financial condition.

Despite our security measures, it is possible that computer hackers or other parties might defeat these security measures and obtain sensitive or confidential data that we hold relating to us and our customers, team members and vendors. The techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems, change frequently and often are not recognized until launched against a target, and we may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks could require that we expend significant resources related to our information systems and infrastructure and could subject us to additional legal and financial risks, including increased investments in protection technologies, costs to deploy additional personnel, train team members and engage third-party experts and consultants, costs of compliance with privacy laws and obligations, expenses associated with providing our customers with credit protection and potential fees and penalties from our credit card processing partners, any of which could adversely affect our reputation, business, results of operations and financial condition.

A significant portion of the merchandise that we sell is manufactured in foreign countries, including China, which exposes us to various international risks that could have a material adverse effect on our business and results of operations.

A significant portion of the merchandise that we sell, including merchandise we purchase from domestic suppliers and much of our owned brand merchandise, is manufactured in countries such as China, Vietnam, El Salvador and Bangladesh. Foreign imports subject us to the risks of changes in import duties, quotas, loss of “most favored nation” status with the United States for a particular foreign country, delays in shipment, shipping port and ocean carrier constraints, supply and demand constraints, labor strikes, work stoppages or other disruptions, freight cost increases and economic uncertainties (including the United States imposing anti-dumping or countervailing duty orders, tariffs, safeguards, remedies or compensation and retaliation due to illegal foreign trade practices). To the extent that any foreign manufacturers from whom we purchase products directly or indirectly employ labor, environmental, corruption, workplace safety, or other business practices that vary from those commonly accepted in the United States, we could be hurt by any resulting negative publicity or, in some cases, potential claims of liability. Merchandise or raw materials purchased from alternative sources may be of lesser quality or more expensive than the merchandise or raw materials we currently purchase abroad. If any of these or other factors were to cause a disruption of trade from the countries in which our suppliers are located, our inventory levels may be reduced or the costs of our merchandise may increase.

The political, health, safety, security, and economic environments of the countries in which we or our vendors obtain merchandise or raw materials have the potential to materially affect our operations. In the event of disruptions or delays in supply due to economic, political, health, safety or security conditions in foreign countries or their relations with the United States, such disruptions or delays could adversely affect our results of operations unless and until alternative supply arrangements could be made. Also, the imposition of trade tariffs, sanctions or other regulations against merchandise imported by us, or the loss of “normal trade relations” status with the countries in which we or our vendors obtain merchandise or raw materials, could significantly increase our cost of products imported into the United States and harm our business. The prices charged for the merchandise that we purchase by foreign manufacturers may be affected by the fluctuation of their local currency against the U.S. dollar.

In addition, the federal government periodically considers other restrictions on the importation of products obtained by our vendors and us. If the United States were to withdraw from or materially modify any international trade agreements to which it is a party, or if tariffs were raised on the foreign-sourced goods that we sell, or if border taxes were implemented, then the goods we import may no longer be available at a commercially attractive price or at all, which in turn could have a material adverse effect on our business, financial condition and results of operations.

A significant amount of our merchandise is produced in China, and increases in the costs of labor and other costs of doing business in China could significantly increase our costs to produce our merchandise and could have a negative impact on our net sales, operating income and net income. Factors that could negatively affect our business include a potential significant revaluation of the Chinese Yuan, which may result in an increase in the cost of producing products in China, labor shortages and increases in labor costs in China, and difficulties in moving products manufactured in China through the ports on the western coast of North America, whether due to port congestion, labor disputes, product regulations and/or inspections or other factors, and natural disasters or health pandemics impacting China.

General trade tensions between the United States and China began escalating in 2018, with multiple rounds of U.S. tariffs on Chinese goods taking effect. The Trump administration has imposed multiple rounds of tariffs on imports from China, where we and many of our vendors source commodities. As a result, we have experienced rising inventory costs on owned brand products we directly source from China, as well as national brand products from China that we source through our vendors. These higher inventory costs have resulted in higher prices and/or lower margins, thus resulting in a negative impact to sales and/or gross margin. Additionally, these tariffs have resulted in and could result in further retaliatory tariff actions by China and could ultimately result in further tariffs on merchandise that we, and many of our vendors, import from China. These tariffs could have an adverse or material adverse effect on our business, financial condition and results of operations. If any of these events continue as described, we may need to seek alternative suppliers or vendors, raise prices, or make changes to our operations, any of which could have a material adverse effect on our sales and profitability, results of operations and financial condition. On January 15, 2020, President Trump signed Phase I of a new trade agreement with China, signaling potential cooperation and resolution between the two countries in 2020 to the ongoing trade war. However, as of our report date, no significant modifications have been enacted relative to the escalated tariffs which impact our business.

We are subject to costs and risks associated with laws and regulations affecting our business, including those relating to the sale, manufacture and import of consumer products and other matters, and such laws may change or become more stringent.

We operate in a complex regulatory and legal environment that exposes us to regulatory, compliance and litigation risks that could materially affect our operations and financial results. We are subject to regulation by numerous federal, state and local regulatory agencies and authorities, including the U.S. Consumer Product Safety Commission, Equal Employment Opportunity Commission, Department of Labor, Occupational Safety and Health Administration, Department of Justice, Department of Treasury, Federal Trade Commission, Customs and Border Protection, Bureau of Alcohol, Tobacco, Firearms and Explosives, SEC, Internal Revenue Service, or IRS, and Environmental Protection Agency and comparable state and local agencies.

Laws and regulations affecting our business may change, sometimes frequently and significantly, as a result of political, economic, social or other events. Some of the federal, state or local laws and regulations that affect us include but are not limited to:

- consumer product safety, product liability or consumer protection laws;
- laws related to advertising, marketing, pricing and selling our products, including but not limited to firearms, ammunition, and related accessories;

- labor and employment laws, including wage and hour laws;
- tax laws or interpretations thereof, including collection of state sales tax on e-commerce sales;
- data protection and privacy laws and regulations;
- environmental laws and regulations;
- hazardous material laws and regulations;
- customs or import and export laws and regulations, including collection of tariffs on product imports;
- intellectual property laws;
- antitrust and competition regulations;
- banking and anti-money laundering regulations;
- Americans with Disabilities Act, or ADA, and similar state and local laws and regulations;
- website design and content regulations; and
- securities and exchange laws and regulations.

We sell firearms, ammunition, and related accessories. Firearms represented less than 6% of our net sales in 2019. Numerous federal, state and local laws and regulations govern the procurement, transportation, storage, distribution and sale and marketing of firearms, ammunition, and related accessories, including the regulations governing the performance of federally and state mandated procedures for determining customer firearm purchase eligibility (such as age and residency verification, background checks and proper completion of required paperwork). In the future, there may be increased federal, state or local regulation affecting the sale of firearms, ammunition, and related accessories, including taxation or restrictions on the type of firearms and ammunition available for retail sale, which could reduce our sales and profitability. A failure by us to follow these laws or regulations may subject us to claims, lawsuits, fines, penalties, adverse publicity and government action (up to and including the possible revocation of licenses and permits allowing the sale of firearms and ammunition), which could have a material adverse effect on our business and results of operations.

Another significant risk relating to our operations is compliance with the U.S. Foreign Corrupt Practices Act, or FCPA, the U.K. Bribery Act, or UKBA, and other anti-corruption laws applicable to our international operations. In many foreign countries, particularly in those with developing economies, it may be a local custom that businesses operating in such countries engage in bribery and other business practices that are prohibited by the FCPA, the UKBA or other U.S. and foreign laws and regulations applicable to us.

We have internal policies, procedures and standards that we require all of our team members, agents and vendors to meet. Although we have implemented policies, procedures and standards of conduct designed to ensure compliance with the laws or regulations affecting our business, there can be no assurance that all of our team members, agents and vendors will comply with such laws, policies, procedures and standards of conduct. If we or one of our domestic or foreign agents or vendors fails to comply with a law or regulation, including any of the foregoing laws or regulations, or if we or one of our domestic or foreign agents or vendors fails to comply with our required policies, procedures or standards of conduct, then we may be forced to discontinue conducting business with the agent or vendor and we or they may be subject to claims, lawsuits, fines, penalties, loss of a license or permit and adverse publicity or other consequences that could have a material adverse effect on our business, results of operations and financial condition.

We are, and may in the future, be subject to claims, demands and lawsuits, and our insurance or indemnities may not be sufficient to cover damages related to those claims and lawsuits.

From time to time we may be involved in lawsuits, demands or other claims arising in the ordinary course of business. For example, we are, and may in the future, be subject to claims, demands and lawsuits, and we may suffer losses and adverse effects to our reputation, related to:

- injuries or crimes associated with merchandise we sell, that has been associated with an increased risk of injury, including but not limited to firearms, ammunition, firearm accessories, air pistols, crossbows and other archery equipment, knives, deer stands and other hunting equipment, trampolines, wheeled goods such as bicycles and ride-on toys, certain merchandise qualifying as hazardous material and other products;
- product liability claims from customers or actions required or penalties assessed by government agencies relating to products we sell, including but not limited to products that are recalled, defective or otherwise alleged to be harmful;
- the design, purchase, manufacture, import, distribution and sale of our owned brand products;
- the procurement, transportation, storage, distribution and sale of firearms and ammunition, including improper performance of federally mandated procedures for determining customer firearm purchase eligibility (such as age and residency verification, background checks and proper completion of required paperwork);
- municipalities or other organizations attempting to recover costs from firearm manufacturers and retailers, relating to the use of firearms and ammunition;
- the operations of a fleet of trucks for distribution purposes, including transportation of hazardous materials by such fleet;
- the procurement and ownership, leasing or operation of property for retail stores, distribution centers and other corporate needs;
- the alleged infringement upon intellectual property rights to merchandise we sell or technology or services we use, including information technology, marketing and advertising services;
- global sourcing, including international, customs and trade issues;
- real estate issues, including construction, leasing, zoning and environmental issues;
- employment issues, including actions by team members, the Equal Employment Opportunity Commission, the Department of Labor, the Occupational Safety and Health Administration and other federal and state employment agencies;
- commercial disputes, including contractual and business disputes with vendors, landlords, or competitors;
- tort, personal injury and property damage claims related to our stores, e-commerce, distribution centers or corporate headquarters; and
- regulatory compliance, including relating to consumer protection, marketing and advertising, product safety, workplace safety, firearms, ammunition and related accessories, knives, import/export customs, taxes, tariffs, duties, and surcharges, data security and privacy, food and other regulated products, accounting, labor and employment, environmental matters, and hazardous materials.

We sell firearms, ammunition, and related accessories. These products are associated with an increased risk of injury and related lawsuits with respect to our compliance with Bureau of Alcohol, Tobacco, Firearms and Explosives and state laws and regulations. Any improper or illegal use by our customers of firearms, ammunition, or related accessories sold by us could have a negative impact on our reputation and business. We may be subjected to claims and lawsuits, including potential class actions, relating to our policies and practices on the sale of firearms, ammunition, or related accessories. We are, and may in the future also be, subjected to claims and lawsuits relating to the improper use of firearms, ammunition, or related accessories sold by us, including lawsuits by victims or municipalities or other organizations attempting to recover losses or costs from manufacturers and retailers of firearms, ammunition, and related accessories.

Due to the inherent uncertainties of claims and lawsuits, we cannot accurately predict the ultimate outcome of any such matters. These claims and lawsuits could cause us to incur significant expenses and devote substantial resources to defend against them and, in some cases, we could incur significant losses in the form of settlements, judgments, fines, penalties, injunctions or other orders, as well as negative publicity, that could have a material adverse effect on our business, results of operations and financial condition. Even if a claim is unsuccessful or is not fully pursued, the negative publicity surrounding any such assertions could adversely affect our reputation.

To offset negative insurance market trends, we may elect to self-insure, accept higher insurance deductibles or reduce the amount of insurance coverage in response to market changes. Additionally, we self-insure a portion of expected losses under our workers' compensation, general liability, Academy, Ltd. Texas Work Injury Benefit Plan, and group health insurance programs. We use the services of independent actuaries for loss adjustment expense reserve analyses for the aforementioned lines of insurance. Liabilities associated with these lines of insurance are based on actual claim data and estimates of incurred but not reported claims, developed using actuarial methodologies, and may be based on historical claim trends, industry factors, claim development, as well as other actuarial assumptions. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, variability in inflation rates, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency of insurance carriers, and changes in discount rates could result in materially different expenses than expected under these programs, which could have a material adverse effect on our results of operations and financial condition.

We require many of our vendors to carry their own insurance, and we have indemnity agreements with many of our vendors, but we cannot be assured that (1) any specific claim or lawsuit will be subject to a vendor's insurance or indemnity agreement, (2) our vendors will meet their indemnity obligations or (3) we will be able to collect payments from our vendors sufficient to offset liability losses or, in the case of our owned brand products, where almost all of the manufacturing occurs outside the United States, that we will be able to collect anything at all. Due to the inherent uncertainties of litigation and other claims, we cannot accurately predict the ultimate outcome of any such matters.

Any insurance we carry, including the aforementioned insurance coverage, reflects deductibles, self-insured retentions, limits of liability and similar provisions that we believe are prudent based on our operations. With all claims and lawsuits, however, there is a risk that liabilities, fines and losses may not be covered by insurance or may exceed insurance coverage. We also may be unable to procure insurance in the future at the coverage levels, terms or rates available to us today, and we cannot be guaranteed that our insurance at the time will be adequate for any particular claim or lawsuit.

Harm to our reputation could adversely impact our ability to attract and retain customers, team members, vendors and/or other partners.

Negative publicity or perceptions involving us or our brands, products, team members, operations, vendors, spokespersons, or marketing and other partners may negatively impact our reputation and adversely impact our ability to attract and retain customers, team members, vendors and/or other partners. Failure to detect, prevent or mitigate issues that might give rise to reputational risk or failure to adequately address negative publicity or perceptions could adversely impact our reputation, business, results of operations, and financial condition. Issues that might pose a reputational risk include failure of our cybersecurity measures to protect against data breaches, product liability and product recalls, our social media activity, failure to comply with applicable laws and regulations, our policies related to the sale of firearms, ammunition and accessories, public stances on controversial social or political issues, and any of the other risks enumerated in these risk factors. As part of our marketing efforts, we rely on social media platforms and other digital marketing to attract and retain customers. A variety of risks are associated with our social media activity and digital marketing, including the improper disclosure of proprietary information, negative comments about or negative incidents regarding us, exposure of personally identifiable information, fraud or out-of-date information. The inappropriate use of social media and digital marketing vehicles by us, our customers, team members or others could increase our costs, lead to litigation or result in negative publicity that could damage our reputation. Many social media platforms immediately publish the content, videos and/or photographs created or uploaded by their subscribers and participants, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of negative information related to us or our brands, products, team members, operations, vendors, spokespersons or partners could harm our business, results of operations and financial condition, regardless of the information's accuracy, and the harm may be immediate without affording us an opportunity for redress or correction. Furthermore, the prevalence of news coverage, the internet, and social media may accelerate and increase the potential scope of any negative publicity we might receive and could increase the negative impact of these issues on our reputation, business, results of operations, and financial condition.

Problems with operating, updating or implementing our information technology systems could disrupt our operations and negatively impact our business operations and materially and adversely affect our financial results.

The efficient operation of our business is dependent on the successful integration and operation of our information technology systems. For examples, we rely on our information technology systems to effectively manage our merchandise planning and replenishment, warehousing and distribution, store operations, e-commerce, and customer transactions, optimize our overall inventory levels, process financial information and sales transactions, prevent data breaches and credit card fraud, communications, support services, and comply with legal and regulatory obligations.

Our information technology systems, if not functioning properly, could disrupt our ability to track, record, and analyze sales and inventory and could cause disruptions of operations, including, among other things, our ability to order, process and ship inventory, process financial information including credit card transactions, prevent data breaches and credit card fraud, process payrolls or vendor payments or engage in other similar normal business activities. Our information systems, including our back-up systems, are subject to damage or interruption from power outages, computer and telecommunications failures, computer viruses, worms, other malicious computer programs, denial-of-service attacks, security breaches (through cyber-attacks from cyber-attackers or sophisticated organizations), catastrophic events such as fires, floods, tornadoes, earthquakes and hurricanes, and usage errors by our associates. Although we attempt to mitigate the risk of possible business interruptions by employing customary strategies, any material disruption, malfunction or any other similar problem in or with our information technology systems could negatively impact our business operations and materially and adversely affect our financial results.

From time to time, our computer and information technology systems may require upgrade, enhancement, integration and/or replacement for us to maintain successful current operations and achieve future sales and store growth.

Updating our existing information technology systems subjects us to numerous risks, including:

- loss of information;
- disruption of normal operations;

- changes in accounting or other operating procedures;
- changes in internal control over financial reporting or general computer controls;
- problems maintaining accuracy of historical data;
- allocation and dedication of key business resources to the updating of existing systems;
- ability to attract and retain adequate experienced technical resources and third-party contractors for the updating of existing systems;
- unknown impact on remaining systems;
- adequacy of training and change management to address critical changes in business processes and job functions; and
- updated information technology system ultimately does not meet the needs of the business.

Any failure to successfully update our information technology systems, and any missteps, delays, cost overruns, vendor disputes, technical challenges or other similar issues that may arise during the updating of our information technology systems, could have a material impact on our business, financial condition, results of operations, internal controls over financial reporting and ability to manage our business effectively.

From time to time, we may undertake initiatives involving numerous information technology systems, including our merchandise management, warehouse management, point of sale, e-commerce, data security, and credit card fraud detection systems. While each of these information technology systems initiatives is intended to further improve and enhance our information technology systems, our failure to timely, properly or adequately implement these systems initiatives could result in increased costs or risks, the diversion of our management's and team members' attention and resources and could materially adversely affect our results of operations, our internal controls over financial reporting or general computer controls, our ability to manage our business effectively and possible disruption of our business operations or financial reporting.

We depend on approximately 1,300 suppliers to supply us with the merchandise we purchase for resale and our significant dependence on these suppliers exposes us to risks associated with disruption in supply and losses of merchandise purchasing incentives that could have a material adverse effect on our business and results of operations.

We depend on approximately 1,300 suppliers to supply us in a timely and efficient manner with the merchandise we purchase for resale. Our significant dependence on these suppliers exposes us to various risks that could have a material adverse effect on our business and results of operations. In 2019, purchases from our largest vendor represented approximately 14% of our total inventory purchases. The merchandise we sell is sourced from a wide variety of domestic and international suppliers and our ability to find qualified suppliers and access merchandise in a timely and efficient manner is often challenging, particularly with respect to merchandise sourced outside the United States. We generally do not have long-term written contracts with our suppliers that would require them to continue supplying us with merchandise, particular payment terms or the extension of credit. As a result, these suppliers could modify the terms of these relationships due to general economic conditions or otherwise. If there is a disruption in supply from a principal supplier (which can occur for various reasons in or out of the control of these suppliers, including the measures taken by the Chinese government in response to the COVID-19 coronavirus outbreak), we may experience merchandise out-of-stocks, delivery delays or increased delivery costs, or otherwise be unable to obtain the same merchandise from other suppliers in a timely and efficient manner and on acceptable terms, or at all, which could have a material affect our results of operations and our customers' confidence in us. Changes in our relationships with our suppliers (which can occur for various reasons in or out of our control) also have the potential to increase our expenses and adversely affect our results of operations. The formation and/or strengthening of business partnerships between our suppliers and our competitors could directly alter the available supply of merchandise we desire to sell, which could have a material adverse effect on the level of customers purchasing merchandise from us and, thus, our results of operations. Moreover, many of our suppliers provide us with merchandise purchasing incentives, such as return privileges, volume purchasing allowances and cooperative advertising, and a decline or discontinuation of these incentives could severely impact our results of operations.

A failure of our third-party vendors of outsourced business services and solutions to meet our performance standards and expectations could adversely affect our operations.

We outsource certain business services and solutions, and rely on the third-party vendors of these business services and solutions, to support a variety of our business functions, including portions of our information technology and management information systems, data security and credit card fraud detection, supply chain (including product manufacturers, logistics service providers or independent distributors), retail operations, administrative services and other core business functions. If we fail to properly manage these vendors or if they fail to meet, or are prevented from meeting, our performance standards and expectations, then our reputation, sales, and results of operations could be adversely affected. In addition, we could face increased costs associated with finding replacement service vendors or hiring new team members to provide these business services and solutions in-house.

We may not be able to continue our store growth plans successfully or continue to manage our growth effectively, and our new stores may not generate sales levels necessary to achieve store-level sales or profitability comparable to that of our existing stores, which could materially and adversely affect our business, financial condition and results of operations.

Our strategy includes opening stores in existing markets and, from time to time, new markets. We must successfully choose our store sites, execute favorable real estate transactions on terms that are acceptable to us, construct and equip the stores with furnishings and appropriate merchandise, hire and train competent personnel and effectively open and operate these new stores and integrate the stores into our operations, and we may need to expand our distribution infrastructure, including the addition of new distribution centers. Our plans to increase our number of retail stores will depend in part on the availability of existing retail stores or store sites. A lack of available financing on terms acceptable to real estate developers or a tightening credit market may adversely affect the retail sites available to us. We cannot expect that stores or sites will be available to us, or that they will be available on terms acceptable to us. If additional retail store sites are unavailable on acceptable terms, we may not be able to carry out a significant part of our growth strategy. Rising real estate costs and acquisition, construction and development costs, available credit to landlords and developers and landlord bankruptcies could also inhibit our ability to grow. If we fail to locate desirable sites, obtain lease rights to these sites on terms acceptable to us, hire adequate personnel and open and effectively operate these new stores, our financial performance could be adversely affected.

We lease our stores under operating leases with terms of 15 to 20 years, and we generally cannot cancel these leases at our option. If a store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Similarly, we may be committed to perform our obligations under the applicable leases even if current locations of our stores become unattractive as demographic patterns change. In addition, as each of our leases expire, we may fail to negotiate renewals, either on commercially acceptable terms or at all, which could require us to close stores in desirable locations.

In addition, our expansion in new and existing markets may present competitive, merchandising, marketing, human resources, distribution and regulatory challenges that differ from our current challenges, including competition among our stores, diminished novelty of our store design and concept, added strain on our distribution centers, maintaining our levels of customer service, training our store team members, additional information to be processed by our management information systems and diversion of our management’s attention from operations, such as the control of inventory levels in our stores. New stores in new markets, where we are less familiar with the target customer and less well-known by the target customer, may face different or additional risks and increased costs compared to stores operated in existing markets or new stores in existing markets. Expansion into new markets could also bring us into direct competition with retailers with whom we have no past experience as direct competitors. To the extent that we become increasingly reliant on entry into new markets to grow, we may face additional risks and our results of operations could suffer. To the extent that we are not able to meet new challenges, our sales could decrease and our operating costs could increase.

There also can be no assurance that we will be able to continue our expansion plans successfully or continue to manage our growth effectively, or that our new stores will generate sales levels necessary to achieve store-level profitability or profitability comparable to that of our existing stores. Our continued growth also depends, in large part, upon our ability to open new stores in a timely manner and to operate them profitably. A slower than expected pace of new store openings may negatively impact our net sales growth and operating income. New stores also may face greater competition and have lower anticipated sales volumes relative to previously opened stores during their comparable years of operation. We may not be able to advertise cost-effectively in new or large markets in which we have less store density, which could slow sales growth at such stores. We also cannot guarantee that we will be able to obtain and distribute adequate product supplies to our new stores or maintain adequate warehousing and distribution capability to support our new stores at acceptable costs. Thus, our failure to achieve our expansion plans could materially and adversely affect our business, financial condition and results of operations.

Our e-commerce activities expose us to various risks that could have a material adverse impact on our overall results of operations.

Our customers are increasingly using computers, tablets, mobile phones and other devices to shop in our stores and on-line for our products. Our business has become increasingly omnichannel as we strive to deliver a seamless shopping experience to our customers through both online and in-store shopping experiences. We utilize our own e-commerce platform that allows us to control our customer experience without relying on a single third-party provider. Maintaining and continuing to improve our e-commerce platform involves substantial investment of capital and resources, integrating a number of information and management systems from different vendors, increasing supply chain and distribution capabilities, attracting, developing and retaining qualified personnel with relevant subject matter expertise, and effectively managing and improving the customer experience. Our e-commerce operations are subject to numerous risks that could have a material adverse impact on our overall results of operations, including:

- expansion of our sales across the United States, thereby, subjecting us to the regulatory and other requirements of the 50 states;
- website operating issues, including website availability, system reliability, website operation, Internet connectivity, website errors, computer viruses, telecommunication failures, electronic break-ins or similar disruptions;
- the need to keep pace with rapid technological change and maintain investments necessary for our e-commerce operation;
- legal compliance issues related to the online sale of merchandise;
- intellectual property litigation related to the enforcement of patent rights;
- privacy and personal data security;
- protection against credit card and gift card fraud;
- fulfillment, inventory control and shipping issues for e-commerce transactions;
- tax issues, including state sales tax collection for e-commerce transactions;
- hiring, retention and training of personnel qualified to conduct our e-commerce operation;

- ability to procure adequate computer hardware and software and technology services and solutions from third-party providers; and
- reduction in visits to, diversion and/or cannibalization of sales from, existing retail stores.

Our e-commerce activities also carry challenges such as identifying our e-commerce customer, marketing our website, establishing a profitable on-line merchandising mix, managing shipping costs to our customers, setting prices to compete against other on-line retailers, maintaining website content, timely and accurately fulfilling orders, integrating our e-commerce business with our store operations, and growing the operation as part of our overall strategic plan. If we do not successfully manage the risks and navigate the challenges associated with our e-commerce activities, it could have a material adverse effect on our results of operations.

Further, governmental regulation of e-commerce continues to evolve in such areas as marketing and advertising, taxation, privacy, data protection and privacy, pricing, content, copyrights, distribution, mobile communications, electronic contracts and other communications, consumer protection, the provision of online payment services, the design and operation of websites and the characteristics and quality of products and services. Unfavorable changes to regulations in these areas could have a material adverse impact on our e-commerce activities.

Our owned brand merchandise exposes us to various risks generally encountered by companies that source, manufacture, market and retail exclusive owned brand merchandise.

In addition to national brand merchandise, we offer customers owned brand merchandise that is not available in other stores. The sale of owned brand merchandise subjects us to certain risks, including:

- our ability to successfully and profitably conduct sourcing and manufacturing activities internally or with third-party agents, manufacturers and distributors;
- our failure or our manufacturers' failure to comply with federal, state and local regulatory requirements, including product safety, working age and conditions, anti-corruption, import and customs and retail sale restrictions;
- potential mandatory or voluntary product recalls;
- claims and lawsuits resulting from injuries associated with the use of our owned brand merchandise;
- our ability to successfully protect our intellectual property or other proprietary rights (e.g., defending against counterfeit, knock-offs, grey-market, infringing or otherwise unauthorized goods);
- our ability to successfully navigate and avoid claims related to the intellectual property or other proprietary rights of third parties;
- our ability to successfully administer and comply with the obligations under license agreements that we have with the licensors of brands, including in some instances certain sales minimums that if not met could cause us to lose the licensing rights or pay damages;
- sourcing and manufacturing outside the United States, including foreign laws and regulations, political unrest, disruptions or delays in cross-border shipments, changes in economic conditions in foreign countries, exchange rate and import duty fluctuations and conducting activities with third-party manufacturers; and
- increases in the price of raw materials used in the manufacturing of our owned brand merchandise and other risks generally encountered by entities that source, manufacture, market and retail owned brand merchandise.

Our failure to adequately address some or all of these risks could have a material adverse effect on our business, results of operations and financial condition.

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A disruption in the operation of our distribution centers would affect our ability to deliver merchandise to either our stores or customers, which could adversely impact our revenues and harm our business and financial results.

We operate three distribution centers located in Katy, Texas, Twiggs County, Georgia, and Cookeville, Tennessee. We receive and ship substantially all of our merchandise through our distribution centers. Any natural or man-made disaster in the areas or regions of these facilities (for example, hurricanes, tornadoes, floods, explosions, or fires) could damage a portion of our inventory and any serious disruption to these facilities or their staffs (including due to any widespread health emergencies) could impair our ability to adequately stock our stores, process returns of products to vendors and ship product to our e-commerce customers, thereby adversely affecting our sales and profitability. In addition, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores and customers during the time it takes for us to reopen or replace these distribution centers.

Our quarterly operating results and comparable sales may fluctuate due to seasonality and other factors outside of our control.

We have historically experienced and expect to continue to experience seasonal fluctuations in our net sales, operating income and net income. A significant portion of our net sales and profits is driven by summer holidays, such as Memorial Day, Father's Day and Independence Day, during the second quarter. Our net sales and profits are also impacted by the November/December holiday selling season, and in part by the sales of cold weather sporting goods and apparel during the fourth quarter. If we miscalculate the demand for our products generally or for our product mix during certain holiday or sporting seasons, our net sales could decline resulting in lower margins, higher labor costs as a percentage of sales and excess inventory, which would harm our financial performance.

Our quarterly results of operations and comparable sales have historically fluctuated, and may continue to fluctuate, as a result of factors outside our control, including:

- general regional and national economic conditions;
- consumer confidence in the economy;
- unseasonal or extreme weather conditions, natural or man-made disasters (such as snow storms, hurricanes, tornadoes, and floods);
- catastrophic or tragic events (such as tragedies involving firearms or public health pandemics) in or affecting our markets;
- changes in demand for the products that we offer in our stores;
- lack of new product introduction;
- lockouts or strikes involving professional sports teams;
- retirement of sports superstars used in marketing various products;
- sports scandals, including those involving leagues, associations, teams or athletes with ties to us or our markets;
- costs related to the closure of existing stores;
- litigation;
- the success or failure of college and professional sports teams in our markets;
- expansion of existing or entry of new competitors into our markets;
- consolidation of competitors in our markets;

- shift in consumer tastes and fashion trends;
- calendar shifts or holiday or seasonal periods;
- the timing of income tax refunds to customers;
- changes in laws and regulations, politics or consumer advocacy affecting our business, including sentiment relating to the sale of firearms and ammunition;
- cancellations of tax-free holidays in certain states;
- pricing, promotions or other actions taken by us or our existing or possible new competitors; and
- changes in other tenants or landlords or surrounding geographic circumstances in the shopping centers in which we are located.

Our quarterly operating results and comparable sales may also be affected by the timing of new store openings and the relative proportion of new stores to mature stores, the level of pre-opening expenses associated with new stores and the amount and timing of net sales contributed by new stores. Furthermore, our operating margins may be impacted in periods in which incremental expenses are incurred as a result of upcoming new store openings.

The occurrence of severe weather events, catastrophic health events, natural or man-made disasters, social and political conditions or civil unrest could significantly damage or destroy our retail locations, could prohibit consumers from traveling to our retail locations or could prevent us from resupplying or staffing our stores or distribution centers or fulfilling out e-commerce orders, especially during peak shopping seasons.

Unforeseen events, including public health issues such as contagious viruses, natural disasters such as earthquakes, hurricanes, tornadoes, snow or ice storms, floods and heavy rains, and man-made disasters such as an oil spill closing large areas of hunting or fishing, could disrupt our operations or the operations of our suppliers, as well as the behavior of our consumers. For example, frequent or unusually heavy snowfall, ice storms, rainstorms or other extreme weather conditions over a prolonged period could make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability. In addition, extreme weather conditions could result in disruption or delay of production and delivery of materials and products in our supply chain and cause staffing shortages in our stores. Socio-political factors, such as civil unrest or other economic or political uncertainties that contribute to consumer unease or harm to our store base, may also result in decreased discretionary spending, property damage and/or business interruption losses. For example, we may face losses related to the civil unrest in the United States that began in late May 2020 in response to reported incidents of police violence. To the extent these events result in the closure of one or more of our distribution centers, a significant number of stores, or our corporate headquarters or impact one or more of our key suppliers, our operations and financial performance could be materially adversely affected through an inability to support our business, resupply or staff our stores, distribution centers or corporate headquarters or fulfill our e-commerce orders, especially during peak shopping seasons, and through lost sales. We believe that we take reasonable precautions to prepare particularly for unforeseen catastrophic or weather-related events; however, our precautions may not be adequate to deal with such events in the future. As these events occur in the future, if they should impact areas in which we have our corporate headquarters, a distribution centers or a concentration of retail stores or vendor sources, such events could have a material adverse effect on our business, financial condition and results of operations.

Our failure to protect our intellectual property or avoid the infringement of third-party intellectual property rights could be costly and have a negative impact on our results of operations.

Our trademarks, service marks, copyrights, patents, processes, trade secrets, domain names and other intellectual property, including our Academy Sports + Outdoors brand, our owned brands, such as Academy Sports + Outdoors, Magellan Outdoors, BCG, O’rageous and Outdoor Gourmet, and our goodwill, designs, names, slogans, images and trade dress associated with these brands, are valuable assets that are critical to our success. The unauthorized use or other misappropriation of our intellectual property could diminish the value of our brands or goodwill and cause a decline in our sales. In addition, any infringement or other intellectual property claim made by or against us, whether or not it has merit, could be time-consuming, result in costly litigation, cause product delays, cause us to discontinue affected products, distract key resources from our core business or require us to enter into royalty or licensing agreements. As a result, any such claim made by or against us or our failure to protect our intellectual property could have an adverse effect on our results of operations.

Our business is significantly dependent on our ability to meet our labor needs.

The success of our business depends significantly on our ability to hire and retain quality team members, including store managers, *Enthusiasts* and other store team members, distribution center team members, and corporate directors, managers and other personnel. We plan to expand our team member base to manage our anticipated growth. Competition for non-entry-level personnel, particularly for team members with retail experience, is highly competitive. Additionally, our ability to maintain consistency in the quality of customer service in our stores is critical to our success. Many of our store team members are in entry-level or part-time positions that historically have high rates of turnover. We are also dependent on the team members who staff our distribution centers, many of whom are skilled. We may be unable to meet our labor needs and control our costs due to external factors such as the availability of a sufficient number of qualified persons in the work force of the markets in which we operate, unemployment levels, demand for certain labor expertise, prevailing wage rates, wage inflation, changing demographics, health and other insurance costs, adoption of new or revised employment and labor laws and regulations, and the impacts of man-made or natural disasters, such as tornadoes, hurricanes, and the COVID-19 pandemic. Recently, various legislative movements have sought to increase the federal minimum wage in the United States, as well as the minimum wage in a number of individual states. As federal or state minimum wage rates increase, we may need to increase not only the wage rates of our minimum wage team members, but also the wages paid to our other hourly team members as well. Further, should we fail to increase our wages competitively in response to increasing wage rates, the quality of our workforce could decline, causing our customer service to suffer. Additionally, the U.S. Department of Labor has proposed rules that may have salary and wage impact for “exempt” team members, which could result in a substantial increase in store payroll expense. Any increase in the cost of our labor could have an adverse effect on our operating costs, financial condition and results of operations. If we are unable to hire and retain store-level team members capable of providing a high level of customer service, skilled distribution center team members or other qualified personnel, our business could be materially adversely affected.

Although none of our team members are currently covered under collective bargaining agreements, we cannot guarantee that our team members will not elect to be represented by labor unions in the future. If some or our entire workforce were to become unionized and collective bargaining agreement terms were significantly different from our current compensation arrangements or work practice, it could have a material adverse effect on our business, financial condition and results of operations.

Our stores are located primarily in the southern United States which could subject us to regional risks.

Because our stores are located primarily in the southern United States, we are subject to regional risks, such as the regional economy, weather conditions and natural disasters such as floods, droughts, tornadoes and hurricanes. Man-made disasters, such as an oil spill in the Gulf of Mexico, a nuclear power plant crisis or other events, may also impact our regional area. We sell a significant amount of merchandise related to outdoor activities which can be adversely affected by such events that may postpone the start of or shorten sports seasons or inhibit participation in other outdoor activities or otherwise have a significant impact on our operations. Several of our competitors operate stores across the United States and thus are not as vulnerable to the risks of operating in one region. If a region of our stores’ footprint suffers an economic downturn or any other adverse regional event, there could be an adverse impact on our net sales and results of operations and our ability to implement our planned expansion program.

Fluctuations in merchandise costs and availability due to fuel price uncertainty, demand changes, increases in commodity prices, labor shortages and other factors could negatively impact our consolidated and combined results of operations.

The cost of our merchandise is affected, in part, by the price of raw materials. A substantial rise in the price of raw materials could dramatically increase the costs associated with manufacturing the merchandise that we purchase from our suppliers, which could cause the price of our merchandise to increase and could have a negative impact on our sales and profitability. In addition, increases in commodity prices could also adversely affect our results of operations. If we increase the price for our products in order to maintain gross margins for our products, such increase may adversely affect demand for, and sales of, our products, which could have a material adverse effect on our financial condition and results of operations.

We rely upon various means of transportation, including ships and trucks, to deliver products from vendors to our distribution centers and from our distribution centers to our stores. Consequently, our results can vary depending upon numerous factors affecting transportation, including the price of fuel and the availability of trucks and ships. The price of fuel and demand for transportation services has fluctuated significantly over the last few years, and has resulted in increased costs for us and our vendors. In addition, changes in regulations may result in higher fuel costs through taxation, transportation restrictions or other means. Fluctuations in transportation costs and availability could adversely affect our results of operations.

Labor shortages in the transportation industry could negatively affect transportation costs and our ability to supply our stores in a timely manner. In particular, our business is highly dependent on the shipping and trucking industry to deliver products to our distribution centers and our stores. Our results of operations may be adversely affected if we, or our vendors, are unable to secure adequate transportation resources at competitive prices to fulfill our delivery schedules to our distribution centers or our stores.

Difficulties in moving products manufactured overseas and through the ports of North America, whether due to port congestion, government shutdowns, labor disputes, product regulations and/or inspections or other factors, including natural disasters or health pandemics, could negatively affect our business.

If we are unable to manage the growth of our business, our revenues may not increase as anticipated, our cost of operations may rise and our results of operations may decline.

As our business grows, we will face many risks associated with growing companies, including the risk that our management, financial controls, staff levels, and information systems will be inadequate to support our expansion in the future. Our growth will require our management to expend significant time and effort and additional resources to ensure the continuing adequacy of our associate staff levels, financial controls, operating procedures, information systems, product purchasing, warehousing and distribution systems and team member training programs. We cannot predict whether we will be able to effectively manage these increased demands or respond on a timely basis to the changing demands that our expansion will impose on our management, financial controls and information systems. If we fail to manage successfully the challenges of growth, do not continue to improve these systems and controls or encounter unexpected difficulties during expansion, our business, financial condition, results of operations or cash flows could be materially adversely affected.

The loss of our key executives could have a material adverse effect on our business.

Our future success depends on the continued services of our senior executive management. Any loss or interruptions of the services of our senior executive management could significantly reduce our ability to effectively manage our operations and implement our key initiatives because we may not be able to timely recruit appropriate replacements for our senior executive management should the need arise. If we were to lose any key senior executive management, our business could be materially adversely affected.

We may pursue strategic acquisitions, which could have an adverse impact on our business, as could assimilation of companies following acquisition.

Although we have never done so in the past, we may from time to time acquire companies or businesses in the future. Acquisitions may result in difficulties in assimilating acquired companies, and may result in the diversion of our capital and our management’s attention from other business issues and opportunities. We may not be able to successfully integrate companies or businesses that we acquire, including their personnel, financial systems, distribution, operations and general store opening procedures. If we fail to successfully integrate acquisitions, our business could suffer. In addition, the integration of any acquired business and their financial results may adversely affect our results of operations.

We are subject to payment-related risks.

For our sales to our customers, we accept a variety of payment methods, including credit cards, debit cards, electronic funds transfers and electronic payment systems. Accordingly, we are, and will continue to be, subject to significant and evolving regulations and compliance requirements, including obligations to implement enhanced authentication processes that could result in increased costs and liability, and reduce the ease of use of certain payment methods. For certain payment methods, including credit and debit cards, as well as electronic payment systems, we pay interchange and other fees, which may increase over time. We rely on independent service providers for payment processing, including credit and debit cards. If these independent service providers become unwilling or unable to provide these services to us or if the cost of using these providers increases, our business could be harmed. We are also subject to payment card association operating rules and agreements, including data security rules and agreements, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for losses incurred by card issuing banks or customers, subject to fines and higher transaction fees, lose our ability to accept credit or debit card payments from our customers, or process electronic fund transfers or facilitate other types of payments. Any failure to comply could harm our brand, reputation, business and results of operations.

Our success depends on the effectiveness of our marketing and advertising programs.

Brand marketing and advertising significantly affect sales at our locations, as well as e-commerce sales. Our marketing and advertising programs may not be successful, which may prevent us from attracting new customers and retaining existing customers. If sales decline, we will have fewer funds available for marketing and advertising, which could materially and adversely affect our revenues, business and results of operations. As part of our marketing efforts, we rely on print, television and radio advertisements, as well as search engine marketing, web advertisements, social media platforms and other digital marketing to attract and retain customers. These efforts may not be successful, resulting in expenses incurred without the benefit of higher revenues or increased customer or team member engagement. Customers are increasingly using internet sites and social media to inform their purchasing decisions and to compare prices, product assortment, and feedback from other customers about quality, responsiveness and customer service before purchasing our services and products. If we are unable to continue to develop successful marketing and advertising strategies, especially for online and social media platforms, or if our competitors develop more effective strategies, we could lose customers and sales could decline.

Risks Related to Our Indebtedness

Our high level of indebtedness requires that we dedicate a substantial portion of our cash flows to debt service payments and reduces the funds that would otherwise be available for other general corporate purposes and

other business opportunities, which could adversely affect our operating performance, growth, profitability and financial condition, which in turn could make it more difficult for us to generate cash flow sufficient to satisfy all of our obligations under our indebtedness.

As of October 31, 2020, after giving effect to the Refinancing Transactions, we would have had approximately $800.0 million of outstanding indebtedness, all of which would be secured, with $844.7 million of unused availability under the ABL Facility (which is subject to customary borrowing conditions, including a borrowing base), and outstanding letters of credit of $30.8 million, $21.1 million of which were issued under the ABL Facility.

Our overall level of indebtedness requires that we dedicate a substantial portion of our cash flows to debt service payments. Our substantial indebtedness reduces the funds that would otherwise be available for operations, future business opportunities and payments of our debt obligations and limits our ability to:

- obtain additional financing, if necessary, for working capital and operations, or such financing may not be available on favorable terms;
- make needed capital expenditures;
- make strategic acquisitions or investments or enter into joint ventures;
- react to changes or withstand a future downturn in our business, the industry or the economy in general;
- meet store growth, distribution center expansion, e-commerce growth, budget targets and forecasts of future results;
- engage in business activities, including future opportunities that may be in our interest; and
- react to competitive pressures or compete with competitors with less debt.

These limitations could adversely affect our operating performance, growth, profitability and financial condition, which would make it more difficult for us to generate cash flow sufficient to satisfy our obligations under our indebtedness.

Our ability to make scheduled payments on our debt obligations also depends on our financial condition, results of operations and capital resources, which are subject to, among other things: the business, financial, economic, industry, competitive, regulatory and other factors discussed in these risk factors, and on other factors, some of which are beyond our control, including: the level of capital expenditures we make, including those for acquisitions, if any; our debt service requirements; fluctuations in our working capital needs; our ability to borrow funds and access capital markets; and restrictions on debt service payments and our ability to make working capital borrowings for debt service payments contained in our debt instruments.

If we are unable to generate sufficient cash flow to permit us to make scheduled service payments on our debt, then we will be in default and holders of that debt could declare all outstanding principal and interest to be due and payable. If our indebtedness were to be accelerated, there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness in full. In addition, in the event of a default, the lenders under the ABL Facility could terminate their further commitments to loan money and our secured lenders under the Term Loan Facility and the ABL Facility and/or holders of the 2027 Notes could foreclose against the assets securing their borrowings, and we could be forced into bankruptcy or liquidation.

Despite our high level of indebtedness, we may still be able to incur substantially more debt, which could further increase the risks to our financial condition described above.

Despite our high level of indebtedness, we may be able to incur significant additional indebtedness in the future, including off-balance sheet financings, trade credit, contractual obligations and general and commercial liabilities. Although the credit agreements governing the Term Loan Facility and the ABL Facility and the indenture governing the 2027 Notes contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness, and additionally we have further borrowing capacity under the ABL Facility. As of October 31, 2020, after giving effect to the Refinancing Transactions, we would have had no borrowings outstanding under the ABL Facility, and an available borrowing capacity under the ABL Facility of approximately $844.7 million (which is subject to customary borrowing conditions, including a borrowing base). We may be able to increase the commitments under the ABL Facility by $250.0 million, subject to certain conditions. We may also be able to increase the capacity under the Term Loan Facility by up to the greater of (x) $480.0 million and (y) 100% of Consolidated EBITDA (as defined in the Term Loan Facility), plus an additional amount, subject to certain conditions, which borrowings would be secured indebtedness. The addition of new debt to our current debt levels could further exacerbate the related risks to our financial condition that we now face.

If we are unable to generate sufficient cash to service all of our indebtedness, we may be forced to take other actions to fund the satisfaction of our obligations under our indebtedness, which may not be successful.

If our cash flow is insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, raise additional debt or equity capital or restructure or refinance our indebtedness. However, we may not be able to implement any such alternative measures on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. Even if new financing were available, it may be on terms that are less attractive to us than our then existing indebtedness or it may not be on terms that are acceptable to us. In addition, the credit agreements governing the Term Loan Facility and the ABL Facility and the indenture governing the 2027 Notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. Thus, we may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

If we cannot generate sufficient cash flow to permit us to make scheduled payments on our debt, then we will be in default and holders of that debt could declare all outstanding principal and interest to be due and payable. If our indebtedness were to be accelerated, there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness in full. In addition, in the event of a default, the lenders under the ABL Facility could terminate their further commitments to loan money and our secured lenders under the Term Loan Facility and the ABL Facility and/or holders of the 2027 Notes could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

The terms of our outstanding indebtedness may restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The credit agreements governing the Term Loan Facility and the ABL Facility and the indenture governing the 2027 Notes contain restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions in respect of, or repurchase or redeem, capital stock;
- prepay, redeem or repurchase certain debt;
- make loans, investments and other restricted payments;
- sell or otherwise dispose of assets;

- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge or sell all or substantially all of our assets.

Additionally, at certain times, the ABL Facility requires maintenance of a certain minimum adjusted fixed charge coverage ratio. Our ability to comply with the covenants and restrictions contained in the credit agreements and the indenture may be affected by events beyond our control. If market or other economic conditions deteriorate, our ability to comply with these covenants and restrictions may be impaired.

A breach of the covenants under one of these agreements could result in an event of default under the applicable indebtedness, which, if not cured or waived, could have a material adverse effect on our business, results of operations and financial condition. Such a default, if not cured or waived, may allow the creditors to accelerate the related debt principal and/or related interest payments and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. If our indebtedness were to be accelerated, there can be no assurance that we would have, or be able to obtain, sufficient funds to repay such indebtedness in full. In addition, an event of default under the credit agreement governing the ABL Facility would permit the lenders under our ABL Facility to terminate all commitments to extend further credit under that facility. Furthermore, if we were unable to repay the amounts due and payable under our secured indebtedness, the lenders/holders of such indebtedness could proceed against the collateral granted to them to secure that indebtedness, and we could be forced into bankruptcy or liquidation.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the Term Loan Facility and ABL Facility are at variable rates of interest and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness will increase even though the amount borrowed will remain the same, and our net income and operating cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. We use interest rate swap agreements to hedge market risks relating to possible adverse changes in interest rates with the intent of reducing volatility in our cash flows due to fluctuations in interest rates. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk, may prove disadvantageous, or may create additional risks. In addition, our hedging activities are subject to the risks that a counterparty may not perform its obligations under the applicable derivative instrument.

LIBOR and other interest rates that are indices deemed to be "benchmarks" are the subject of recent and ongoing national, international and other regulatory guidance and proposals for reform. Some of these reforms are already effective, while others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, or to disappear entirely, or have other consequences that cannot be predicted. Any such consequence could have a material adverse effect on our existing facilities, our interest rate swap agreement or our future debt linked to such a "benchmark" and our ability to service debt that bears interest at floating rates of interest.

If the financial institutions that are lenders under the ABL Facility fail to extend credit under the facility or reduce the borrowing base, our liquidity and results of operations may be adversely affected.

One of our sources of liquidity is the ABL Facility. Each financial institution that is a lender under the ABL Facility is responsible on a several but not joint basis for providing a portion of the loans to be made under the facility. If any participant or group of participants with a significant portion of the commitments under the ABL Facility fails to satisfy its or their respective obligations to extend credit under the facility and we are unable to find a replacement for such participant or participants on a timely basis (if at all), our liquidity may be adversely affected. In addition, the lenders under the ABL Facility may reduce the borrowing base under the facility in certain circumstances, which could adversely impact our liquidity and results of operations.

Our high level of indebtedness may hinder our ability to negotiate favorable terms with our landlords, vendors and suppliers, which could negatively impact our operating performance and, thus, could make it more difficult for us to generate cash flow sufficient to satisfy all of our obligations under our indebtedness.

Our new store profitability is partially attributable to our ability to negotiate attractive rental rates with our landlords and to secure sale-leaseback financing at attractive cap rates. Our high level of indebtedness may adversely affect our credit profile or rating, which may adversely affect our ability to negotiate favorable rental rates for our new store locations or expiring existing store leases or secure sale-leaseback financing. This could negatively impact the profitability of new and existing stores and potentially limit the number of viable new store locations or replacement store locations for expiring store leases.

Our successful retail strategy is partially attributable to our ability to negotiate favorable trade terms with our vendors. Our high level of indebtedness may adversely affect our credit profile or rating, which may adversely affect our ability to negotiate favorable trade terms from our current or future merchandise vendors, including pricing, payment, delivery, inventory, transportation, defective and marketing allowances and other terms, and may increase our need to support merchandise purchases with letters of credit. We may also be unable to negotiate favorable trade terms for our current or future service and non-merchandise vendors, including vendors that assist us in critical aspects of the business such as real estate, transportation and logistics, customs, hazardous material and firearm compliance, warehousing and storage, insurance and risk management, procurement, marketing and advertising, store and online operations and information technology. This could negatively impact the profitability of our business and our ability to effectively compete against other retailers. Thus, our high level of indebtedness could adversely affect the profitability of our business, which could make it more difficult for us to generate cash flow sufficient to satisfy our obligations under our indebtedness.

Risks Related to this Offering and Ownership of Our Common Stock

We are a "controlled company" within the meaning of the rules of Nasdaq and the rules of the SEC and, as a result, qualify for, and rely on, exemptions from certain corporate governance requirements. You will not have the same protections afforded to stockholders of other companies that are subject to such requirements.

After completion of this offering, KKR Stockholders will collectively beneficially own approximately 56% of the voting power of common stock (or approximately 55% if the underwriters exercise in full their option to purchase additional shares). As a result, we will continue to be a "controlled company" within the meaning of the corporate governance standards of Nasdaq. Under these rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including the requirement that:

- a majority of our board of directors consist of "independent directors" as defined under the rules of Nasdaq;
- our director nominees be selected, or recommended for our board of directors' selection by a nominating/governance committee comprised solely of independent directors; and
- the compensation of our executive officers be determined, or recommended to our board of directors for determination, by a compensation committee comprised solely of independent directors.

Because we utilize these exemptions, we do not have a majority of independent directors, our compensation committee and nominating and governance committee do not consist entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of Nasdaq.

KKR Stockholders control us and their interests may conflict with yours in the future.

Immediately following this offering, KKR Stockholders will collectively beneficially own approximately 56% of the voting power of our common stock (or approximately 55% if the underwriters exercise in full their option to purchase additional shares). KKR Stockholders will be able to continue to control the election and removal of our directors and thereby determine our corporate and management policies, including potential mergers or acquisitions, payment of dividends, asset sales, amendment of our certificate of incorporation or bylaws and other significant corporate transactions for so long as KKR Stockholders and their affiliates retain significant ownership of us. KKR Stockholders and their affiliates may also direct us to make significant changes to our business operations and strategy, including with respect to, among other things, store openings and closings, new product and service offerings, team member headcount levels and initiatives to reduce costs and expenses. This concentration of our ownership may delay or deter possible changes in control of the Company, which may reduce the value of an investment in our common stock. So long as KKR Stockholders continue to own a significant amount of our voting power, even if such amount is less than 50%, KKR Stockholders will continue to be able to strongly influence or effectively control our decisions and, so long as KKR Stockholders and their affiliates collectively own at least 5% of all outstanding shares of our stock entitled to vote generally in the election of directors, KKR Stockholders will be able to appoint individuals to our board of directors under the stockholders agreement. See "Certain Relationships and Related Party Transactions—Stockholders Agreement." The interests of KKR Stockholders may not coincide with the interests of other holders of our common stock.

In the ordinary course of their business activities, KKR Stockholders and their affiliates may engage in activities where their interests conflict with our interests or those of our stockholders. Our certificate of incorporation provides that any of KKR Stockholders, any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates does not have any duty to refrain from engaging, directly or indirectly, in the same business activities or similar business activities or lines of business in which we operate. KKR Stockholders and their affiliates also may pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us. In addition, KKR Stockholders may have an interest in pursuing acquisitions, divestitures and other transactions that, in their judgment, could enhance their investment, even though such transactions might involve risks to you.

In addition, KKR Stockholders and their affiliates are able to determine the outcome of all matters requiring stockholder approval and are able to cause or prevent a change of control of the Company or a change in the composition of our board of directors and could preclude any acquisition of the Company. This concentration of voting control could deprive you of an opportunity to receive a premium for your shares of common stock as part of a sale of the Company and ultimately might affect the market price of our common stock.

We incur additional costs associated with the requirements of being a public company, and our management will be required to devote substantial time to compliance, adding complexity to running to our business.

As a public company, we incur significant legal, regulatory, finance, accounting, investor relations, insurance and other expenses that we did not incur as a private company, including costs associated with public company governance and reporting requirements and costs of recruiting and retaining non-executive directors. We also have incurred and will continue to incur costs associated with the Sarbanes-Oxley Act, and the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, and related rules implemented by the SEC, and costs in connection with continued listing on Nasdaq. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. Our efforts to comply with these rules and regulations have significantly increased our legal and financial compliance costs, and have made some activities more time-consuming and/or costly. Our management devotes a substantial amount of time to ensure that we comply with all of these requirements, diverting the attention of management away from revenue-producing activities. These laws and regulations also could make it more difficult or costly for us to obtain certain types of insurance, including director and officer liability insurance, and we may be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. These laws and regulations could also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, our board committees or as our executive officers. Furthermore, if we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

Failure to comply with requirements to design, implement and maintain effective internal controls could have a material adverse effect on our business and stock price, and any failure to maintain financial controls could result in our financial statements becoming unreliable.

As a public company, we have significant requirements for enhanced financial reporting and internal controls. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. The process of designing and implementing effective internal controls is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. The measures we take may not be sufficient to satisfy our obligations as a public company and if we are unable to establish or maintain appropriate internal financial reporting controls and procedures, it could cause us to fail to meet our reporting obligations on a timely basis, result in material misstatements in our consolidated financial statements and harm our results of operations. In addition, we will be required, pursuant to Section 404(a) of the Sarbanes-Oxley Act, or Section 404(a) of the Sarbanes-Oxley Act, or Section 404, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting in the annual report for the fiscal year ended January 29, 2022. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. The rules governing the standards that must be met for our management to assess our internal control over financial reporting are complex and require significant documentation, testing and possible remediation. Testing and maintaining internal controls may divert our management’s attention from other matters that are important to our business.

In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies that we may not be able to remediate in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. In addition, we may encounter problems or delays in completing the remediation of any deficiencies identified by our independent registered public accounting firm in connection with the issuance of their attestation report. Our testing, or the subsequent testing (if required) by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. Any material weaknesses could result in a material misstatement of our annual or quarterly consolidated financial statements or disclosures that may not be prevented or detected.

We may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 or our independent registered public accounting firm may not issue an unqualified opinion. If either we are unable to conclude that we have effective internal control over financial reporting or our independent registered public accounting firm is unable to provide us with an unqualified report, investors could lose confidence in our reported financial information, which could have a material adverse effect on the trading price of our common stock.

Our stock price may be highly volatile or may decline regardless of our operating performance, and you may not be able to resell shares of our common stock at or above the price you paid or at all, and you could lose all or part of your investment as a result.

The trading price of our common stock may be highly volatile and may be adversely affected due to a number of factors, most of which we cannot control, including those listed elsewhere under this "Risk Factors" section, and the following:

- results of operations that vary from the expectations of securities analysts and investors;
- results of operations that vary from those of our competitors;
- changes in expectations as to our future financial performance, including financial estimates and investment recommendations by securities analysts and investors;
- changes in economic conditions for companies in our industry;
- changes in market valuations of, or earnings and other announcements by, companies in our industry;
- declines in the market prices of stocks generally, particularly those of sporting goods and outdoor recreation retail companies;
- additions or departures of key management personnel;
- strategic actions by us or our competitors;
- announcements by us, our competitors our suppliers of significant contracts, price reductions, new products or technologies, acquisitions, dispositions, joint marketing relationships, joint ventures, other strategic relationships or capital commitments;
- changes in preference of our customers and our market share;
- changes in general economic or market conditions or trends in our industry or the economy as a whole;
- changes in business or regulatory conditions;
- future sales of our common stock or other securities;
- investor perceptions of or the investment opportunity associated with our common stock relative to other investment alternatives;
- changes in the way we are perceived in the marketplace, including due to negative publicity or campaigns on social media to boycott certain of our products, our business or our industry;
- the public's response to press releases or other public announcements by us or third parties, including our filings with the SEC;
- changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business;
- announcements relating to litigation or governmental investigations;
- guidance, if any, that we provide to the public, any changes in this guidance or our failure to meet this guidance;
- the development and sustainability of an active trading market for our common stock;
- changes in accounting principles; and
- other events or factors, including those resulting from informational technology system failures and disruptions, epidemics, pandemics, natural disasters, war, acts of terrorism, civil unrest or responses to these events.

Furthermore, the stock market may experience extreme volatility that, in some cases, may be unrelated or disproportionate to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the market price of our common stock, regardless of our actual operating performance. In addition, price volatility may be greater if the public float and trading volume of our common stock is low.

In the past, following periods of market volatility, stockholders have instituted securities class action litigation against various issuers. If we were to become involved in securities litigation, it could have a substantial cost and divert resources and the attention of executive management from our business regardless of the outcome of such litigation, which may adversely affect the market price of our common stock.

You may be diluted by the future issuance of additional common stock in connection with our incentive plans, acquisitions or otherwise.

After this offering, we will have approximately 209 million shares of common stock authorized but unissued. Our amended and restated certificate of incorporation authorizes us to issue these shares of common stock, options and other equity awards relating to common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. We have reserved shares for issuance under our 2011 Equity Plan, our 2020 Equity Plan and ESPP. See “Executive Compensation—Equity Compensation Plans.” Any common stock that we issue, including under our 2011 Equity Plan, 2020 Equity Plan, ESPP or other equity incentive plans that we may adopt in the future, would dilute the percentage ownership held by the investors who purchase common stock in this offering. In the future, we may also issue our securities in connection with investments or acquisitions. The amount of shares of our common stock issued in connection with an investment or acquisition could constitute a material portion of our then-outstanding shares of our common stock. Any issuance of additional securities in connection with investments or acquisitions may result in additional dilution to you.

Our ability to raise capital in the future may be limited.

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds through the issuance of new equity securities, debt or a combination of both. Additional financing may not be available on favorable terms or at all. If adequate funds are not available on acceptable terms, we may be unable to fund our capital requirements. If we issue new debt securities, the debt holders would have rights senior to holders of our common stock to make claims on our assets and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. If we issue additional equity securities or securities convertible into equity securities, existing stockholders will experience dilution and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, you bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

Because we have no current plans to pay cash dividends on our common stock, you may not receive any return on investment unless you sell your common stock for a price greater than that which you paid for it.

We have no current plans to pay cash dividends on our common stock. The declaration, amount and payment of any future dividends will be at the sole discretion of our board of directors, and will depend on, among other things, general and economic conditions, our results of operations and financial condition, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, including restrictions under our credit agreements, our indenture and other indebtedness we may incur, and such other factors as our board of directors may deem relevant. See “Dividend Policy.” As a result, you may not receive any return on an investment in our common stock unless you sell our common stock for a price greater than your purchase price.

Academy Sports and Outdoors, Inc. is a holding company and depends on its subsidiaries for cash to fund its operations and expenses, including future dividend payments, if any.

Our operations are conducted through our wholly owned subsidiaries and our ability to generate cash to meet our debt service obligations or to make future dividend payments, if any, is highly dependent on the earnings of, and the receipt of funds from, our subsidiaries via dividends or intercompany loans. We do not currently expect to declare or pay dividends on our common stock for the foreseeable future; however, to the extent that we determine in the future to pay dividends on our common stock, the agreements governing our indebtedness may restrict the ability of our subsidiaries to pay dividends or otherwise transfer assets to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

Future sales, or the perception of future sales, by us or our existing stockholders in the public market following this offering could cause the market price for our common stock to decline.

The sale of substantial amounts of shares of our common stock in the public market, or the perception that such sales could occur, including sales by our existing stockholders, could harm the prevailing market price of shares of our common stock. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

Upon the completion of this offering, we will have a total of 90,936,907 shares of our common stock outstanding. Of the outstanding shares, the 29,432,495 shares sold in the IPO and this offering (or 31,232,495 shares if the underwriters exercise in full their option to purchase additional shares) will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144 of the Securities Act, or Rule 144, including our directors, executive officers and other affiliates (including our existing stockholders), may be sold only in compliance with the limitations described in "Shares Eligible for Future Sale."

The remaining outstanding 61,504,412 shares of common stock held by our existing stockholders after this offering (or approximately 59,704,412 shares if the underwriters exercise in full their option to purchase additional shares), representing approximately 68% of the total outstanding shares of our common stock following this offering (or approximately 66% if the underwriters exercise in full their option to purchase additional shares), will be "restricted securities" within the meaning of Rule 144 and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144, as described in "Shares Eligible for Future Sale."

We, our executive officers, directors and the selling stockholders will sign lock-up agreements with the underwriters that will, subject to certain customary exceptions, restrict the sale of the shares of our common stock and certain other securities held by them for 90 days (or in the case of the executive officers other than our chief executive officer and our chief financial officer, 60 days) following the date of this prospectus. Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC may, in their sole discretion and at any time without notice, release all or any portion of the shares or securities subject to any such lock-up agreements. See "Underwriting (Conflicts of Interest)" for a description of these lock-up agreements. In addition, holders of all of our common stock outstanding prior to the IPO agreed to not transfer shares of their common stock, except in certain circumstances, until the date that is 180 days from the date of the final prospectus for the IPO. The representatives of the underwriters of the IPO have waived certain of such IPO lock-up agreements to permit the filing of this registration statement and are expected to waive certain of the IPO lock-up agreements to permit the sale of our common stock in this offering by the selling stockholders.

Upon the expiration of the lock-up agreements described above, all of such shares will be eligible for resale in a public market pursuant to Rule 144, subject to our compliance with the public information requirement and, in the case of shares held by our affiliates, to volume, manner of sale and other limitations under Rule 144. We expect that certain of our existing stockholders will be considered an affiliate upon the expiration of the lock-up period based on their expected share ownership, as well as their board nomination rights (if applicable). Certain other of our stockholders may also be considered affiliates at that time.

In addition, pursuant to a registration rights agreement, KKR Stockholders and the Gochman Investors will each have the right, subject to certain conditions, to require us to register the sale of their shares of our common stock under the Securities Act. See "Certain Relationships and Related Party Transactions—Registration Rights Agreement." By exercising their registration rights and selling a large number of shares, KKR Stockholders and/or the Gochman Investors could cause the prevailing market price of our common stock to decline. Certain of our existing stockholders have "piggyback" registration rights with respect to future registered offerings of our common stock. Following completion of this offering, the shares covered by registration rights would represent approximately 67% of our total common stock outstanding (or approximately 65% if the underwriters exercise in full their option to purchase additional shares). Registration of any of these outstanding shares of common stock would result in such shares becoming freely tradable without compliance with Rule 144 upon effectiveness of the registration statement. See "Shares Eligible for Future Sale."

We have filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our 2011 Equity Plan, our 2020 Equity Plan and the ESPP. Such Form S-8 registration statements automatically became effective upon filing. Accordingly, shares registered under such registration statements are available for sale in the open market. The initial registration statement on Form S-8 covered 15,983,311 shares of our common stock.

As restrictions on resale end, or if the existing stockholders exercise their registration rights, the market price of our shares of common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them. These factors could also make it more difficult for us to raise additional funds through future offerings of our shares of common stock or other securities.

If securities or industry analysts do not publish research or reports about our business or if they downgrade our stock or our sector, our stock price and trading volume could decline.

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts. Furthermore, if one or more of the analysts who do cover us downgrade our stock or our industry, or change their views regarding the stock of any of our competitors, or publish inaccurate or unfavorable research about our business, or if our operating results do not meet their expectations, the price of our stock could decline. If one or more of these analysts ceases coverage of the Company or fails to publish reports on us regularly, we could lose visibility in the market, which in turn could cause our stock price or trading volume to decline.

Anti-takeover provisions in our organizational documents could delay or prevent a change of control.

Certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt, or other change of control transaction that a stockholder might consider in its best interest, including those attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide for, among other things:

- a classified board of directors, as a result of which our board of directors is divided into three classes, with each class serving for staggered three-year terms;

- the ability of our board of directors to issue one or more series of preferred stock;
- advance notice requirements for nominations of directors by stockholders and for stockholders to include matters to be considered at our annual meetings;
- certain limitations on convening special stockholder meetings;
- the removal of directors only for cause and only upon the affirmative vote of the holders of at least 66 $^{2}/_{3}$% of the shares of common stock entitled to vote generally in the election of directors if KKR Stockholders and their affiliates cease to beneficially own at least 40% of shares of common stock entitled to vote generally in the election of directors; and
- that certain provisions may be amended only by the affirmative vote of at least 66 $^{2}/_{3}$% of shares of common stock entitled to vote generally in the election of directors if KKR Stockholders and their affiliates cease to beneficially own at least 40% of shares of common stock entitled to vote generally in the election of directors.

These anti-takeover provisions could make it more difficult for a third party to acquire us, even if the third party's offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. See "Description of Capital Stock."

Our board of directors is authorized to issue and designate shares of our preferred stock in additional series without stockholder approval.

Our amended and restated certificate of incorporation authorizes our board of directors, without the approval of our stockholders, to issue 50 million shares of our preferred stock, subject to limitations prescribed by applicable law, rules and regulations and the provisions of our amended and restated certificate of incorporation, as shares of preferred stock in series, to establish from time to time the number of shares to be included in each such series and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations or restrictions thereof. The powers, preferences and rights of these additional series of preferred stock may be senior to or on parity with our common stock, which may reduce its value.

Our amended and restated certificate of incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders and the federal district courts will be the exclusive forum for Securities Act claims, which could limit our stockholders' ability to bring a suit in a different judicial forum than they may otherwise choose for disputes with us or our directors, officers, team members or stockholders.

Our amended and restated certificate of incorporation provides, subject to limited exceptions, that unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of our company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer, or other employee or stockholder of our company to the Company or our stockholders, creditors or other constituents, (iii) action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the Delaware General Corporation Law, or the DGCL, or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, which already provides that such claims must be bought exclusively in the federal courts. Our amended and restated certificate of incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the U.S. federal district courts will be the exclusive forum for the resolution of any actions or proceedings asserting claims arising under the Securities Act. While the Delaware Supreme Court has upheld the validity of similar provisions under the DGCL, there is uncertainty as to whether a court in another state would enforce such a forum selection provision. Our exclusive forum provision will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our stockholders will not be deemed to have waived our compliance with these laws, rules and regulations.

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation. This choice of forum provision may limit a stockholder’s ability to bring a claim in a judicial forum that it finds favorable for disputes with us or any of our directors, officers, other team members or stockholders. Alternatively, if a court were to find the choice of forum provision contained in our amended restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business, results of operations and financial conditions.

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that reflect our current views with respect to, among other things, our operations and financial performance. Forward-looking statements include all statements that are not historical facts. These forward-looking statements are included throughout this prospectus, including in the sections entitled “Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” and relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information. We have used the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future,” “will,” “seek,” “foreseeable,” the negative version of these words or similar terms and phrases to identify forward-looking statements in this prospectus.

The forward-looking statements contained in this prospectus are based on management’s current expectations and are not guarantees of future performance. The forward-looking statements are subject to various risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Our expectations, beliefs, and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management’s expectations, beliefs and projections will result or be achieved. Actual results may differ materially from these expectations due to changes in global, regional or local economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include but are not limited to those described under “Risk Factors” and the following:

- overall decline in the health of the economy and consumer discretionary spending;
- our ability to predict or effectively react to changes in consumer tastes and preferences, to acquire and sell brand name merchandise at competitive prices and/or to manage our inventory balances;
- intense competition in the sporting goods and outdoor recreation retail industries;
- the impact of COVID-19 on our business and financial results;
- our ability to safeguard sensitive or confidential data relating to us and our customers, team members and vendors;
- risks associated with our reliance on internationally manufactured merchandise;
- our ability to comply with laws and regulations affecting our business, including those relating to the sale, manufacture and import of consumer products;
- claims, demands and lawsuits to which we are, and may in the future, be subject and the risk that our insurance or indemnities coverage may not be sufficient;
- harm to our reputation;
- our ability to operate, update or implement our information technology systems;
- risks associated with disruptions in our supply chain and losses of merchandise purchasing incentives;
- any failure of our third-party vendors of outsourced business services and solutions;
- our ability to successfully continue our store growth plans or manage our growth effectively, or any failure of our new stores to generate sales and/or achieve profitability;
- risks associated with our e-commerce business;
- risks related to our owned brand merchandise;
- any disruption in the operation of our distribution centers;

- quarterly and seasonal fluctuations in our operating results;
- the occurrence of severe weather events, catastrophic health events, natural or man-made disasters, social and political conditions or civil unrest;
- our ability to protect our intellectual property and avoid the infringement of third-party intellectual property rights;
- our dependence on our ability to meet our labor needs;
- the geographic concentration of our stores;
- fluctuations in merchandise costs and availability;
- our ability to manage the growth of our business;
- our ability to retain key executives;
- our ability to successfully pursue strategic acquisitions and integrate acquired businesses;
- payment-related risks;
- the effectiveness of our marketing and advertising programs; and
- our substantial indebtedness.

These factors should not be construed as exhaustive and should be read in conjunction with the other cautionary statements that are included in this prospectus. Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by us in this prospectus speaks only as of the date of this prospectus and are expressly qualified in their entirety by the cautionary statements included in this prospectus. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, investments or other strategic transactions we may make. We undertake no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

USE OF PROCEEDS

The selling stockholders will receive all of the net proceeds from the sale of shares of our common stock offered pursuant to this prospectus. We will not receive any proceeds from the sale of shares being sold in this offering, including from any exercise by the underwriters of their option to purchase additional shares. The selling stockholders will bear the underwriting commissions and discounts, if any, attributable to their sale of our common stock, and expenses incurred by the selling shareholders for brokerage, accounting, tax or legal services or any other expenses incurred by the selling shareholders. We will bear all other costs, fees and expenses incurred in effecting the registration of the shares covered by this prospectus, including, without limitation, all registration and filing fees, and fees and expenses of our counsel and one counsel for the selling stockholders and our independent registered public accountants. See "Selling Stockholders."

DIVIDEND POLICY

We currently expect to retain all future earnings for use in the operation and expansion of our business and have no current plans to pay dividends on our common stock. The declaration, amount and payment of any future dividends will be at the sole discretion of our board of directors, and will depend on, among other things, general and economic conditions, our results of operations and financial condition, our available cash and current and anticipated cash needs, capital requirements, contractual, legal, tax and regulatory restrictions and implications on the payment of dividends by us to our stockholders or by our subsidiaries to us, including restrictions under our credit agreements, the indenture governing the 2027 Notes and other indebtedness we may incur, and such other factors as our board of directors may deem relevant. If we elect to pay such dividends in the future, we may reduce or discontinue entirely the payment of such dividends at any time. Academy Sports and Outdoors, Inc. is a holding company and its operations are conducted through its wholly owned subsidiaries. In the event that we do pay a dividend, we intend to cause our operating subsidiaries to make distributions to us in an amount sufficient to cover such dividend. Our operating subsidiary, Academy, Ltd. and its subsidiaries are currently subject to certain restrictions and covenants under the indenture governing the 2027 Notes and the credit agreements governing the ABL Facility and the Term Loan Facility, including limits on amounts of leverage, interest charges and capital expenditures. These restrictions and covenants may restrict the ability of those entities to make distributions to Academy Sports and Outdoors, Inc. See "Description of Certain Indebtedness." Any additional financing arrangement we enter into in the future may include restrictive covenants that limit our subsidiaries' ability to pay dividends to us. In addition, Delaware law may impose requirements that may restrict our ability to pay dividends to holders of our common stock.

CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of October 31, 2020 on an actual basis and on an as adjusted basis to reflect the IPO Option Exercise and the Refinancing Transactions.

You should read this table in conjunction with the information contained in "Use of Proceeds," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Description of Certain Indebtedness" as well as our audited consolidated financial statements and related notes and our unaudited condensed consolidated financial statements and related notes, each included elsewhere in this prospectus.

	As of October 31, 2020	
(In thousands, except par value)	Actual (unaudited)	As Adjusted (unaudited)
Cash and cash equivalents	869,725	245,456
Debt:		
2027 Notes	—	394,870
ABL Facility(1)	—	—
2015 Term Loan Facility	1,427,135	—
Term Loan Facility	—	390,181
Total Debt	1,427,135	785,051
Stockholders' Equity		
Preferred stock, $0.01 par value per share, 50,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.01 par value per share, 300,000 shares authorized, 88,104 shares issued and outstanding	881	899
Additional paid-in capital	93,064	115,147
Retained earnings	895,646	891,360
Accumulated and other comprehensive income (loss)	(5,027)	(5,027)
Total stockholders' equity	984,564	1,002,379
Total capitalization	$2,411,699	$1,787,430

(1) As of October 31, 2020, there were $30.8 million letters of credit outstanding, $21.1 million of which were issued under the ABL Facility. For a further description of our ABL Facility, see "Description of Certain Indebtedness."

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

Set forth below is our selected historical consolidated financial data as of the dates and for the periods indicated. The selected historical financial data as of February 1, 2020 and February 2, 2019 and for 2019, 2018 and 2017 has been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected historical financial data as of February 3, 2018, January 28, 2017 and January 30, 2016 and for 2016 and 2015 has been derived from our consolidated financial statements not included in this prospectus. The selected historical financial data as of and for the thirty-nine weeks ended October 31, 2020 and November 2, 2019 have been derived from our unaudited condensed consolidated financial statements and related notes thereto included elsewhere in this prospectus. The results of operations for any period are not necessarily indicative of the results to be expected for any future period.

You should read the following selected financial data below together with the information under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited consolidated financial statements and related notes and our unaudited condensed consolidated financial statements and related notes, each included elsewhere in this prospectus.

	Fiscal Year Ended					Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016	October 31, 2020	November 2, 2019
Period length (In thousands)	52 weeks	52 weeks	53 weeks	52 weeks	52 weeks	39 weeks	39 weeks
Statement of Income Data:							
Net sales(1)	$ 4,829,897	$ 4,783,893	$ 4,835,582	$ 4,738,474	$ 4,646,686	$ 4,091,797	$ 3,459,405
Costs of goods sold	3,398,743	3,415,941	3,436,618	3,419,784	3,299,972	2,856,840	2,398,783
Gross margin	1,431,154	1,367,952	1,398,964	1,318,690	1,346,714	1,234,957	1,060,622
Selling, general and administrative expenses	1,251,733	1,239,002	1,241,643	1,171,411	1,094,500	955,591	923,418
Operating income	179,421	128,950	157,321	147,279	252,214	279,366	137,204
Interest expense, net	101,307	108,652	104,857	96,610	114,821	70,487	77,171
(Gain) loss on early retirement of debt, net(2)	(42,265)	—	(6,294)	—	55,498	(7,831)	(42,265)
Other (income), net	(2,481)	(3,095)	(2,524)	(5,201)	(804)	(857)	(1,921)
Income before income taxes	122,860	23,393	61,282	55,870	82,699	217,567	104,219
Income tax expense	2,817	1,951	2,781	1,814	1,614	325	1,914
Net income	$ 120,043	$ 21,442	$ 58,501	$ 54,056	$ 81,085	$ 217,242	$ 102,305

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	Fiscal Year Ended					Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016	October 31, 2020	November 2, 2019
Period length	52 weeks	52 weeks	53 weeks	52 weeks	52 weeks	39 weeks	39 weeks
(In thousands)							
Cash Flow Data:							
Net cash provided by operating activities	$ 263,669	$ 198,481	$ 83,355	$ 164,555	$ 249,376	$ 857,218	$ 94,756
Net cash used in investing activities	(66,783)	(99,027)	(115,901)	(153,215)	(118,096)	(13,790)	(52,579)
Net cash provided by (used in) financing activities	(123,192)	(54,808)	8,514	(8,392)	(287,052)	(123,088)	(74,330)
Capital expenditures	62,818	107,905	132,126	177,628	197,710	(21,915)	(48,614)
Store Data (Unaudited):							
Comparable sales increase (decrease)	(0.7)%	(2.5)%	(5.2)%	(3.4)%	3.1%	16.1%	(1.1)%
Number of stores at end of period	259	253	244	228	209	259	259
Total square feet at end of period (in millions)	18.3	17.9	17.3	16.3	15.0	18.3	18.3
Net sales per square foot(3)	$ 264	$ 267	$ 279	$ 291	$ 309	$ 224	$ 189

	As of							
	February 1, 2020	February 2, 2019	February 3, 2018	January 28, 2017	January 30, 2016	October 31, 2020 (Actual)	October 31, 2020 (As Adjusted) (4)	November 2, 2019
(In thousands)								
Balance Sheet Data:								
Cash and cash equivalents	$ 149,385	$ 75,691	$ 31,045	$ 55,077	$ 52,129	$ 869,725	$ 245,456	$ 43,538
Merchandise inventories, net	1,099,749	1,134,156	1,223,486	1,090,899	1,028,032	1,082,907	1,082,907	1,331,969
Working capital(5)	538,795	582,789	605,083	491,126	344,511	750,990	140,971	571,788
Total assets(5)	4,331,321	3,238,957	3,323,046	3,258,354	3,257,275	4,981,916	4,357,647	4,488,709
Total debt, net of deferred loan costs	1,462,658	1,625,060	1,675,356	1,681,264	1,699,360	1,427,135	785,051	1,510,859
Total equity	988,219	857,039	832,687	756,262	689,106	984,564	1,002,379	969,083

(1) The impact of the 53rd week to 2017 net sales was $60.6 million.

(2) In first half 2020, 2019 and 2017, we repurchased principal on our 2015 Term Loan Facility, which was trading at a discount, and recognized as a gain, net of the write-off of related deferred loan costs. In first half 2020, we repurchased a total of $23.9 million of principal in open market transactions for an aggregate purchase price of $16.0 million and recognized a related net gain of $7.8 million. In 2019, we repurchased a

total of $147.7 million of principal in open market transactions for an aggregate purchase price of $104.6 million and recognized a related net gain of $42.3 million. In 2017, we repurchased $26.2 million of principal in open market transactions for an aggregate purchase price of $19.7 million and recognized a related net gain of $6.3 million. In 2015, we entered into the 2015 Term Loan Facility and 2015 ABL Facility and used the proceeds to pay off our previous term loan facility and notes. We had a related loss on early retirement of debt of $55.5 million from the write-off of deferred loan costs and the payment of prepayment and professional fees.

(3) Calculated using net sales and square footage of all stores open at the end of the respective period. Square footage includes the in-store storage, receiving and office space that generally occupies approximately 15% of total store space in our stores.

(4) As adjusted balance sheet data as of October 31, 2020 gives effect to (i) the IPO Option Exercise completed on November 3, 2020 and (ii) the Refinancing Transactions completed on November 6, 2020.

(5) Effective February 3, 2019, we adopted the New Lease Standard, which requires that lessees recognize assets and liabilities arising from operating leases on the balance sheet. Adoption of the new standard resulted in $1.2 billion in right-of-use assets and a combined $1.2 billion between current lease liabilities and long-term lease liabilities included on the balance sheet as of February 3, 2019. See Note 2 and Note 14 to our audited consolidated financial statements included elsewhere in this prospectus for further details regarding the adoption of this standard.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion analyzes our financial condition and results of operations and should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. See "Forward-Looking Statements." When reviewing the discussion below, you should keep in mind the substantial risks and uncertainties that characterize our business. Known material factors that could affect our financial performance and actual results, and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this discussion or otherwise made by our management, are described in "Risk Factors." Factors that could cause or contribute to such difference are not limited to those identified in "Risk Factors." All statements in this discussion and analysis concerning our current and planned operations are modified by reference to our discussion of recent developments related to the COVID-19 pandemic, and our ability to carry out our current and planned operations are dependent on further developments associated with the COVID-19 pandemic.

Our fiscal year represents the 52- or 53- week period ending on the Saturday closest to January 31. All references in this discussion and analysis to "2019," "2018" and "2017" or like terms relate to our fiscal years as follows:

Fiscal Year	*Ended*	*Weeks*
2019	*February 1, 2020*	*52*
2018	*February 2, 2019*	*52*
2017	*February 3, 2018*	*53*

Any reference to the "current quarter," "2020 third quarter" or similar reference refers to the thirteen week period ended October 31, 2020, and any reference to the "prior year quarter," "2019 third quarter" or similar reference refers to the thirteen week period ended November 2, 2019. Any reference in to "current year-to-date," "year-to-date 2020" or similar reference represents the thirty-nine week period ended October 31, 2020, and any reference to "prior year-to-date," "year-to-date 2019" or similar reference represents the thirty-nine week period ended November 2, 2019.

Overview

We are one of the leading full-line sporting goods and outdoor recreation retailers in the United States. We estimate that we served 30 million unique customers and completed approximately 80 million transactions in 2019 across our seamless omnichannel platform and highly productive stores, resulting in net sales of $4.8 billion and making us the largest value-oriented sporting goods and outdoor recreation retailer in the country. Our mission is to provide "Fun for All" and fulfill this mission with a localized merchandising strategy and value proposition that deeply connect with a broad range of consumers. Our broad and localized assortment appeals to all ages, incomes and aspirations, including beginning and advanced athletes, families enjoying outdoor recreation, and enthusiasts pursuing their passion for sports and the outdoors.

We sell a range of sporting and outdoor recreation products, including sporting equipment, apparel, footwear, camping gear, patio furniture, outdoor cooking equipment, and hunting and fishing gear, among many others. Our strong merchandise assortment is anchored by our broad offering of year-round items, such as fitness equipment and apparel, work and casual wear, folding chairs, wagons and tents, training and running shoes, and coolers. We also carry a deep selection of seasonal items, such as sports equipment and apparel, seasonal wear and accessories, hunting and fishing equipment and apparel, patio furniture, trampolines, play sets, bicycles, and severe weather supplies. We provide locally relevant offerings, such as crawfish boilers in Louisiana, licensed apparel for area sports fans, baits and lures for area fishing spots, and beach towels in coastal markets. Our value-based assortment also includes exclusive products from our portfolio of 17 owned brands. Nearly 20% of our 2019 sales were from our owned brands, such as Magellan Outdoors and BCG, which offer a distinct offering to our customers. Our merchandising creates a balanced sales mix throughout the year with no single season accounting for more than 28% of our annual sales.

As of October 31, 2020, we operated 259 stores that range in size from approximately 40,000 to 130,000 gross square feet, with an average size of approximately 70,000 gross square feet, throughout 16 contiguous states located primarily in the southern United States. Our stores are supported by over 20,000 team members, three distribution centers, and our rapidly growing e-commerce platform, www.academy.com. We are deepening our customer relationships, further integrating our e-commerce platform with our stores and driving operating efficiencies by developing our omnichannel capabilities, such as our BOPIS program, which we launched in 2019.

Trends and Other Factors Affecting Our Business

Various trends and other factors affect or have affected our operating results, including:

Overall Economic Trends. All of our sales are generated within the United States, making our results of operations highly dependent on the U.S. economy and U.S. consumer discretionary spending. Macroeconomic factors that may affect customer spending patterns, and thereby our results of operations, include, but are not limited to: health of the economy; consumer confidence in the economy; financial market volatility; wages, jobs and unemployment trends; the housing market, including real estate prices and mortgage rates; consumer credit availability; consumer debt levels; gasoline and fuel prices; interest rates and inflation; tax rates and tax policy; immigration policy; import and customs duties/tariffs and policy; impact of natural or man-made disasters; legislation and regulations; international unrest, trade disputes, labor shortages, and other disruptions to the supply chain; changes to raw material and commodity prices; national and international security and safety concerns; and impact any of public health pandemics. Factors that impact consumer discretionary spending, which remains volatile globally, continue to create a complex and challenging retail environment for us. See “—Impact of COVID-19 on Our Business.”

Consumer Preferences and Demands. The level of success we achieve is dependent on, among other factors, how accurately and timely we predict consumer tastes and preferences regarding sporting goods and outdoor recreation merchandise, the level of consumer demand, the availability of merchandise, and the competitive environment. Our products must appeal to a broad range of customers whose preferences cannot be predicted with certainty and are subject to change. We must identify, obtain supplies of, and offer to our customers, attractive and high-quality merchandise on a continuous basis. It is difficult to predict consistently and successfully the products and services our customers will demand as we often purchase products from our vendors several months in advance of the proposed delivery. If we misjudge the market for our products, we may be faced with excess inventories for some products. We utilize a variety of measures to help us identify products that are relevant to our customer base and to better understand changing customer trends, such as social media analysis, internet search analytics, internal customer insights and vendor intelligence.

Strategic Inventory Management. We must maintain sufficient inventory levels of merchandise that our customers desire to successfully operate our business. A shortage of popular merchandise could reduce our net sales. Conversely, we also must seek to avoid accumulating excess inventory to maintain appropriate in-stock levels. If we overstock unpopular merchandise, then we may be forced to take significant inventory markdowns or miss opportunities for the sale of other merchandise, both of which could have a negative impact on our profitability, and, in turn, our sales may decline or we may be required to sell the merchandise we have obtained at lower prices. We have deployed several new tools over recent years to improve inventory handling and vendor management, including third-party programs to analyze our inventory stock and execute a disciplined markdown strategy throughout the year at every location. This implementation, along with other factors, has allowed us to improve our inventory management in stores, increasing the average inventory turns from 2.68x in 2017 to 2.84x in 2019 and 3.55x for the twelve months ended October 31, 2020, and has helped us to identify and exit certain product categories, such as luggage and toys. We have coupled these tools with the data we have been able to collect from our Academy Credit Card program and targeted customer surveys, so that we can better estimate future inventory requirements. It is imperative that we continue to find innovative ways to strengthen our inventory management if we are to remain competitive and expand our margins on a go-forward basis. During the year-to-date 2020, we experienced significant inventory reductions from high sell-through during the period. We expect to use cash to replenish such inventory throughout the rest of the current fiscal year, which we expect will impact our net cash provided by operating activities for the fourth quarter of 2020.

Value Strategy. We offer a broad assortment of products at competitive prices that offer extraordinary value. Our in-store experience includes value-added customer service delivered by our highly trained and passionate staff, such as free assembly of certain products (such as bicycles, grills, and bows), fitness equipment demonstrations, issuances and renewals of hunting and fishing licenses, fishing line spooling and assisting customers with carrying bulk items to the car, among others. Our goal is to consistently offer better value than our peer retailers. Our value-based pricing gives us an advantage over the specialty retailers and other large format retailers, who typically offer their more limited assortment at premium prices. Our broad assortment gives us an advantage over mass general merchants who typically do not carry the leading national brands sold at Academy. We have also continued to add owned brand products to our assortment of products, which we generally price lower than the national brand products of comparable quality that we also offer. A shift in our sales mix in which we sell more units of our owned brand products and fewer units of the national brand products would generally have a positive impact on our gross margin but an adverse impact on our total net sales.

E-commerce/BOPIS. We expect that the expansion and enhancement of our omnichannel capabilities will be a key driver of growth in our net sales and gross margin. We continue to invest in initiatives that will increase traffic to our e-commerce website and drive increased online sales conversion. Our improved website also supports our stores with digital marketing and our BOPIS program. In 2019 and the thirty-nine weeks ended October 31, 2020, BOPIS accounted for approximately 24% and 50%, respectively, of our e-commerce sales and approximately 1% and 5%, respectively, of total merchandise sales for such periods. Our website also allows us to reach customers outside of our current store footprint and introduces new customers to the Academy brand. Our website is also a platform for marketing and product education, allowing us to connect further with our customers. We believe it is important that we continue to grow our omnichannel capabilities, especially in light of changing consumer preferences as a result of the COVID-19 pandemic, which, together with recent enhancements made to our website and omnichannel capabilities, contributed to the substantial increase in e-commerce sales during the year-to-date 2020. It is, however, difficult to ascertain with precision what portion of our increased e-commerce sales during the year-to-date 2020 was attributable to the COVID-19 pandemic as compared to such recent enhancements. During the third quarter 2020, stores facilitated over 95% of our total sales, including ship-from-store, BOPIS and in-store retail sales. We expect to continue to invest in expanding and enhancing our omnichannel capabilities, including BOPIS, will continue to require significant investments by us.

Competition. The U.S. sporting goods and outdoor recreation retail industries are highly competitive and fragmented. We compete with specialty footwear and outdoor retailers, traditional sporting goods stores, large format sporting goods stores, mass general merchants and catalogue and internet retailers. This competition takes place both in physical retail locations and online. Some of our competitors may be significantly larger and have substantially greater resources than us. Pressure from our competitors could require us to reduce our prices or increase our spending for advertising and promotion. Traditional competitors have become increasingly promotional and, if our competitors reduce their prices, it may be difficult for us to reach our net sales goals without reducing our prices, which could impact our margins. We may require significant capital in the future to sustain or grow our business, including our store and e-commerce activities, due to increased competition.

Sourcing and Supply Chain Management. For our business to be successful, our suppliers must provide us with quality products in substantial quantities, in compliance with regulatory requirements, at acceptable costs and on a timely basis. Competition for resources throughout the supply chain, such as production and transportation capacities, has increased. Trends affecting the supply chain include the impact of fluctuating prices of labor and raw materials on our suppliers, as well as the impact of the COVID-19 pandemic. The merchandise we sell is sourced from a wide variety of domestic and international suppliers and our ability to find qualified suppliers and access merchandise in a timely and efficient manner is often challenging, particularly with respect to merchandise sourced outside the United States. We generally do not have long-term written contracts with our suppliers that would require them to continue supplying us with merchandise, particular payment terms or the extension of credit. As a result, these suppliers could modify the terms of these relationships due to general economic conditions or otherwise. Changes in our relationships with our suppliers (which can occur for various reasons in or out of our control) also have the potential to increase our expenses and adversely affect our results of operations. Moreover, many of our suppliers provide us with merchandise purchasing incentives, such as return privileges, volume purchasing allowances and cooperative advertising, and a decline or discontinuation of these incentives could severely impact our results of operations. In addition, the announcement or imposition of any new or increased tariffs, duties or taxes as a result of trade or political tensions between the United States and other countries or otherwise could adversely affect our supply chain. In recent years, the Trump administration imposed multiple rounds of tariffs on exports from China, where we and many of our vendors source commodities. As a result, we have experienced rising inventory costs on owned brand products we directly source from China, as well as national brand products from China that we source through our vendors. These higher inventory costs have resulted in higher prices and/or lower margins, thus resulting in a negative impact to net sales and/or gross margin. On January 15, 2020, President Trump signed Phase I of a new trade agreement with China, signaling potential resolution between the two countries to the ongoing trade war in 2020. However, no significant modifications have been enacted to date, relative to the escalated tariffs which impact our business.

New Store Openings. We expect that new stores will be a key driver of growth in our net sales and gross margin in the future. Our results of operations have been and will continue to be materially affected by the timing and number of new store openings. We are continually assessing the number of locations available that could accommodate our preferred size of stores in markets we would consider and we expect to open eight to 10 new stores per year, starting in 2022, similar to our growth rates from 2018 through 2019. The performance of new stores may vary depending on various factors such as the store opening date, the time of year of a particular opening, the amount of store opening costs, the amount of store occupancy costs and the location of the new store, including whether it is located in a new or existing market. For example, we typically incur higher than normal team member costs at the time of a new store opening associated with set-up and other opening costs. Most of our stores achieve profitability within the first twelve months of opening a store. We believe our real estate strategy has positioned us well for further expansion. However, our planned store expansion will place increased demands on our operational, managerial, administrative and other resources. New stores in new markets, where we are less familiar with the target customer and less well-known by the target customer, may face different or additional risks and increased costs compared to new stores in existing markets. We may have to broaden our assortment to merchandise more locally as we grow into newer markets. Managing our growth effectively will require us to continue to enhance our store management systems, financial and management controls and information systems. We will also be required to hire, train and retain store management and store personnel, which, together with increased marketing costs, affects our operating income and net income.

Interim Results and Seasonality. Our business is subject to seasonal fluctuations. A significant portion of our net sales and profits is driven by summer holidays, such as Memorial Day, Father’s Day and Independence Day, during the second quarter. Our net sales and profits are also impacted by the November/December holiday selling season, and in part by the sales of cold weather sporting goods and apparel during the fourth quarter.

53rd Week. We operate on the retail industry’s 4-5-4 calendar. The 4-5-4 calendar is a guide for retailers that ensures sales comparability between years by dividing the year into months based on a 4 weeks – 5 weeks – 4 weeks format. Every five to six years a week is added to the 4-5-4 fiscal calendar. This anomaly has most recently occurred in 2017, which consisted of 53 weeks. 2018 and 2019 each consisted of 52 weeks. The additional week of 2017 contributed approximately $60.6 million of incremental net sales.

Impact of COVID-19 on Our Business

The outbreak of COVID-19, which has been declared a global pandemic by the World Health Organization, continues to affect our business, as well as our customers, team members and suppliers, and has resulted in federal, state and local governmental authority safety recommendations and requirements aimed at mitigating the spread of the virus, such as stay-at-home orders, prohibitions of large group gatherings, travel restrictions and closures of certain businesses. The scope and nature of these impacts continue to evolve on a daily basis, including with a potential resurgence in COVID-19 cases in the 2020 fourth quarter and beyond.

In response to these restrictions, and in order to serve our customers while also providing for the safety of our customers, team members and service providers, we have taken many actions, including cleaning each store professionally on a regular basis, equipping each store with hand sanitizer stations and signage illustrating how to socially distance within the store, wearing face coverings, limiting the number of customers admitted at one time, and having protective shields installed at cash registers and other countertops. We have incurred increased costs related to the implementation of these measures. We also incurred temporary wage premiums and additional sick time for our active store and distribution center team members. To mitigate the cost of these measures, during the thirteen weeks ended May 2, 2020, we temporarily furloughed a significant number of corporate, store and distribution center team members and enforced temporary pay cuts for executives and remaining active team members as well as other strategic actions to significantly reduce operating expenses during the period. We also drew down $500 million on our ABL Facility in March 2020 as a precautionary measure to ensure financial flexibility and maximize liquidity. We shortened the operating hours of our stores and fully closed six stores at some point during the thirteen weeks ended May 2, 2020, only one of which was closed for more than a week. We have also reduced, deferred or cancelled planned capital expenditures, primarily related to store remodels, have worked with our business partners to modify vendor and landlord payments and terms, and reduced near term marketing. Our temporary furlough period ended by June 8, 2020 for all of our store, distribution center and corporate team members, and on June 25, 2020, we completed repaying the $500 million draw on the ABL Facility. All three of our distribution centers remained open during the year-to-date 2020, all of our 259 stores have been fully operational since May 20, 2020, and our corporate office has been fully open since June 8, 2020. We continue to monitor the rapidly evolving situation and expect to continue to adapt our operations to address federal, state, and local requirements as well as to implement standards or processes that we determine to be in the best interest of our team members, customers, and communities.

The impact of the pandemic and actions taken in response to it had varying effects on our results of operations, as further discussed below, and our business has been especially unpredictable during the year-to-date 2020. However, as an essential retailer, we have been able to serve our customers as their needs evolved during the pandemic. In early March 2020, we saw the acceleration of sales in specific categories, such as outdoor cooking, camping, shooting sports and hunting. Later in the first quarter, customers realized they needed to find ways to entertain their families and stay fit while schools and gyms closed, so they turned to us for isolated recreation, outdoor and leisure activities that we support, and as a result, we saw increased sales of weights, yoga mats, treadmills, indoor bicycles, fishing, hunting and camping gear, backyard and driveway games, trampolines, patio seating and grills. We anticipate that the increased popularity of isolated recreation, outdoor and leisure activity products will continue for the duration of the pandemic and will result in a long-term increase to our customer base. At the same time, during the first quarter 2020, we experienced decreased sales of certain of our offerings, primarily for apparel and footwear, and had to from time to time cancel certain of our purchase orders for these products.

We believe that our consumers feel comfortable visiting our stores due to the fact that we have big-box stores and curbside pick-up availability for online orders, making it easier to socially distance, and that we are not in, or tethered to, malls, as customers seek to avoid crowded spaces. We also saw a significant increase in customers purchasing our products through omnichannel platforms, specifically as customers increasingly take advantage of our curbside pickup service, which we launched during the first quarter 2020.

The extent to which our operations and business trends will be impacted by, and any unforeseen costs will result from, the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted. These developments include, among other things, new information that may emerge concerning the severity of the outbreak and health implications, the development of vaccines to mitigate the risk of COVID-19, actions by government authorities to contain the outbreak or treat its impact, and changes in consumer behavior resulting from the outbreak and such government actions. We continue to monitor the evolving situation as there remain many uncertainties regarding the pandemic and its resurgence, including the anticipated duration. See "Risk Factors—Risks Related to Our Business—The impact of COVID-19 may adversely affect our business and financial results."

How We Assess the Performance of Our Business

Our management considers a number of financial and operating metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, determine the allocation of resources, make decisions regarding corporate strategies and evaluate projections. These metrics include operational measures and non-GAAP metrics supplemental to our GAAP results.

Comparable Sales. We define comparable sales as the percentage of period-over-period net sales increase or decrease, in the aggregate, for stores open after thirteen full fiscal months, as well as for all e-commerce sales. There may be variations in the way in which some of our competitors and other retailers calculate comparable sales. As a result, data in this prospectus regarding our comparable sales may not be comparable to similar data made available by other retailers. Stores which have been significantly remodeled or relocated are removed from this calculation until the new store has been in operation for substantially all of the periods being compared. Stores which have been closed for an extended period of time due to circumstances beyond our control are also removed from the calculation. Any sales made through our website are allocated to e-commerce sales for the purpose of measuring comparable sales, regardless of how those sales are fulfilled, whether shipped to home or picked up in-store or curbside through BOPIS. For example, all BOPIS transactions, which are originated by our website, are allocated to e-commerce sales for the purpose of comparable sales, despite the fact that our customers pick-up these purchases from a specific store. Increases or decreases in e-commerce between periods being compared directly impact the comparable sales results. We calculate adjusted comparable sales by excluding from comparable sales additional sales associated with Houston Astros World Series appearances, additional sales of a product driven by free shipping promotion, and sales from certain product categories, such as toys, luggage and electronics, that we exited in 2018. See "—Non-GAAP Measures" below for a reconciliation of adjusted comparable sales to comparable sales.

Adjusted comparable sales is a non-GAAP financial measure. We use adjusted comparable sales as the basis for key operating decisions, such as allocation of receipts and inventory to particular categories. We believe that adjusted comparable sales assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance.

Various factors affect comparable sales and adjusted comparable sales, including consumer preferences, buying trends and overall economic trends; our ability to identify and respond effectively to customer preferences and local and regional trends; our ability to provide an assortment of high quality/value oriented product offerings that generate new and repeat visits to our stores and our website; the customer experience and unique services we provide in our stores; our ability to execute our omnichannel strategy, including the growth of our e-commerce business; changes in product mix and pricing, including promotional activities; the number of items purchased per visit and average order value; a shift in the timing of a holiday between comparable periods; and the number of stores that have been in operation for more than 13 months.

Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow. Management uses Adjusted EBITDA, Adjusted

Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures. See “—Non-GAAP Measures” below.

E-commerce Penetration. E-commerce penetration is defined as total e-commerce merchandise sales (which includes BOPIS) divided by total Company merchandise sales.

The following table summarizes our key financial and operating metrics (with nearest GAAP measures where applicable) for the periods indicated:

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
(In thousands, except percentages and per share data)	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Comparable sales	(0.7)%	(2.5)%	(5.2)%	16.1%	(1.1)%
Adjusted comparable sales	(0.6)%	(1.7)%	(6.1)%	16.1%	(1.2)%
Net income	$ 120,043	$ 21,442	$ 58,501	$ 217,242	$ 102,305
Adjusted EBITDA	322,814	300,259	315,420	428,640	245,596
Adjusted Net Income	101,469	55,405	72,078	278,001	77,862
Pro Forma Adjusted Net Income	75,927	41,338	53,732	208,591	58,327
Pro Forma Adjusted Earnings per Share					
Basic	$ 1.08			$ 2.82	$ 0.80
Diluted	$ 1.05			$ 2.70	$ 0.78
Net cash provided by (used in) operating activities	263,669	198,481	83,355	857,218	94,756
Adjusted Free Cash Flow	$ 196,886	$ 99,454	$ (32,546)	$ 843,428	$ 42,177
E-commerce penetration	5%	5%	4%	9.8%	3.8%

Components of Our Results of Operations

Our profitability is primarily influenced by fluctuations in net sales, gross margin and our ability to leverage selling, general and administrative expenses.

Net Sales. Net sales are derived from in-store and e-commerce merchandise sales, net of sales tax and an allowance for merchandise returns.

Net sales fluctuations can be driven by new store openings, comparable sales increases or decreases, including e-commerce sales, our ability to adjust inventory based on sales fluctuations, manage vendor relations and meet customer demand, allowances and logistics, seasonality, unseasonal or extreme weather, changes in consumer shopping preferences, consumer discretionary spending, and market and sales promotions.

Gross Margin. Gross margin is our net sales less cost of goods sold. Our cost of goods sold includes the direct cost of merchandise and costs related to procurement, warehousing and distribution. These costs consist primarily of payroll and benefits, occupancy costs and freight and are generally variable in nature relative to our sales volume.

Our gross margin depends on a number of factors, such as net sales increases or decreases, our promotional activities, product mix including owned brand merchandise sales, and our ability to control cost of goods sold, such as inventory and logistics cost management. Our gross margin is also impacted by variables including commodity costs, freight costs, shrinkage and inventory processing costs and e-commerce shipping costs. We track and measure gross margin as a percentage of net sales in order to evaluate our performance against profitability targets.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, expenses include store and corporate administrative payroll and payroll benefits, store and corporate headquarters occupancy costs, advertising, credit card processing, information technology, pre-opening costs and other store and administrative expenses. These expenses are both variable and fixed in nature. We track and measure operating expenses as a percentage of net sales in order to evaluate our performance against profitability targets. Management of SG&A expenses depends on our ability to balance a control of operating costs, such as store, distribution center, and corporate headcount, information technology infrastructure and marketing and advertising expenses, with efficiently and effectively servicing our customers. In connection with the IPO, we incurred approximately $19.9 million of stock compensation expense associated with the vesting of certain of the outstanding restricted stock units as a result of the liquidity condition being achieved due to the IPO. We expect that our SG&A expenses will increase in future periods due to our continuing growth and in part to additional legal, accounting, insurance and other expenses we expect to incur as a result of being a public company.

Income Tax Expense. Academy Sports and Outdoors, Inc. is subject to U.S. federal income taxes and taxed at the prevailing corporate tax rates. We are treated as a U.S. corporation for U.S. federal, state, and local income tax purposes and accordingly, a provision for income taxes is recorded for the anticipated tax consequences of our reported results of operations for federal, state and local income taxes.

Results of Operations

Thirty-Nine Weeks Ended October 31, 2020 Compared to Thirty-Nine Weeks Ended November 2, 2019

The following table sets forth amounts and information derived from our unaudited statements of income for the periods indicated as follows (dollar amounts in thousands):

	Thirty-Nine Weeks Ended				Change	
(In thousands, except percentages)	October 31, 2020		November 2, 2019		Dollars	Percent
Net sales	$4,091,797	100.0 %	$3,459,405	100.0 %	$632,392	18.3 %
Cost of goods sold	2,856,840	69.8 %	2,398,783	69.3 %	458,057	19.1 %
Gross margin	1,234,957	30.2 %	1,060,622	30.7 %	174,335	16.4 %
Selling, general and administrative expenses	955,591	23.4 %	923,418	26.7 %	32,173	3.5 %
Operating income	279,366	6.8 %	137,204	4.0 %	142,162	103.6 %
Interest expense, net	70,487	1.7 %	77,171	2.2 %	(6,684)	(8.7)%
Gain on early retirement of debt, net	(7,831)	(0.2)%	(42,265)	(1.2)%	34,434	(81.5)%
Other (income), net	(857)	0.0 %	(1,921)	(0.1)%	1,064	(55.4)%
Income before income taxes	217,567	5.3 %	104,219	3.0 %	113,348	108.8 %
Income tax expense	325	0.0 %	1,914	0.1 %	(1,589)	(83.0)%
Net income	$ 217,242	5.3 %	$ 102,305	3.0 %	$114,937	112.3 %

* Percentages in table may not sum properly due to rounding.

The following table summarizes store activity for the periods indicated:

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Beginning stores	259	253
Q1 new stores	—	1
Q2 new stores	—	2
Q3 new stores	—	5
Closed	—	(2)
Ending stores	259	259
Relocated stores	—	—

Net Sales. Net sales increased $632.4 million, or 18.3%, for the year-to-date 2020 compared to the year-to-date 2019 as a result of increased comparable sales of 16.1% and additional net sales generated by new locations. As of the end of the 2020 third quarter, we had a full benefit of a net six stores opened during the prior year-to-date. Collectively, these stores accounted for a net $73.6 million increase in net sales for the year-to-date 2020.

The 16.1% increase in comparable sales resulted from strong performances in the outdoors merchandise division and the sports and recreation merchandise division, partially offset by declines the apparel and footwear merchandise divisions, respectively. The effects of the COVID-19 pandemic during the year-to-date 2020 have caused significant increases in popularity of isolated recreation, outdoor and leisure activities that we believe have driven the increases in our outdoors and sports and recreation merchandise divisions. Likewise, we believe the decreases in our apparel and footwear merchandise divisions were predominately driven by a temporary but significant shift in customer behavior at the substantial beginning of the COVID-19 pandemic, which saw customers purchasing primarily isolated recreation, outdoor and leisure activity products in addition to "essential items." The outdoors division increase was driven primarily by strong sales in firearms, ammunition, fishing, hunting and shooting sports products. The sports and recreation division sales increased as a result of various products such as fitness equipment and accessories, bikes, barbecues and grills, patio and watersports, trampolines, outdoor games and play sets. These increases were partially offset by declining sales in the team sports category. The apparel division decreased as a result of declines in licensed apparel resulting from the Astros World Series appearance in the prior year, outdoor apparel and seasonal apparel products, partially offset by increases in the athletic apparel products. The footwear division sales decreased due to declines in the team sports category and the work, casual and youth category, which were partially offset by an increase in athletic footwear. We believe that the substantial increase to e-commerce sales described below and the ongoing improvements to our business, such as enhancements to our merchandising planning and allocation capabilities that began in February 2019 and the launch of the Academy Credit Card in May 2019, together with our big-box store format and the implementation of a number of safety measures within our stores in response to the COVID-19 pandemic that helped facilitate our customers' ability to obtain the products they sought in a safe manner, contributed to the increase in comparable sales this year-to-date.

E-commerce net sales increased $270.1 million, or 208.6%, for the current year-to-date compared to the prior year-to-date and represented 9.8% of merchandise sales for the current year-to-date compared to 3.8% in the prior year-to-date. This increase was driven by a change in consumer shopping preferences and sales restrictions resulting from the COVID-19 pandemic. Additionally, enhancements to our e-commerce platform, including the introduction of BOPIS at the end of the 2019 second quarter and rapid development of curbside fulfillment to further support BOPIS in the year-to-date 2020 contributed to the increase in e-commerce sales.

Gross Margin. Gross margin increased $174.3 million, or 16.4%, to $1,235.0 million for the year-to-date 2020 from $1,060.6 million for the year-to-date 2019. As a percentage of net sales, gross margin decreased 0.5% from 30.7% for the year-to-date 2019 to 30.2% in the year-to-date 2020. The decrease of 50 basis points in gross margin is primarily attributable to:

- 43 basis points of unfavorability related to import freight as a result of increased duties on products sold;
- 37 basis points of unfavorability as a result of decreased vendor allowances, including new store allowances; partially offset by
- 30 basis points of favorability related to inventory overhead expenditures as a result of less expenses capitalized during the first half of 2020, which are primarily wage related, due to temporary workforce furloughs and wage cuts during the first half of 2020.

Selling, General and Administrative Expenses. SG&A expenses increased $32.2 million, or 3.5%, to $955.6 million in the year-to-date 2020 from $923.4 million in the year-to-date 2019. As a percentage of net sales, SG&A expenses were down 3.3% to 23.4% in the year-to-date 2020 compared to 26.7% in the year-to-date 2019. The decrease of 330 basis points in SG&A is primarily attributable to:

- 171 basis point decrease in property and facility fees as a result of leveraging costs on increased sales and decreased depreciation costs;
- 96 basis point decrease in advertising due to favorable leveraging of costs on increased sales and reduced marketing and promotional activities; and
- 78 basis point decrease in employee costs from leveraging costs on increased sales, partially offset by increased incentive compensation expense and incremental expenses resulting from the expensing of certain share-based awards in connection with the completion of the IPO.

Interest Expense. Interest expense decreased $6.7 million, or 8.7%, in the year-to-date 2020 when compared to the year-to-date 2019, primarily as a result of a lower outstanding principal balance and interest rates on our 2015 Term Loan Facility from prior year and current year principal repurchases of $147.7 million and $23.9 million, respectively, partially offset by higher interest on our ABL Facility due to a higher average outstanding balance.

Gain on early retirement of debt, net. Gain on early retirement of debt, net decreased $34.4 million, or 81.5%, to $7.8 million from $42.3 million in the prior year-to-date. During the year-to-date 2020, we repurchased $23.9 million in principal on the 2015 Term Loan Facility, which was trading at a discount, in open market transactions for $16.0 million and recognized a net gain of $7.8 million. During the year-to-date 2019, we repurchased $147.7 million in principal on the 2015 Term Loan Facility, which was trading at a discount in open market transactions for $104.6 million and recognized a net gain of $42.3 million.

Other (Income) Expense, net. Other income decreased $1.1 million in the year-to-date 2020 when compared to the year-to-date 2019 caused by a portion of the underlying cash flows related to $100.0 million of swap notional principal amount which were no longer probable of occurring and resulted in the immediate recognition of $1.3 million of expense.

Income Tax Expense. Income tax expense decreased $1.6 million to $0.3 million in the year-to-date 2020 as compared to $1.9 million in the year-to-date 2019. As a result of the Reorganization Transactions, which occurred on October 1, 2020, we became subject to U.S. federal income taxes and are being taxed at the prevailing corporate rates. The increase in our federal income tax effective rate upon completion of the Reorganization Transactions was largely offset by a net tax benefit for the third quarter of 2020, which resulted from a pre-tax loss subsequent to the Reorganization Transactions caused by incremental costs, including equity compensation expense, in connection with the IPO and the termination of the Monitoring Agreement.

2019 (52 weeks) Compared to 2018 (52 weeks)

The following table sets forth amounts and information derived from our consolidated statements of income for the periods indicated as follows (dollar amounts in thousands):

(In thousands, except percentages)	Fiscal Year Ended				Change	
	February 1, 2020		February 2, 2019		Dollars	Percent
Net sales	$4,829,897	100.0%	$4,783,893	100.0%	$ 46,004	1.0%
Cost of goods sold	3,398,743	70.45%	3,415,941	71.4%	(17,198)	(0.5)%
Gross margin	1,431,154	29.65%	1,367,952	28.6%	63,202	4.6%
Selling, general and administrative expenses	1,251,733	25.95%	1,239,002	25.9%	12,731	1.0%
Operating income	179,421	3.75%	128,950	2.7%	50,471	39.1%
Interest expense, net	101,307	2.1%	108,652	2.3%	(7,345)	(6.8)%
Gain on early retirement of debt, net	(42,265)	(0.9)%	—	—%	(42,265)	NM
Other (income), net	(2,481)	(0.1)%	(3,095)	(0.1)%	614	(19.8)%
Income before income taxes	122,860	2.5%	23,393	0.5%	99,467	425.2%
Income tax expense	2,817	0.1%	1,951	0.0%	866	44.4%
Net income	$ 120,043	2.5%	$ 21,442	0.4%	$ 98,601	459.8%

* Percentages in table may not sum properly due to rounding.
** NM - Not meaningful

The following table summarizes store activity for the periods indicated:

	Fiscal Year Ended	
	February 1, 2020	February 2, 2019
Beginning stores	253	244
Q1 new stores	1	2
Q2 new stores	2	3
Q3 new stores	5	4
Q4 new stores	—	—
Closed	(2)	—
Ending stores	259	253
Relocated stores	—	3
Renovated stores	11	14

Net Sales. Net sales increased $46.0 million, or 1.0%, in 2019 over the prior year. The 1.0% increase was driven primarily by additional net sales generated by new locations, partially offset by a decline in comparable sales of 0.7%. As of the end of 2019, we operated a net six additional stores compared to the end of 2018, and we had the full benefit of nine stores opened during the prior year. These stores generated sales of $84.8 million, or 1.8% of net sales.

The 0.7% comparable sales decline was driven by a 6.3% decrease in comparable sales from the sports and recreation merchandise division and a 3.1% decrease in the outdoors merchandise division. Declines in each category within the sports and recreation merchandise division, which includes team sports/fitness and recreation, were partially driven by planned exits in product types (such as certain outdoor games and electronics) that did not fit within our future assortment strategies during 2019. The outdoors merchandise division decreased as a result of declines from camping and cooking sales during 2019, as well as lower demand for firearms and ammunition during the first and second quarter 2019. These decreases were largely offset by a comparable sales increase of 4.7% in apparel and 1.0% in footwear. The apparel merchandise division increased as a result of positive comparable sales across all categories, particularly in licensed apparel, outdoor and seasonal apparel, and athletic apparel. The increase in licensed apparel was largely attributable to sales from Major League Baseball, or MLB, which was driven by regional team playoff success. The footwear merchandise division comparable sales increased, which was the result of an increase in the work and casual footwear category, partially offset by a decrease in athletic footwear. Although we had an overall decrease in comparable sales in 2019, we had positive comparable sales in the back half of 2019. We believe that improvements to our business in the back half of 2019, such as improvements to our website and omnichannel capabilities, including the introduction of BOPIS in July 2019, continued enhancements to our merchandise planning and allocation capabilities, and the launch of the Academy Credit Card in May 2019 were key factors that saw the increase of comparable sales in the back half of 2019.

E-commerce sales increased $17.8 million, or 7.8%, in 2019 when compared to the prior year, and e-commerce sales represented 5.1% and 4.9% of merchandise sales for 2019 and 2018, respectively. This increase was driven by enhancements to our e-commerce platform, including the introduction of BOPIS at the end of the second quarter 2019, as well as changes in consumer shopping preferences.

Gross Margin. Gross margin for 2019 increased $63.2 million, or 4.6%, when compared to 2018. Our gross margin, as a percentage of net sales, was 29.6% in 2019 compared to 28.6% in 2018, an increase of 100 basis points. This increase is primarily due to:

- 78 basis points of favorability on merchandise margins from favorability in inventory valuation adjustments relative to the prior year;
- 34 basis points of favorability in e-commerce shipping due to reduced shipping rates and an overall reduction in shipping costs resulting from to the 2019 deployment of BOPIS; partially offset by
- 24 basis points of unfavorability related to import freight as a result of increased duties during 2019.

Selling, General and Administrative Expenses. SG&A expenses increased $12.7 million, or 1.0%, to $1,251.7 million in 2019 from $1,239.0 million in 2018. As a percentage of net sales, SG&A remained flat at 25.9% in 2019 compared to 2018. The notable changes within SG&A were as follows:

- 31 basis point increase in employee costs that are primarily driven by performance-based compensation and a net six new store openings since the end of the fourth quarter 2018; partially offset by a
- 27 basis point decrease in property and facility expense primarily as a result of prior year implementation expenditures from our profitability and growth initiatives related to energy savings.

Interest Expense. Interest expense decreased $7.3 million, or 6.8%, to $101.3 million in 2019 from $108.7 million in 2018, resulting primarily from a lower outstanding balance on our 2015 Term Loan Facility due to the principal repurchases of $147.7 million during 2019.

2018 (52 weeks) Compared to 2017 (53 weeks)

When a 52-week fiscal year follows a 53-week fiscal year, the comparable sales calculation is based on the prior fiscal year's sales shifted forward one week, as we believe this best approximates current trends in our business.

Fiscal Period	Basis	Current Year Comparable Period	Prior Year Comparable Period	Comparable Sales
2018	Comparable sales	Fifty-two weeks ended February 2, 2019	Fifty-two weeks ended February 3, 2018	(2.5)%
2017	Comparable sales	Fifty-two weeks ended January 27, 2018	Fifty-two weeks ended January 28, 2017	(5.2)%

The following table sets forth amounts and information derived from our consolidated statements of income for the periods indicated as follows (dollar amounts in thousands):

	Fiscal Year Ended				Change	
	February 2, 2019		February 3, 2018		Dollars	Percent
Net sales	$4,783,893	100.0%	$4,835,582	100.0%	$(51,689)	(1.1)%
Cost of goods sold	3,415,941	71.4%	3,436,618	71.1%	(20,677)	(0.6)%
Gross margin	1,367,952	28.6%	1,398,964	28.9%	(31,012)	(2.2)%
Selling, general and administrative expenses	1,239,002	25.9%	1,241,643	25.7%	(2,641)	(0.2)%
Operating income	128,950	2.7%	157,321	3.3%	(28,371)	(18.0)%
Interest expense, net	108,652	2.3%	104,857	2.2%	3,795	3.6%
Gain on early retirement of debt, net	—	—%	(6,294)	(0.1)%	6,294	NM
Other (income), net	(3,095)	(0.1)%	(2,524)	(0.1)%	(571)	22.6%
Income before income taxes	23,393	0.5%	61,282	1.3%	(37,889)	(61.8)%
Income tax expense	1,951	0.0%	2,781	0.1%	(830)	(29.8)%
Net income	$ 21,442	0.4%	$ 58,501	1.2%	$(37,059)	(63.3)%

* Percentages in table may not sum properly due to rounding.
** NM - Not meaningful

The following table summarizes store activity for the periods indicated:

	Fiscal Year Ended	
	February 2, 2019	February 3, 2018
Beginning stores	244	228
Q1 new stores	2	3
Q2 new stores	3	7
Q3 new stores	4	3
Q4 new stores	—	3
Closed	—	—
Ending stores	253	244
Relocated stores	3	1
Renovated stores	14	20

Net Sales. Net sales decreased $51.7 million, or 1.1%, in 2018 over the prior year. The 1.1% decrease was driven primarily by a decline in comparable sales of 2.5% and higher sales in 2017 from the 53rd week of $60.6 million. As of the end of 2018, we operated nine additional stores compared to the end of 2017 and we had the full benefit of 16 stores opened during the prior year. These stores generated sales of $134.9 million, or 2.8% of net sales.

The following disclosure has been updated to reflect the new merchandise division category and product reclassification completed in 2019. See "Business."

The 2.5% comparable sales decline in 2018 was driven by a comparable sales decrease of 5.4% in the sports and recreation merchandise division and a 4.1% decrease in the outdoors merchandise division. The outdoors merchandise division experienced a decline in 2018 from the market saturation of specialized drinkware and related coolers, as well as market softness in firearms and ammunition. Also contributing to the decline in the outdoors merchandise division in 2018 was our planned assortment reduction in the camping category. The decline in the sports and recreation merchandise division in 2018 was caused by declines in both the team sports/

fitness and recreation categories. Both the apparel and footwear merchandise divisions comparable sales were relatively flat compared to the prior year with a decrease of 0.4% and an increase of 0.1%, respectively. Within the apparel merchandise division, licensed apparel decreased as we benefited in the prior year on MLB licensed apparel due to team playoff success within our footprint that was partially offset by an increase in outdoor and seasonal apparel. Within the footwear merchandise division, the increase was driven by an increase in work and casual footwear, partially offset by a decrease in athletic footwear.

E-commerce sales increased $40.5 million, or 21.2%, in 2018 when compared to the prior year, and e-commerce sales represented 4.9% and 4.0% of merchandise sales for 2018 and 2017, respectively. This increase was driven by changes in consumer shopping preferences, investments in digital advertising and increased promotional activity.

Gross Margin. Gross margin for 2018 decreased $31.0 million, or 2.2%, when compared to 2017. Our gross margin, as a percentage of net sales, was 28.6% in 2018 compared to 28.9% in 2017, a decrease of 30 basis points. This decrease is primarily due to:

- 33 basis points of unfavorability related to higher inventory overhead expense due to the prior year benefiting from substantial inventory purchases that lowered the inventory turnover rate and resultant overhead expensed;
- 21 basis points of unfavorability on freight due to increased domestic and international freight pricing and duties;
- 15 basis points of unfavorability on merchandise margins due to increased clearance and promotional activities, coupled with the growth of e-commerce sales; and partially offset by
- 34 basis points of favorability due to decreased inventory shrinkage.

Selling, General and Administrative Expenses. SG&A expenses decreased $2.6 million, or 0.2%, to $1,239.0 million in 2018 from $1,241.6 million in 2017. As a percentage of net sales, SG&A was 25.9% in 2018 compared to 25.7% in 2017. SG&A as a percentage of net sales increased 20 basis points primarily driven by:

- 39 basis point increase in property and facility expense due to operating nine additional stores since the end of 2017 and the full impact of 16 stores opened during 2017; and partially offset by
- 18 basis point decrease in professional fees related to our 2017 profitability and growth initiatives.

Interest Expense. Interest expense increased $3.8 million, or 3.6%, to $108.7 million in 2018 from $104.9 million in 2017, resulting primarily from rising interest rates on our 2015 Term Loan Facility, which was partially offset by more favorable positions on our interest rate swaps relative to 2017.

Non-GAAP Measures

Adjusted comparable sales

We calculate adjusted comparable sales by excluding from comparable sales additional sales associated with Houston Astros World Series appearances, additional sales of a product driven by free shipping promotion and sales from certain product categories, such as toys, luggage and electronics, that we exited in 2018.

Adjusted comparable sales is a non-GAAP financial measure. We use adjusted comparable sales as the basis for key operating decisions, such as allocation of receipts and inventory to particular categories. We believe that adjusted comparable sales assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our ongoing operating performance.

The following table provides a reconciliation of our comparable sales to our adjusted comparable sales for the periods presented:

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Comparable sales	(0.7)%	(2.5)%	(5.2)%	16.1%	(1.1)%
Additional sales associated with Houston Astros World Series appearances	(0.4)%	0.7%	(0.8)%	—	(0.5)%
Additional sales of a product driven by free shipping promotion	—	0.1%	(0.1)%	—	—
Sales from the exited product categories	0.5%	—	—	—	0.4%
Adjusted comparable sales	(0.6)%	(1.7)%	(6.1)%	16.1 %	(1.2)%

Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow

We define Adjusted EBITDA as net income (loss) before interest expense, net, income tax expense and depreciation, amortization and impairment, further adjusted to exclude consulting fees, Adviser monitoring fees, stock based compensation expense, gain on early extinguishment of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, inventory write-down adjustments associated with strategic merchandising initiative and other adjustments. We describe these adjustments reconciling net income (loss) to Adjusted EBITDA in the applicable table below. We define Adjusted Net Income (Loss) as net income (loss), plus consulting fees, Adviser monitoring fees, stock based compensation expense, gain on early extinguishment of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, inventory write-down adjustments associated with strategic merchandising initiative and other adjustments, less the tax effect of these adjustments. We define Pro Forma Adjusted Net Income (Loss) as Adjusted Net Income (Loss) less the retrospective tax effect of Adjusted Net Income (Loss) at our estimated effective tax rate of approximately 25% for periods prior to October 1, 2020, the effective date of our conversion to a C-Corporation. We define basic Pro Forma Adjusted Earnings per Share as Pro Forma Adjusted Net Income divided by the basic weighted average common shares outstanding during the period and diluted Pro Forma Adjusted Earnings per Share as Pro Forma Adjusted Net Income divided by the diluted weighted average common shares outstanding during the period. We describe these adjustments reconciling net income (loss) to Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share in the applicable table below. We define Adjusted Free Cash Flow as net cash provided by (used in) operating activities less net cash used in investing activities. We describe these adjustments reconciling net cash provided by operating activities to Adjusted Free Cash Flow in the applicable table below.

Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow have been presented in this prospectus as supplemental measures of financial performance that are not required by, or presented in accordance with, GAAP. We believe Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share assist investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. Management believes Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share are useful to investors in highlighting trends in our operating performance, while other measures can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which we operate and capital investments. Management believes Adjusted Free Cash Flow is a useful measure of liquidity and an additional basis for assessing our ability to generate cash. Management uses Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies, to make budgeting decisions and to compare our performance against that of other peer companies using similar measures.

Management supplements GAAP results with non-GAAP financial measures to provide a more complete understanding of the factors and trends affecting the business than GAAP results alone. Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow are not recognized terms under GAAP and should not be considered as an alternative to net income (loss) as a measure of financial performance or net cash provided by operating activities as a measure of liquidity, or any other performance measures derived in accordance with GAAP. Additionally, these measures are not intended to be a measure of free cash flow available for management's discretionary use as they do not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share should not be construed to imply that our future results will be unaffected by unusual or non-recurring items. In evaluating Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow should not be construed to imply that our future results will be unaffected by any such adjustments. Management compensates for these limitations by primarily relying on our GAAP results in addition to using Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow supplementally.

Our Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow measures have limitations as analytical tools, and you should not consider them in isolation, or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share do not reflect costs or cash outlays for capital expenditures or contractual commitments;
- Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share do not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on our debt, and Adjusted Free Cash Flow does not reflect the cash requirements necessary to service principal payments on our debt;
- Adjusted EBITDA does not reflect period to period changes in taxes, income tax expense or the cash necessary to pay income taxes;
- Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share do not reflect the impact of earnings or charges resulting from matters we consider not to be indicative of our ongoing operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA and Adjusted Free Cash Flow do not reflect cash requirements for such replacements; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Because of these limitations, Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), Pro Forma Adjusted Earnings per Share and Adjusted Free Cash Flow should not be considered as measures of discretionary cash available to invest in business growth or to reduce indebtedness.

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The following tables provide reconciliations of net income (loss) to Adjusted EBITDA, Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss) and Pro Forma Adjusted Earnings per Share for the periods presented:

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Period length (In thousands)	52 weeks	52 weeks	53 weeks	39 weeks	39 weeks
Net income	$ 120,043	$ 21,442	$ 58,501	$ 217,242	$ 102,305
Interest expense, net	101,307	108,652	104,857	70,487	77,171
Income tax expense	2,817	1,951	2,781	325	1,914
Depreciation, amortization and impairment	117,254	134,190	135,680	79,718	88,693
Consulting fees (a)	3,601	949	10,263	194	3,517
Adviser monitoring fee (b)	3,636	3,522	3,387	14,793	2,697
Equity compensation (c)	7,881	4,633	4,580	27,049	5,872
Gain on early extinguishment of debt, net	(42,265)	—	(6,294)	(7,831)	(42,265)
Severance and executive transition costs (d)	1,429	4,350	7,409	4,137	1,237
Costs related to the COVID-19 pandemic (e)	—	—	—	17,632	—
Inventory write-down adjustments associated with strategic merchandising initiative (f)	—	18,225	4,400	—	—
Other (g)	7,111	2,345	(10,144)	4,894	4,455
Adjusted EBITDA	$ 322,814	$ 300,259	$ 315,420	$ 428,640	$ 245,596

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
	February 1, 2020	February 2, 2019	February 3, 2018	October 31, 2020	November 2, 2019
Period length (In thousands)	52 weeks	52 weeks	53 weeks	39 weeks	39 weeks
Net income	$ 120,043	$ 21,442	$ 58,501	$ 217,242	$ 102,305
Consulting fees (a)	3,601	949	10,263	194	3,517
Adviser monitoring fee (b)	3,636	3,522	3,387	14,793	2,697
Equity compensation (c)	7,881	4,633	4,580	27,049	5,872
Gain on early extinguishment of debt, net	(42,265)	—	(6,294)	(7,831)	(42,265)
Severance and executive transition costs (d)	1,429	4,350	7,409	4,137	1,237
Costs related to the COVID-19 pandemic (e)	—	—	—	17,632	—
Inventory write-down adjustments associated with strategic merchandising initiative (f)	—	18,225	4,400	—	—
Other (g)	7,111	2,345	(10,144)	4,894	4,455
Tax effects of these adjustments (h)	33	(61)	(24)	(109)	44
Adjusted Net Income	$ 101,469	$ 55,405	$ 72,078	$ 278,001	$ 77,862
Estimated tax effect of change to C-Corporation status (i)	(25,542)	(14,067)	(18,346)	(69,410)	(19,535)
Pro Forma Adjusted Net Income	$ 75,927	$ 41,338	$ 53,732	$ 208,591	$ 58,327
Pro Forma Adjusted Earnings per Share:					
Basic	$ 1.08			$ 2.82	$ 0.80
Diluted	$ 1.05			$ 2.70	$ 0.78
Weighted average common shares outstanding:					
Basic	83,013			73,908	72,480
Diluted	85,332			77,171	74,766

(a) Represents outside consulting fees associated with our strategic cost savings and business optimization initiatives.

(b) Represents our contractual payments under our Monitoring Agreement with the Adviser, which was terminated in connection with the IPO. See "Certain Relationships and Related Party Transactions—Monitoring Agreement."
(c) Represents non-cash charges related to equity based compensation, which vary from period to period depending on certain factors such as timing and valuation of awards, achievement of performance targets and equity award forfeitures.
(d) Represents severance costs associated with executive leadership changes and enterprise-wide organizational changes.
(e) Represents costs incurred as a result of the COVID-19 pandemic, including temporary wage premiums, additional sick time, costs of additional cleaning supplies and third party cleaning services for the stores, corporate office and distribution centers, accelerated freight costs associated with shifting our inventory purchase earlier in the year to maintain stock, and legal fees associated with consulting in local jurisdictions.
(f) Represents inventory write-down adjustments in connection with our new merchandising strategy adopted as part of our strategic transformation, including exiting certain categories of products.
(g) Other adjustments include (representing deductions or additions to Adjusted EBITDA and Adjusted Net Income (Loss), as applicable) amounts that management believes are not representative of our operating performance, including investment income, net losses associated with Hurricane Harvey, additional profits associated with the 53rd week in fiscal year 2017, additional profits associated with Houston Astros World Series appearances, installation costs for energy savings associated with our profitability initiatives, legal fees associated with a distribution to members of New Academy Holding Company, LLC and our 2020 Equity Plan, store exit costs and other costs associated with strategic cost savings and business optimization initiatives.
(h) Represents the tax effect of the total adjustments made to arrive at Adjusted Net Income (Loss) at our historical tax rate.
(i) Represents the retrospective tax effect of Adjusted Net Income (Loss) at our estimated effective tax rate of 25% for periods prior to October 1, 2020, the effective date of our conversion to a C-Corporation, upon which we became subject to federal income taxes.

The following table provides a reconciliation of net cash provided by operating activities to Adjusted Free Cash Flow for the periods presented:

	Fiscal Year Ended			Thirty-Nine Weeks Ended	
	February 1, 2020	**February 2, 2019**	**February 3, 2018**	**October 31, 2020**	**November 2, 2019**
Period length	**52 weeks**	**52 weeks**	**53 weeks**	**39 weeks**	**39 weeks**
(In thousands)					
Net cash provided by (used in) operating activities	$ 263,669	$ 198,481	$ 83,355	$ 857,218	$ 94,756
Net cash used in investing activities	(66,783)	(99,027)	(115,901)	(13,790)	(52,579)
Adjusted Free Cash Flow	$ 196,886	$ 99,454	$ (32,546)	$ 843,428	$ 42,177

Quarterly Results of Operations

The following table sets forth our historical quarterly results of operations as well as certain key metrics for each of our most recent nine fiscal quarters. This information should be read in conjunction with the audited consolidated financial statements and related notes thereto and unaudited condensed consolidated financial statements and related notes thereto, each included elsewhere in this prospectus.

	Thirteen Weeks Ended										
(In thousands)	October 31, 2020	August 1, 2020	May 2, 2020	February 1, 2020	November 2, 2019	August 3, 2019	May 4, 2019	February 2, 2019	November 3, 2018	August 4, 2018	May 5, 2018
Net sales	$1,349,076	$1,606,420	$1,136,301	$1,370,492	$1,145,203	$1,237,410	$1,076,792	$1,342,018	$1,060,188	$1,262,207	$1,119,480
Gross margin	440,511	496,501	297,945	370,532	362,422	385,204	312,996	332,133	328,833	387,130	320,356
Selling, general and administrative expenses	358,955	312,713	283,923	328,315	309,246	312,570	301,602	326,365	300,195	317,164	295,278
Operating income	81,556	183,788	14,022	42,217	53,176	72,634	11,394	5,768	28,138	69,966	25,078
Interest expense, net	22,399	23,566	24,522	24,136	24,585	25,549	27,037	27,608	27,076	27,173	26,795
Gain on early retirement of debt, net	—	(7,831)	—	—	—	(1,127)	(41,138)	—	—	—	—
Net income (loss)	$ 59,586	$ 167,676	$ (10,020)	$ 17,738	$ 28,552	$ 48,347	$ 25,406	$ (21,458)	$ 1,773	$ 42,103	$ (976)
Comparable sales	16.5%	27.0%	3.1%	0.3%	6.2%	(3.3)%	(5.6)%	(2.8)%	(6.0)%	(0.6)%	(0.9)%
Adjusted comparable sales	16.5%	27.0%	3.1%	1.0%	4.9%	(2.9)%	(5.2)%	(1.0)%	(4.6)%	(0.6)%	(0.9)%
Adjusted EBITDA	$ 145,738	$ 229,645	$ 53,257	$ 77,218	$ 88,759	$ 107,249	$ 49,588	$ 62,172	$ 64,567	$ 109,087	$ 64,433
Adjusted Net Income (Loss)	$ 98,894	$ 178,351	$ 756	$ 23,607	$ 34,062	$ 51,503	$ (7,703)	$ (724)	$ 4,845	$ 46,472	$ 4,812
Pro Forma Adjusted Net Income (Loss)	$ 73,747	$ 134,404	$ 440	$ 17,599	$ 25,590	$ 38,668	$ (5,931)	$ (721)	$ 3,663	$ 34,760	$ 3,635
Adjusted Free Cash Flow	$ 83,657	$ 678,941	$ 80,830	$ 154,709	$ (30,017)	$ 122,680	$ (50,486)	$ 139,551	$ (108,232)	$ 45,878	$ 22,257

The following table provides reconciliation of comparable sales to adjusted comparable sales for the periods presented:

	Thirteen Weeks Ended										
	October 31, 2020	August 1, 2020	May 2, 2020	February 1, 2020	November 2, 2019	August 3, 2019	May 4, 2019	February 2, 2019	November 3, 2018	August 4, 2018	May 5, 2018
Comparable sales	16.5%	27.0%	3.1%	0.3%	6.2%	(3.3)%	(5.6)%	(2.8)%	(6.0)%	(0.6)%	(0.9)%
Additional sales associated with Houston Astros World Series appearances	—	—	—	—	(1.6)%	—	—	1.5%	1.4%	—	—
Additional sales of a product driven by free shipping promotion	—	—	—	—	—	—	—	0.3%	—	—	—
Sales from the exited product categories	—	—	—	0.7%	0.3%	0.4%	0.4%	—	—	—	—
Adjusted comparable sales	16.5%	27.0%	3.1%	1.0%	4.9%	(2.9)%	(5.2)%	(1.0)%	(4.6)%	(0.6)%	(0.9)%

The following tables provide reconciliation of net income (loss) to Adjusted EBITDA, Adjusted Net Income (Loss) and Pro Forma Adjusted Net Income (Loss) for the periods presented:

	Thirteen Weeks Ended										
(In thousands)	October 31, 2020	August 1, 2020	May 2, 2020	February 1, 2020	November 2, 2019	August 3, 2019	May 4, 2019	February 2, 2019	November 3, 2018	August 4, 2018	May 5, 2018
Net income (loss)	$ 59,586	$167,676	$(10,020)	$ 17,738	$ 28,552	$ 48,347	$ 25,406	$ (21,458)	$ 1,773	$ 42,103	$ (976)
Interest expense, net	22,399	23,566	24,522	24,136	24,585	25,549	27,037	27,608	27,076	27,173	26,795
Income tax expense	(1,193)	1,005	513	903	506	878	530	675	(27)	1,322	(19)
Depreciation, amortization and impairment	25,567	26,704	27,447	28,561	29,596	29,313	29,784	34,576	32,667	34,112	32,835
Consulting fees	102	36	56	84	237	328	2,952	6	196	506	241
Adviser monitoring fee	12,953	920	920	939	937	877	883	877	892	861	892
Stock based compensation	23,359	1,581	2,109	2,009	1,405	2,445	2,022	334	1,243	2,180	876
Gain on early extinguishment of debt, net	—	(7,831)	—	—	—	(1,127)	(41,138)	—	—	—	—
Severance and executive transition costs	—	3,909	228	192	1,237	—	—	3,239	134	55	923
Costs related to the COVID-19 pandemic	—	10,987	6,645	—	—	—	—	—	—	—	—
Inventory write-down adjustments associated with strategic merchandising initiative	—	—	—	—	—	—	—	18,225	—	—	—
Other	2,965	1,092	837	2,656	1,704	639	2,112	(1,910)	613	775	2,866
Adjusted EBITDA	$ 145,738	$229,645	$ 53,257	$ 77,218	$ 88,759	$107,249	$ 49,588	$ 62,172	$ 64,567	$109,087	$64,433

	Thirteen Weeks Ended										
(In thousands)	October 31, 2020	August 1, 2020	May 2, 2020	February 1, 2020	November 2, 2019	August 3, 2019	May 4, 2019	February 2, 2019	November 3, 2018	August 4, 2018	May 5, 2018
Net income (loss)	$ 59,586	$167,676	$(10,020)	$ 17,738	$ 28,552	$48,347	$ 25,406	$ (21,458)	$ 1,773	$42,103	$(976)
Consulting fees	102	36	56	84	237	328	2,952	6	196	506	241
Adviser monitoring fee	12,953	920	920	939	937	877	883	877	892	861	892
Stock based compensation	23,359	1,581	2,109	2,009	1,405	2,445	2,022	334	1,243	2,180	876
Gain on early extinguishment of debt, net	—	(7,831)	—	—	—	(1,127)	(41,138)	—	—	—	—
Severance and executive transition costs	—	3,909	228	192	1,237	—	—	3,239	134	55	923
Costs related to the COVID-19 pandemic	—	10,987	6,645	—	—	—	—	—	—	—	—

(In thousands)	October 31, 2020	August 1, 2020	May 2, 2020	February 1, 2020	November 2, 2019	August 3, 2019	May 4, 2019	February 2, 2019	November 3, 2018	August 4, 2018	May 5, 2018
	Thirteen Weeks Ended										
Inventory write-down adjustments associated with strategic merchandising initiative	—	—	—	—	—	—	—	18,225	—	—	—
Other	2,965	1,092	837	2,656	1,704	639	2,112	(1,910)	613	775	2,866
Tax effects of these adjustments	(71)	(19)	(19)	(11)	(10)	(6)	60	(37)	(6)	(8)	(10)
Adjusted Net Income (Loss)	98,894	178,351	756	23,607	34,062	51,503	(7,703)	(724)	4,845	46,472	4,812
Estimated tax effect of change to C-Corporation status	(25,147)	(43,947)	(316)	(6,008)	(8,472)	(12,835)	1,772	3	(1,182)	(11,712)	(1,177)
Pro Forma Adjusted Net Income (Loss)	$ 73,747	$134,404	$ 440	$ 17,599	$ 25,590	$ 38,668	$(5,931)	$ (721)	$ 3,663	$ 34,760	$ 3,635

The following table provides a reconciliation of net cash provided by operating activities to Adjusted Free Cash Flow for the periods presented:

(In thousands)	October 31, 2020	August 1, 2020	May 2, 2020	February 1, 2020	November 2, 2019	August 3, 2019	May 4, 2019	February 2, 2019	November 3, 2018	August 4, 2018	May 5, 2018
	Thirteen Weeks Ended										
Net cash provided by (used in) operating activities	$ 83,597	$682,865	$90,756	$ 168,913	$ (9,205)	$138,564	$(34,603)	$ 167,588	$ (83,563)	$ 73,127	$ 41,329
Net cash used in investing activities	60	(3,924)	(9,926)	(14,204)	(20,812)	(15,884)	(15,883)	(28,037)	(24,669)	(27,249)	(19,072)
Adjusted Free Cash Flow	$ 83,657	$678,941	$80,830	$ 154,709	$ (30,017)	$122,680	$(50,486)	$ 139,551	$ (108,232)	$ 45,878	$ 22,257

Liquidity and Capital Resources

Sources and Uses of Liquidity

Historically, our principal sources of cash have included:

- cash generated from operating activities;
- issuances of debt securities; and
- borrowings under term loan and ABL credit facilities.

Our historical uses of cash have been associated primarily with:

- operating activities, such as the purchase and growth of inventory, expansion of our sales and marketing activities and other working capital needs;

- capital improvements and support of expansion plans, as well as various investments in store remodeling, store fixtures and on-going infrastructure improvements;
- paying debt obligations and related interest expense;
- paying partnership distributions to our members; and
- fluctuations in working capital due to timing differences of cash receipts and cash disbursements.

On October 31, 2020, our cash and cash equivalents totaled $869.7 million.

We are focused on navigating the ongoing challenges presented by COVID-19 through the preservation of our long-term liquidity and management of cash flow through preemptive actions to enhance our ability to meet our short-term liquidity needs. During the year-to-date 2020, we have taken various cost cutting measures to maximize operational cash flows (see "—Impact of COVID-19 on Our Business"). Such actions include, but are not limited to, reduction of discretionary spending, deferring or cancelling our planned expenses, revisiting and reprioritizing our strategic investments, and reducing our payroll costs, including temporary team member furloughs, workforce reductions and pay cuts.

On August 28, 2020, we paid a $257.0 million one-time special distribution to our members of record as of August 25, 2020, $248.0 million of which was paid with cash on hand and the remainder of which was distributed through an offset of outstanding loans receivable from a member as well as state income tax withholdings made on behalf of our members. Related cash payments of $20.7 million to vested share-based award holders was paid through October 31, 2020 and an additional $12.1 million of payments will be made to unvested share-based award holders as the related awards vest. See "Distribution" in Note 10, *Equity and Share-Based Compensation*, to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

On October 6, 2020, we completed our IPO in which we issued and sold 15,625,000 shares of common stock, $0.01 par value, to the IPO underwriters for cash consideration of $12.22 per share (representing an initial public offering price of $13.00 per share, net of underwriting discounts) that resulted in net proceeds of approximately $184.9 million after deducting underwriting discounts, which included approximately $2.7 million paid to KKR Capital Markets LLC, an affiliate of KKR Stockholders, for underwriting services in connection with the IPO, and $6.1 million in costs directly associated with the IPO, such as legal and accounting fees. See "Initial Public Offering and Reorganization Transactions" in Note 1, *Nature of Operations*, to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

Subsequent to the 2020 third quarter, on November 3, 2020, the Company issued and sold an additional 1,807,495 shares of the Company's common stock, par value $0.01 per share, for cash consideration of $12.22 per share (representing an initial public offering price of $13.00 per share, net of underwriting discounts) to the IPO underwriters, resulting in approximately $22.1 million in proceeds net of underwriting discounts, which included $0.3 million paid to KKR Capital Markets LLC for underwriting services, pursuant to the partial exercise by the underwriters of their option to purchase up to 2,343,750 additional shares to cover over-allotments in connection with our IPO. The option has expired with respect to the remaining shares. See "Initial Public Offering and Reorganization Transactions" in Note 1, *Nature of Operations*, and Note 15, *Subsequent Events*, to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

Subsequent to the 2020 third quarter, on November 6, 2020, the Company (1) issued $400.0 million of 6.00% senior secured notes, which are due November 15, 2027, (2) entered into a $400.0 million first lien term loan facility, which is due November 6, 2027 and (3) extended the maturity of the ABL Facility to November 6, 2025. We used the net proceeds from the 2027 Notes and the net proceeds from the Term Loan Facility, together with cash on hand, to repay in full our 2015 Term Loan Facility, in the amount of $1,431.4 million. See Note 15, *Subsequent Events*, to our unaudited condensed consolidated financial statements included elsewhere in this prospectus.

We expect to use existing cash balances, internally generated cash flows, and available borrowings under the ABL Facility to fund anticipated capital expenditures, working capital needs and scheduled debt service costs and maturities over at least the next twelve months. The ABL Facility provides for these financing needs and other general corporate purposes, as well as to support certain letter of credit requirements. We may continue to use the ABL Facility to repay debt under the Term Loan Facility. Availability under the ABL Facility is subject to customary asset-backed loan borrowing base and availability provisions. Amounts outstanding under the ABL Facility may fluctuate materially during each quarter mainly due to cash flow from operations, normal changes in working capital, capital expenditures and debt service costs. Our availability under the ABL Facility during the peak borrowing days of 2019 and the year-to-date 2020 was ample to support our operations and service our requirements.

Liquidity information related to our ABL Facility is as follows as of and for the periods shown (in thousands, except days):

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Average funds drawn	$ 168,864	$ 34,891
Number of days with outstanding balance	99	151
Maximum daily amount outstanding	$ 500,000	$ 147,100
Minimum available borrowing capacity	$ 161,089	$ 771,750

	As of		
	October 31, 2020	February 1, 2020	November 2, 2019
Outstanding borrowings	$ —	$ —	$ 44,300
Issued letters of credit	$ 21,112	$ 15,927	$ 14,427
Available borrowing capacity	$ 844,712	$ 827,404	$ 941,273

Capital Expenditures

We expect capital expenditures for fiscal year 2020 to be approximately $46.6 million. Approximately 65% of our planned cash outflow relate to investments in our corporate, e-commerce and information technology programs. Investments in existing stores and distribution centers is expected to account for approximately 30% of the planned cash outflow and the remaining 5% is expected to be utilized through investments in store remodels. We review forecasted capital expenditures throughout the year and will adjust or modify projects based on business conditions at that time.

Cash Flows for the Thirty-Nine Weeks Ended October 31, 2020 and November 2, 2019

Our unaudited statements of cash flows for the periods shown are summarized as follows (in thousands):

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Net cash provided by operating activities	$ 857,218	$ 94,756
Net cash used in investing activities	(13,790)	(52,579)
Net cash used in financing activities	(123,088)	(74,330)
Net increase (decrease) in cash and cash equivalents	$ 720,340	$ (32,153)

Operating Activities. Net cash provided by operating activities consists primarily of net income adjusted for non-cash items, including depreciation and amortization, non-cash lease expense, equity compensation, amortization of deferred loan and other costs, non-cash gain on early retirement of debt, net, and changes in assets and liabilities, loss on swaps from debt refinancing and deferred income taxes. Cash flows from operating activities are seasonal in our business. Typically, cash flows from operations are used to build inventory in advance of peak selling seasons, with the fourth quarter pre-holiday season inventory increase being the most significant.

Cash provided by operating activities in the year-to-date 2020 increased $762.5 million, compared to the year-to-date 2019. This increase in cash was attributable to:

- $599.1 million net increase in cash flows provided by operating assets and liabilities;
- $114.9 million increase in net income; and
- $48.4 million increase in non-cash charges.

The increase in cash flows from operating assets and liabilities for the year-to-date 2020 compared to the year-to-date 2019 was primarily attributable to:

- $214.5 million decrease in merchandise inventories, net due to inventory reductions from high sell through in the current year-to-date, coupled with an increase in inventory during the prior year; and
- $340.1 million increase in accounts payable related to increased inventory receipts in recent months and extensions of vendor payment terms.

The increase from non-cash charges for the year-to-date 2020 compared to the year-to-date 2019 was primarily caused by:

- $34.4 million decrease in non-cash gains on the early retirement of debt, net resulting from lower current year-to-date principal repurchases of portions of our 2015 Term Loan Facility;
- $21.2 million increase in stock compensation expense, which includes approximately $19.9 million of stock compensation associated with the expensing of certain outstanding restricted stock units as a result of the liquidity condition being achieved upon completion of our IPO;
- $12.4 million increase in non-cash lease expense due to timing of rent payments and 46 lease extensions executed during the year-to-date 2020; partially offset by
- $11.5 million decrease related to increased deferred income tax accruals as a result of the Company becoming subject to federal income taxes in connection with the Reorganization Transactions; and
- $9.0 million decrease in depreciation and amortization.

Investing Activities. The following table shows the amounts of capital expenditures for each period indicated (in thousands):

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Capital expenditures	$ 21,915	$ 48,614

Cash used in investing activities decreased $38.8 million in the current year-to-date compared to the same period last year. The decrease in cash used in investing activities is primarily due to:

- $26.7 million less capital expenditures due to a planned overall reduction in the year-to-date 2020 led by a reduction in new stores and store remodeling; and

- $12.1 million increase related to cash proceeds as a result of repayment of notes receivable from one New Academy Holding Company, LLC member during the year-to-date 2020 compared to cash outflow related to the issuance of a note receivable to one New Academy Holding Company, LLC member in 2019.

Financing Activities. Cash used in financing activities increased $48.8 million in the year-to-date 2020, compared to the same period last year. The primary drivers of the increase were:

- $277.7 million increase in cash outflow resulting from a distribution to the members of New Academy Holding Company, LLC and related share-based award payments which occurred in the year-to-date 2020;
- $44.3 million increase in cash outflow due to decreased net proceeds from the ABL Facility; partially offset by
- $184.9 million of net proceeds from the issuance of common stock during the third quarter of 2020, net of offering costs; and
- $88.6 million decrease in cash outflows related to lower current year-to-date principal repurchases of portions of our 2015 Term Loan Facility.

Cash Flows for 2019, 2018 and 2017:

Our consolidated statements of cash flows for the periods shown are summarized as follows (in thousands):

	Fiscal Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Net cash provided by operating activities	$ 263,669	$ 198,481	$ 83,355
Net cash used in investing activities	(66,783)	(99,027)	(115,901)
Net cash provided by (used in) financing activities	(123,192)	(54,808)	8,514
Net increase (decrease) in cash and cash equivalents	$ 73,694	$ 44,646	$ (24,032)

Operating Activities. Cash provided by operating activities for 2019 increased $65.2 million compared to 2018. This increase is attributable to a $98.6 million increase in net income and a $16.9 million net increase in cash flows provided by operating assets and liabilities, partially offset by a $50.3 million net decrease in non-cash charges. The increase in cash flows from operating assets and liabilities for 2019 compared to 2018 was primarily attributable to a $67.1 million increase in cash flows provided by accounts payable related to timing of purchases from our prior year efforts to increase in-stock positions for early 2018, partially offset by a related $54.9 million decrease in cash flows provided by merchandise inventories. The decrease from non-cash charges was primarily caused by a $42.3 million net gain on the early retirement of debt from the repurchase of a portion of the 2015 Term Loan Facility in 2019.

Cash provided by operating activities in 2018 increased $115.1 million compared to 2017. This increase is attributable to a $148.7 million increase in cash flows provided by operating assets and liabilities and a $3.5 million increase in non-cash charges, partially offset by a $37.1 million decrease in net income. The increase in cash flows from operating assets and liabilities for 2018 compared to 2017 was primarily attributable to a $221.9 million decrease in merchandise inventories related to our prior year efforts to increase in-stock positions and investments in certain product categories, coupled with fewer new store openings in 2018 compared to 2017, partially offset by a $77.0 million related decrease in accounts payable.

Investing Activities. The following table shows the amounts of capital expenditures for each period indicated (in thousands):

	Fiscal Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Capital expenditures	$ 62,818	$ 107,905	$ 132,126

Cash used in investing activities decreased $32.2 million in 2019 compared to 2018. The decrease in cash used in investing activities is primarily related to a $45.1 million decrease in capital expenditures related to decreasing store renovation expenditures, resulting from a combination of fewer renovations and reduced costs, fewer distribution center projects, lower costs associated with e-commerce enhancements related to BOPIS implementation and other website design costs, and fewer new store openings in 2019, partially offset by a $10.4 million decrease in proceeds received from sales of property and equipment in 2019.

Cash used in investing activities decreased $16.9 million in 2018 compared to 2017. The decrease in cash used in investing activities is primarily related to a $24.2 million decrease in capital expenditures primarily related to fewer new store openings and store renovations in 2018, partially offset by a $5.6 million decrease in proceeds received from the sale of property and equipment due to a decrease in reverse build-to-suit transactions in 2018 and an issuance of a $4.1 million note receivable to a member during the first quarter 2018.

Financing Activities. Cash used in financing activities increased $68.4 million in 2019 compared to 2018 primarily due to a $104.6 million increase in cash outflow related to the early retirement of a portion of the 2015 Term Loan Facility in 2019, partially offset by a $35.0 million increase in net cash inflow related to the ABL Facility from higher net repayments in 2018. Cash provided by financing activities decreased $63.3 million in 2018 compared to 2017 primarily due to a $70.0 million decrease in net proceeds from the ABL Facility resulting from fewer inventory purchases, a $10.4 million decrease in construction allowance receipts related to reverse build-to-suit transactions for new stores completed in 2017 and $2.8 million in debt issuance fees related to the ABL Facility in 2017, partially offset by a $19.7 million decrease due to the early retirement on a small portion of our 2015 Term Loan Facility of $19.7 million in 2017.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Our management bases its estimates on historical experience and other assumptions it believes to be reasonable under the circumstances. Actual results could differ significantly from those estimates.

Management evaluated the development and selection of our critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. Our most significant estimates and assumptions that materially affect the financial statements involve difficult, subjective or complex judgments by management. Given the global economic climate and additional unforeseen effects from the COVID-19 pandemic, these estimates are becoming more challenging, and actual results could differ materially from our estimates. More information on all of our significant accounting policies can be found in Note 2, *Summary of Significant Accounting Policies*, to our audited consolidated financial statements included elsewhere in this prospectus.

Merchandise Inventories, net

Merchandise inventories are valued at the lower of weighted average cost or net realizable value using the last-in first-out, or LIFO, method. Merchandise inventories include the direct cost of merchandise and capitalized costs related to procurement, warehousing and distribution and are reflected net of shrinkage, vendor allowances and other valuation accounts. We regularly review inventories and record a valuation adjustment when necessary such as for inventory that has a carrying value in excess of the net realizable value or for slow moving or obsolete inventory. As of February 1, 2020 and February 2, 2019, merchandise inventories valued at LIFO, including necessary valuation adjustments, approximated the cost of such inventories using the weighted average inventory method. The application of the LIFO inventory method did not result in any LIFO charges or credits affecting cost of sales in 2019, 2018 or 2017.

Impairment of Long-Lived Assets

We review the carrying value of long-lived assets, including property and equipment and finite-lived intangible assets, for indicators of impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to the estimated undiscounted future cash flows expected to be generated by the use of the assets. If such assets are impaired, the impairment loss recognized is the amount by which the carrying amount of the assets exceeds its estimated fair value, which is typically calculated using discounted expected future cash flows. As a result of our assessment, we did not record an impairment of long-lived store assets in 2019. In 2018 and 2017, we impaired $1.4 million and $2.5 million, respectively, of long-lived store assets. These charges are included in SG&A expenses on the consolidated statements of income. See Note 6, *Fair Value Measurements*, to our audited consolidated financial statements included elsewhere in this prospectus.

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill is tested for impairment annually at the last day of our eleventh fiscal month, or more frequently if events or circumstances indicate that the carrying value of goodwill may not be recoverable. We test for goodwill at the reporting unit level, which is the operating segment level. We operate in one segment with one reporting unit.

The annual goodwill impairment test provides for the option of first performing a qualitative assessment to evaluate the existence of events and circumstances that would lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If such a conclusion is reached, we would then be required to perform a quantitative impairment assessment of goodwill. However, if the qualitative assessment leads to a determination that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then no further assessments are required.

Our quantitative assessment for determining the fair value of our reporting unit includes using an estimated discounted cash flow model (income approach) and market value approach. The output of this assessment is an estimated fair value for our reporting unit that is compared to its carrying value to determine whether an impairment charge is necessary. The income approach uses a discounted cash flow analysis of our projected future income, and the market value approach is based on earnings multiples for a comparable set of public companies.

These approaches use key input assumptions such as our projected future operating results, the discount rate, the weighting for each valuation approach and the comparable set of companies. A history of declining trends in our operating results such as comparable sales, gross margin, net income and cash flow from operations could impact these assumptions and serve as indicators of future impairment. There is significant judgment used in determining these assumptions and variability in the assumptions could cause us to reach a different conclusion on impairment.

In 2019, 2018 and 2017, we performed a quantitative assessment for the determination of impairment. Based on the results of these quantitative assessments, no impairment of goodwill existed for 2019, 2018 or 2017. As of February 1, 2020, we did not have a significant risk for goodwill impairment.

Intangible Assets

Intangible assets consist of the trade name of “Academy Sports + Outdoors,” or the Trade Name, and our favorable leases. The favorable leases are accounted for as finite-lived assets and are amortized over their estimated useful economic lives. With the adoption of ASU 2016-02, “Leases (Topic 842)” and a series of related Accounting Standards Updates that followed, or collectively, the New Lease Standard, on February 3, 2019, the balance of the favorable lease rights, net was netted into the right-of-use assets on the balance sheet. See Note 14, *Leases*, to our audited consolidated financial statements included elsewhere in this prospectus. The Trade Name is expected to generate cash flows indefinitely and, therefore, is accounted for as an indefinite-lived asset not subject to amortization.

The Trade Name is tested for impairment annually at the last day of our eleventh fiscal month, or whenever events or circumstances indicate that the carrying amount of the Trade Name may not be recoverable. Impairment is calculated as the excess of the Trade Name’s carrying value over its fair value. The fair value of the Trade Name is determined using the relief-from-royalty method, a variation of the income approach. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. Once a supportable royalty rate is determined, the rate is then applied to the projected revenues over the expected remaining life of the intangible assets to estimate the royalty savings. This approach is dependent on a number of factors, including estimates of future growth and trends, royalty rates, discount rates and other variables. The results of the 2019, 2018 and 2017 annual impairment tests indicated that the fair value of the Trade Name was in excess of its carrying value and no impairments existed. As of February 1, 2020, we did not have a significant risk for intangible asset impairment.

Recent Accounting Pronouncements

Leases

Effective February 3, 2019, we adopted the New Lease Standard, which requires that lessees recognize assets and liabilities arising from operating leases on the balance sheet and disclose key information about leasing arrangements.

We elected the practical expedient available to us under ASU 2018-11, “*Leases: Targeted Improvements,”* which allows us to apply the transition provision for the New Lease Standard at our adoption date instead of at the earliest comparative period presented in our financial statements. Adoption of the New Lease Standard resulted in approximately $1.2 billion of additional lease obligations and approximately $1.2 billion of right-of-use assets, which are reflected in the short-term and long-term liabilities and long-term assets sections of the balance sheet, respectively, as well as an cumulative-effect adjustment increase to the opening balance of retained earnings of approximately $5.1 million. See Note 14, *Leases*, to our audited consolidated financial statements included elsewhere in this prospectus. Adoption of the New Lease Standard did not impact our debt-covenant compliance or liquidity under our current agreements.

Off-Balance Sheet Arrangements

As of October 31, 2020, our off-balance sheet contractual obligations and commercial commitments relate to future minimum guaranteed contractual payments and letters of credit. As a result of the adoption of the New Lease Standard on February 3, 2019, we have recognized the right-of-use assets and related lease liabilities on the balance sheet and no longer consider these to be off-balance sheet arrangements.

We enter into letters of credit in the ordinary course of operating and financing activities. As of October 31, 2020, we had outstanding letters of credit of $30.8 million, of which $21.1 million were issued under our ABL Facility, primarily for insurance and foreign product purchases.

The following table details our letters of credit commitments as of October 31, 2020 (in thousands):

		Amount of Commitment Expiration Per Period			
	Total Amounts Committed	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Commercial Commitments:					
Letters of credit	$ 30,788	$29,288	$1,500	$ —	$ —

Contractual Obligations and Commercial Commitments

The following table summarizes our significant contractual obligations and commercial commitments as of February 1, 2020 without giving effect to the IPO, the IPO Option Exercise and the Refinancing Transactions (in thousands):

	Payments Due by Period				
	Total	Less than 1 Year	1 - 3 Years	3 - 5 Years	More than 5 Years
2015 Term Loan Facility(1)	$ 1,468,993	$ 34,116	$ 1,434,877	$ —	$ —
2015 Term Loan Facility interest(2)	187,829	78,855	108,974	—	—
Interest rate swaps	8,106	6,130	1,976	—	—
ABL Facility	—	—	—	—	—
Operating leases(3)	1,933,954	196,088	385,932	353,219	998,715
Technology related commitments and other(4)	29,810	20,593	9,217	—	—
Monitoring agreement(5)	14,402	4,115	8,149	2,138	—
Sponsorship agreement and intellectual property commitments	7,685	4,156	2,010	920	599
Total contractual cash obligations	$ 3,650,779	$ 344,053	$ 1,951,135	$ 356,277	$ 999,314

(1) Principal amount excluding discount and debt issuance costs.
(2) Interest payments shown are approximated based on projected interest rates and do not give effect to interest rate swaps.
(3) Substantially all of our leases are operating leases. We lease store locations, distribution centers, office space and certain equipment under operating leases expiring between fiscal years 2020 and 2038. Operating lease obligations include future minimum lease payments under all of our non-cancelable operating leases at February 1, 2020.
(4) Amounts include technology related contractual commitments and other commitments such as construction commitments. The amounts included in the table are for executed contracts less amounts paid.
(5) Amounts represent our contractual payments under our Monitoring Agreement with the Adviser, which was terminated in connection with the IPO. See “Certain Relationships and Related Party Transactions—Monitoring Agreement.”

Quantitative And Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to changes in interest rates primarily results from our ABL Facility and Term Loan Facility, as these borrowings have variable interest rates. The detrimental effect of a hypothetical 100 basis point increase in interest rates on current borrowings under the ABL Facility and Term Loan Facility would be to reduce income before income taxes by approximately $5.0 million, net of fixed rate interest rate swaps, for 2019.

Inflation

Inflationary factors such as increases in the costs of our products and overhead costs may adversely affect our operating results. Although we do not believe that inflation has had a material impact on our financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

BUSINESS

Who We Are

Academy Sports + Outdoors is one of the leading full-line sporting goods and outdoor recreation retailers in the United States. We estimate that we served 30 million unique customers and completed approximately 80 million transactions in 2019 across our seamless omnichannel platform and highly productive stores, resulting in net sales of $4.8 billion and making us the largest value-oriented sporting goods and outdoor recreation retailer in the country. We have continually increased our market share by expanding our leadership in fast-growing merchandise categories and offering a broad, value-oriented assortment with deep and localized customer connections.

We believe the following key attributes differentiate us from our competitors:

- Value-based assortment that enables our customers to participate and have fun, no matter their budget.
- Broad assortment that extends beyond sporting goods and apparel to outdoor recreation.
- Emerging, rapidly growing and profitable omnichannel strategy that leverages our strong BOPIS and shipping fulfillment capabilities.
- Strong customer loyalty, with opportunities to increase penetration in existing markets.
- Regional focus in the southern United States with a strong and growing presence in six of the top 10 fastest-growing MSAs.
- Core customers comprising active families that we support with one-stop shop convenience.
- Significant whitespace opportunity for both in-fill and adjacent geographies and new markets.
- Strong financial profile with accelerating performance and attractive cash flow generation.

Originally founded in 1938 as a family business in Texas, we have grown to 259 stores across 16 contiguous states, primarily in the southern United States. Our mission is to provide “Fun for All” and fulfill this mission with a localized merchandising strategy and value proposition that deeply connect with a broad range of consumers. Our product assortment focuses on key categories of outdoor, apparel, footwear and sports & recreation (representing 32%, 29%, 21% and 18% of our 2019 net sales, respectively) through both leading national brands and a portfolio of 17 owned brands, which go well beyond traditional sporting goods and apparel offerings.

Our retail locations range in size from approximately 40,000 to 130,000 gross square feet, with an average size of approximately 70,000 gross square feet, and have no mall exposure. Our box size and layout create a spacious in-store experience for the current shopping environment and easily accessible front of store checkout that drives efficiency for our BOPIS and curbside pickup customers. Our stores are supported by over 20,000 knowledgeable team members offering a high-touch service element. Our stores have remained open during the COVID-19 pandemic as a result of our essential product offering and enhanced safety measures, resulting in continued market share gains and greater visibility in newer markets to the Academy brand and increased community connections. We operate three distribution centers that service our stores and our growing e-commerce platform, which reaches 47 states today. We have significant new store whitespace and our disciplined approach to store openings has allowed most stores to achieve profitability within the first twelve months of opening a store. We are continually assessing the number of locations available that could accommodate our preferred size of stores in markets we would consider and we expect to open eight to 10 new stores per year, starting in 2022, which is similar to our growth rates from 2018 to 2019.

We are active members of the communities in which we operate. We have a strong and growing presence in four of the top five, and six of the top 10, fastest-growing MSAs, in the United States, including Dallas, Houston, Atlanta, Austin, Charlotte and San Antonio. Our long-time customers have grown up with the Academy brand over time and pass their passion for us on to the next generation, enabling us to benefit from strong customer loyalty and shopping frequency in our embedded regional markets.

Our broad assortment appeals to all ages, incomes and aspirations, including beginning and advanced athletes, families enjoying outdoor recreation and enthusiasts pursuing their passion for sports and the outdoors. We enable our customers to enjoy a variety of sports and outdoors activities, whether they are trying out a new sport, tailgating for a sporting event or hosting a family barbecue. We enhance our customers' shopping experience through our knowledgeable and passionate team members and value-added store services, making us a preferred, one-stop shopping destination. We carefully tailor our products and services to meet local needs and offer our customers memorable experiences that help us maintain lasting emotional connections with our loyal customer base and the communities we serve.

*Owned brands represent ~20% of 2019 net sales

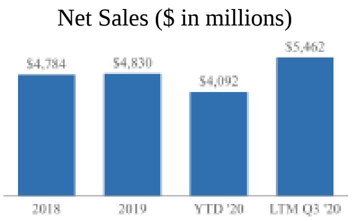
We sell a range of sporting and outdoor recreation products. Our strong merchandise assortment is anchored by our broad offering of year-round items, such as fitness equipment and apparel, work and casual wear, folding chairs, wagons and tents, training and running shoes and coolers. We also carry a deep selection of seasonal items, such as sports equipment and apparel, seasonal wear and accessories, hunting and fishing equipment and apparel, patio furniture, trampolines, play sets, bicycles and severe weather supplies. We provide locally relevant offerings, such as crawfish boilers in Louisiana, licensed apparel for area sports fans, baits and lures for area fishing spots and beach towels in coastal markets. Our value-based assortment also includes exclusive products from our portfolio of 17 owned brands. Nearly 20% of our 2019 sales were from our owned brands, such as Magellan Outdoors and BCG, which offer a distinct offering to our customers and approximately 60% of our customers purchased an owned brand item from us in 2019. Our merchandising creates a balanced sales mix throughout the year with no single season accounting for more than 28% of our annual sales.

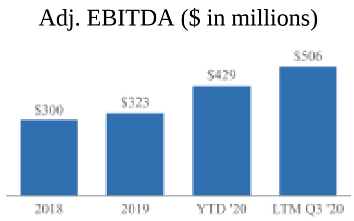
Our stores deliver industry-leading unit sales and profitability, including 2019 net sales per store of $18.7 million, average sales per square foot of $264, and average EBITDA per store of $1.3 million. Our customers love the Academy store shopping experience because they are able to easily find, learn about, feel, try on and walk out with their favorite items. Our one-stop, convenient store layout, together with our highly trained team members offering value-added customer services, drive strong and consistent store foot traffic and transaction volume, with our average customers visiting our stores two to four times per year and our best customers visiting our stores nine times per year. The majority of our stores are located in high-traffic shopping centers, while none of the stores are located in, or anchored to, malls.

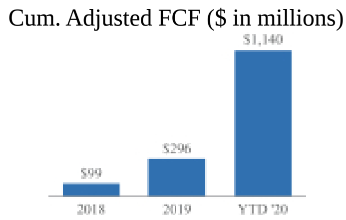
Our emerging, profitable e-commerce platform that leverages our strong BOPIS and shipping fulfillment capabilities has achieved year-over-year sales growth of 8% and 209% during 2019 and the year-to-date 2020, respectively. Our e-commerce sales represented 5% and 10% of our merchandise sales in 2019 and the year-to-date 2020, respectively. We are deepening our customer relationships, further integrating our e-commerce platform with our stores and driving operating efficiencies by developing our omnichannel capabilities. Our BOPIS program, launched in 2019, accounted for approximately 24% and 50% of our e-commerce sales during 2019 and the year-to-date 2020, respectively, and allows customers to place an order on our website and pick up their product at a desired location, either in-store or curbside. Our website also serves as a platform for marketing and product education, enhancing our customer experience and driving traffic to our stores. For example, our website includes an "Expert Advice" page, which provides articles, tips, advice and links to video demonstrations on how to best select, use and get the most out of our products. Our website is introducing new customers to the Academy brand, with approximately 25% of our e-commerce sales during first half 2020 coming from new households.

We serve our communities by supporting events, programs and organizations that help make a positive impact, including the sponsorship of over 1,500 local sports teams. We promote and encourage safety and responsibility, so that everyone can feel confident and comfortable doing what they love, by offering products and information that enable our customers to be smart, responsible and safe. We have a long history of providing essential products for crisis preparedness and have helped our communities, customers and team members through various natural disasters and crises. For example, during Hurricane Harvey, we provided first responders with boats, paddles, ponchos, sleeping bags, air beds, backpacks and fresh clothes, as well as a safe, dry place to camp on our corporate campus. During the ongoing COVID-19 pandemic, we have donated emergency ponchos and footwear for health care workers to use as personal protective equipment. By providing our communities with the right gear and knowledge, promoting safety and responsibility and being there in times of need, we help to solidify our role as a trusted partner where we operate and to better enable our customers to improve their quality of life.

We finished the twelve months ended October 31, 2020 with approximately $5.5 billion in sales, $235 million of net income and $506 million in Adjusted EBITDA. Although comparable sales have been negative for the past three fiscal years, we have seen five consecutive quarters of positive comparable sales as of 2020 third quarter. In addition, 2020 third quarter reflected our fifth consecutive quarter of Adjusted EBITDA growth and our sixth consecutive quarter of Adjusted Free Cash Flow growth. We earned net income of $21 million, $120 million and $235 million and Pro Forma Adjusted Net Income of $41 million, $76 million and $226 million in 2018, 2019 and the twelve months ended October 31, 2020, respectively, which included $217 million of net income and $209 million of Pro Forma Adjusted Net Income for year-to-date 2020. See “Summary—Summary Historical Consolidated Financial and Other Data” for definitions of Adjusted EBITDA, Pro Forma Adjusted Net Income and Adjusted Free Cash Flow and reconciliations of Adjusted EBITDA and Pro Forma Adjusted Net Income to net income and Adjusted Free Cash Flow to net cash provided by operating activities.







Our Performance Improvement Initiatives

We have made significant progress on several key performance improvement initiatives that drove positive comparable sales and Adjusted EBITDA growth in the last five consecutive quarters ended October 31, 2020, and created a foundation for our future growth. These key initiatives include:

- *Strengthened leadership team* – Our leadership team comprises nine highly experienced and proven individuals, six of whom joined Academy from 2017 to 2018, led by our Chief Executive Officer and including our Chief Financial Officer, Chief Merchandising Officer, EVP of Retail Operations, SVP of Omnichannel, and Chief Information Officer. Our leadership team also recently demonstrated its ability to adapt, operate and gain market share and new customers during the most challenging of retail environments, including its ability to safely operate our stores and distribution centers, source and deliver our merchandise, and manage our liquidity and expenses in all elements of our business during the COVID-19 pandemic.

- *Build omnichannel* – After investing approximately $50 million over the last three years in our omnichannel capabilities, we launched several new omnichannel initiatives in 2019, including our BOPIS program and new website design, content and functionality. While still early in our omnichannel strategy, we have built a profitable omnichannel business that is poised for continued growth and improvement of capabilities.
- *Localized merchandising* – Since 2018, we improved the localization of our assortment across selected inventory offerings. For example, a crawfish boiler sells well in Louisiana, but not in North Carolina, and our fishing assortment sells better in stores with closer proximity to fishing venues. This initiative resulted in an improved customer shopping experience and increased sales.
- *Category focus* – In 2019, we improved and focused our assortments in priority product categories, such as team sports, fishing and outdoors, while exiting certain other product categories, such as luggage, electronics and toys, that were less profitable or unprofitable, slower moving, and not core to our sporting goods and outdoor offering.
- *Enhance store optimization* – We leverage technology to enable our store team members to better manage, prioritize and reduce tasks to give them more time to engage in customer service, thereby increasing our productivity and sales conversion.
- *Digital marketing program* – During the last two years, we shifted our primary marketing focus from print to digital marketing. Our improved website also supports our stores with digital marketing and our BOPIS program. Each of these initiatives has given us a closer connection with our customers.
- *Implement loyalty program* – We launched the Academy Credit Card program in May 2019, which constituted approximately 4% of first half 2020 net sales. Academy Credit Card represents a significant opportunity to build customer loyalty, as our Academy Credit Card customers both spend more per trip and visit our stores more often.
- *Programmatic inventory management* – We implemented a new disciplined price markdown strategy that has improved our margins and inventory management, as well as a new merchandise planning and allocation system that enables us to target inventory by store market to allow us to localize our offerings and sizes. This along with automated inventory ordering drove a significant amount of our margin expansion and improved inventory turns from 2.68x in 2017 to 3.55x for the twelve months ended October 31, 2020.
- *Develop small box format* – We opened our first small format store (approximately 40,000 square feet) in Dallas, Texas in 2019. We believe this new smaller format store allows us to open new stores in urban and less dense areas. During first half 2020, this smaller format store experienced approximately 25% higher sales per square foot and 13% higher inventory turns than the average of all Academy stores, the latter of which had $150 sales per square foot and 2.44x inventory turns. We evaluate performance inclusive of store sales, as well as BOPIS sales and other fulfilled sales from the location.

More recently, as a result of the COVID-19 pandemic, consumers are spending more time at and around home engaging in recreation and leisure activities that include our key categories. The outdoor recreation industry, in particular, has tailwinds arising out of the COVID-19 pandemic, as indicated by a survey from Civic Science, stating 43% of Americans expect to be doing more outdoor recreational activities in the future in order to facilitate social distancing. We expect that this will continue throughout the duration of the pandemic and will result in a long-term increase to our customer base. The industry has seen unprecedented increases in participation across several categories which we consider to be our “power categories.” This includes outdoor (comprised of camping, hiking and kayaking), running, fitness and team sports, which saw participation increases of 9%, 3%, 3% and 5%, respectively, from 2014 to 2018. According to Allied Market Research, sales growth from 2019 through 2027 in categories we participate, such as outdoor, team sports, apparel and footwear, is expected to grow approximately 6% per annum. We have invested in and built our operating platforms over the last several years and, coupled with our product offering and accessible stores, have laid the foundation for our future growth and success in this environment. It is difficult to ascertain with precision what portion of our increased comparable sales during the first half of 2020 is attributable to the increase in e-commerce sales due to the COVID-19 pandemic as compared to the impact of the business improvements described above.

Our Industry

We compete in a $70 billion fragmented market of retailers that sell sporting goods, outdoor recreation products, fan shop, apparel, footwear and other nontraditional sporting goods and general merchandise, such as casual and work apparel, barbecue and cooking equipment, patio furniture, outdoor games, severe weather supplies and pet care.

The retail business is highly competitive based on many variables including price, product assortment, customer service, omnichannel experience and store locations.

The retail sporting goods and outdoor recreation retail industry comprises six principal categories of retailers:

- *Mass general merchants* (examples: Walmart, Kohl’s and Target) generally range in size from 50,000 to over 200,000 square feet and are typically located in shopping centers, free-standing sites or regional malls. Sporting goods merchandise and apparel and outdoor recreation products may represent a small portion of the total merchandise in these stores.
- *Large format sporting goods stores* (examples: Dick’s Sporting Goods and Scheels) generally range in size from 20,000 to over 100,000 square feet and offer a broad selection of sporting goods and outdoor recreation merchandise.
- *Traditional sporting goods stores* (examples: Hibbett Sports and Big 5 Sporting Goods) generally range in size from 5,000 to 20,000 square feet and are frequently located in regional malls and shopping centers and typically carry a varied assortment of primarily sporting goods merchandise.
- *Specialty outdoor retailers* (examples: Bass Pro Shop/Cabela’s and Sportsman’s Warehouse) generally range in size from 7,500 to over 100,000 square feet and typically focus on specific categories such as outdoor recreation.
- *Specialty footwear retailers* (examples: Foot Locker, Boot Barn and The Finish Line) generally range in size from 2,000 to 20,000 square feet and typically focus on specific categories such as athletic footwear.
- *Catalogue & Internet retailers* (examples: Amazon and eBay) do not typically operate brick and mortar stores and primarily rely on delivery of goods. Sporting goods merchandise and apparel and outdoor recreation products may represent a small portion of the total merchandise on their websites.

Our primary competitors are large format sporting goods stores and mass general merchants that offer sporting goods, outdoor recreation products and other lifestyle and recreational merchandise.

While our average store size of approximately 70,000 square feet positions us as a large format store, our extensive and diverse assortment and everyday value proposition differentiate us from our competitors and enable us to take market share from each of these categories. For instance, our broad selection gives us a competitive advantage over value-based mass general merchants, which typically only carry a narrow selection of lower-end sporting goods and lack our access to national brands, and small traditional sporting goods stores, which do not carry our broad assortment or category depth. Additionally, our broader assortment and value-based pricing give us an advantage over the specialty retailers, which typically offer their more limited assortment at premium prices.

The overall U.S. sporting goods and outdoors recreation industry is constantly evolving and demand for certain sports and outdoors recreation goods may increase or decrease depending upon the economics, demographics or popularity of each activity. We monitor local demographics and buying trends and tailor our merchandise assortment to the preferences of the local community. As interests change, our broad selection allows us to adapt to shifts and expand or contract our product mix to meet the changing customer demand. Over the last two years, there have been a number of market trends and tailwinds in our favor. We believe we are well positioned to capture the demand from the rising popularity of fast growing trends, including athleisure wear, insulated coolers and cups and outdoor recreation, such as fishing. Additionally, we benefit from recent shifting of customer spend towards in-home health and wellness and dedicating more time to memory-making experiences. More recently, as a result of the COVID-19 pandemic, consumers are spending more time at and around home engaging in isolated recreation and leisure activities that we support and, we expect that this will continue throughout the duration of the pandemic and will result in a long-term increase in our customer base. The industry has seen unprecedented increases in participation across several categories which we consider to be our "power categories." This includes outdoor (comprised of camping, hiking and kayaking), running, fitness and team sports, which saw participation increases of 9%, 3%, 3% and 5%, respectively, from 2014 to 2018. According to Allied Market Research, sales growth from 2019 through 2027 in categories we participate, such as outdoor, team sports, apparel and footwear, is expected to grow approximately 6% per annum. The rising popularity in loyalty to premium brands, and importance of experience for customers also serve as constructive tailwinds to our business.

We believe we are well positioned to capture an increasing portion of the wallets of important growing demographics, such as female and Hispanic customers. Female customers constitute a large and growing portion of our business (49% of our customers in 2019, up from 47% in 2018), with our targeted and diverse merchandise that consciously supports women's active interests. In addition, mothers who shop with us are not only buying for themselves, but for their family as well. We believe our footprint and localized offerings also position us well to serve the significant growth of the Hispanic population (15% of our customers in 2019, up from 14% in 2018), the nation's fastest-growing demographic. Currently, we have stores in four of the top eight fastest growing Hispanic MSAs in the United States, including Houston, Dallas, Orlando, and San Antonio.

We have proven to be adaptive through periods of significant industry transformation. As consolidations and e-commerce disruption have threatened and, in some cases, played a role in shutting down some of our peers, we have taken advantage of these changes by taking market share. Our value-based operating strategy and expansive assortment beyond traditional sporting goods, such as our outdoor gear and work wear categories, have been keys to our success, because they provide a one-stop shop for our customers who are searching for assortment, value and convenience.

Our Competitive Strengths

We attribute our success to the following competitive strengths:

Regional leader in growing industry

We are the second largest full-line sporting goods and outdoor recreation retailer in the United States, with 2019 net sales of $4.8 billion. We believe our stores are well positioned geographically, with a strong and growing presence in six of the top 10 fastest-growing MSAs, including Dallas, Houston, Atlanta, Austin, Charlotte and San Antonio. As of August 1, 2020, 29% of our stores are in four of the top five fastest-growing MSAs. This deep penetration of our established markets results in high customer awareness of, and loyalty to, the Academy name and frequent visits to our conveniently located stores.

The size of the sporting goods and outdoor recreation industry was estimated at $70 billion in the United States in 2018, and it is growing. According to Allied Market Research, sales growth from 2019 through 2027 in categories we participate, such as outdoor, team sports, apparel and footwear, is expected to grow approximately 6% per annum.

Broad assortment and compelling value proposition across the spectrum

We believe we sit in a sweet-spot of consumer demand, offering a broad, value-based assortment of sporting goods and outdoor recreation products, so our customers can participate and have fun, no matter their budget. Sporting goods shoppers consistently rate us as the top retailer for offering sporting and outdoor recreation products for a wide range of customers and being a one-stop shop. We carefully curate our products to provide the right assortment that appeal to beginners, experts, families and casual participants. In May 2020, over one-third of our customers tried a new sport or activity and came to Academy for the products they needed to get started in their new pursuit. We are the largest value-oriented sporting goods and outdoor recreation retailer in the United States. Our sporting goods customers ranked value as the most important driver in deciding where to shop and Academy was rated as the top retailer for value among sporting goods retailers. We maintain our leading value-oriented position by offering customers extensive choices of "good, better and best" merchandise at a range of competitive prices, coupled with convenient omnichannel solutions, a one-stop shopping experience and helpful customer services, such as free assembly of certain products, product demonstrations, hunting and fishing license certifications, fishing line spooling and bulk product carrying out, among others. We offer a price-beat guarantee where, if our customers find a lower price on an identical, in-stock merchandise advertised in print by any local retailer or select online retailers, we will beat that price by 5%. Our effective merchandise mix and compelling value proposition allow us to cater to both the price-conscious shopper, such as the active parent of a household with several children participating in various sports, and the discriminating shopper, such as the hunting and fishing expert. We are for all.

Diversified mix of industry-leading national brands and owned brands

Our access to national brand and owned brand merchandise creates a comprehensive portfolio of value-based and diversified products, spanning various price-points, that differentiates our assortment from our peers. Our category, brand and price-point mix is unique to Academy and difficult to replicate at other retailers. Approximately 80% of our 2019 merchandise sales was comprised of national brand products, with the remainder coming from exclusive products in our portfolio of 17 owned brands. We have minimal product overlap with direct-to-consumer brands and competitors. No single brand we carry accounted for more than 12% of our 2019 sales.

We have premium access to hundreds of well-recognized national brands, such as Nike, Carhartt, adidas, Under Armour, Columbia Sportswear, North Face and Winchester, which are critical to our market penetration. These brands rely on us to broaden their consumer reach, which fosters a mutually beneficial relationship when it comes to pricing and assortment. We play a critical role in delivering customer volume for these brands, especially as mall-based retailers face further headwinds and our industry consolidates. Our national brand assortment spans across each brand's price spectrum beyond those of our competitors and we expand below the national brand price spectrum by complementing the assortment with our owned brands. As such, we receive favorable product exclusivity from leading suppliers.

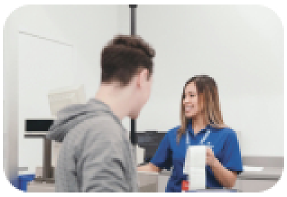
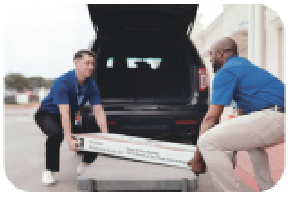
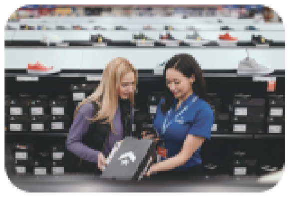
Our owned brand portfolio consists of 17 brands, including Magellan Outdoors, BCG, Academy Sports + Outdoors and Outdoor Gourmet. Our owned brand strategy focuses on in-filling categories and price points that our national brand products may not satisfy. Our owned brand offerings support and complement our overall merchandising strategy due to limited price-point overlap with national brands. Our two largest owned brands, Magellan Outdoors and BCG, are among our fastest growing brands, growing year-over-year at 7.6% and 3.9% in 2019, respectively. Additionally, our owned brands generate strong brand equity and drive significant customer loyalty, as several of our exclusive products, such as the Academy-logo folding chair and folding wagon, are top-selling items. Approximately 60% of our customers purchased an owned brand item from us in 2019. Whether it is seeing a row of Academy-branded chairs at a softball game, or individuals wearing Magellan Outdoors shirts around town, our owned brands are worn and used throughout our footprint.

Differentiated in-store experience

Our differentiated in-store experience, convenient locations and our helpful team members ensure that our customers can rely on us on any given day or situation in our region to deliver the right product at a competitive price. We provide a localized in-store experience that allows us to deepen our customer relationships. We tailor our product assortment by store, season and market to enhance year-round profitability. For example, our customers expect us to carry the right baits and lures customized for the local fishing spots, such as heavier selections of saltwater lures in our coastal locations. Stores with different climates and seasonal patterns each receive an assortment that better matches the local conditions. Stores located near a university carry a large selection of that school's licensed apparel giving them a look and feel of the local bookstore, which appeals to the nearby loyal fans and customers. We consider crawfish cookers to be an absolute necessity for our customers in Louisiana, and beach towels are a stronger seller in coastal markets than they are in inland markets. Our customers often shop our stores for same-day-need purchases, such as before a big game with unexpected weather changes, or to purchase an add-on product that was forgotten on a day trip. We have developed considerable expertise in identifying, stocking and selling a relevant assortment to meet the local needs and demands.

We provide an engaging customer shopping experience that drives customer traffic. Our visual merchandising strategy creates an entertaining and interactive in-store shopping experience for a broad range of shoppers. Our stores generally have consistent store layouts providing our customers with familiarity across our entire store base. Our in-store experience is further enhanced by the value-added customer service delivered by our highly trained and passionate staff. Value-added services we provide include free assembly of certain products, such as bicycles, grills and bows, fitness equipment demonstrations, issuances and renewals of hunting and fishing licenses, fishing line spooling and carrying bulk items to the car, among others. We sell many products, such as baseball bats and gloves, football helmets, fishing rods and reels, fitness equipment and bicycles, that require a "touch and feel" experience, as well as bulky items that would otherwise be difficult or costly to ship. We employ team members who we fondly refer to as our *Enthusiasts*–passionate local experts who are specially recruited and trained for category-specific positions. Our *Enthusiasts* use the products they sell and have the first-hand knowledge of the communities they serve, allowing them to advise and equip customers with products that suit the customers' specific needs and the nuances of the local environment. We believe our stores often serve as gathering spots, as our customers come back to engage with our *Enthusiasts* to share experiences and obtain further advice and assistance.

Our friendly and knowledgeable team members are a large reason our customers love shopping with us.

Large and loyal customer base

We endeavor to offer products for customers of all ages, incomes and aspirations across sporting and outdoor recreation activities, seasons and experience levels. As such, we have a balanced, year-round business and a large customer base. In 2019, we estimate we served 30 million unique customers and we completed approximately 80 million transactions, resulting in strong household penetration in our core markets.

Our customers love shopping at Academy. Our average customer visits our stores anywhere from two to four times per year and our best customers visit our stores nine times per year. Academy customers are loyal. Based on our customer surveys, approximately 30% of our customers' annual sporting goods, outdoor and recreation expenditures are made at Academy, in comparison to approximately 20% for our competitors that are large format sporting goods stores and specialty outdoor retailers and their customers. As of August 1, 2020, we estimate we have gained approximately two million new customers this year.

While we serve all customers, our core customers are young active families who are driven to have a life full of different sports and outdoors recreation activities. For these customers, fun is forever at their fingertips, and they constantly look for ways to create memories together as a family. Being a conveniently located, value-oriented, one-stop shop for fun merchandise is why these customers love to shop at Academy. When these families shop at Academy, they often split up to find the items for their respective activities and meet back together before checking out. Our core customers are more active shoppers – they shop us more often and are more likely to be omnichannel customers.

Fans and spectators also constitute a large part of our customer base. Academy-branded folding chairs and wagons are frequently spotted at any local sporting or spectator event. We are active members in our communities, sponsoring events for the NCAA Southeastern Conference, local events, such as the Bassmaster Classic fishing tournament, and over 1,500 local sports teams. We also provide an exciting shopping experience for our communities following a major sports title or local team championship, such as a World Series or NCAA football championship, when we extend our local store hours late into the night to celebrate with our customers and meet their immediate need for a championship apparel or gear to display their team pride. These celebrations strengthen customer loyalty.

Highly experienced and passionate senior management team with a proven track record

Our company is led by a highly-accomplished senior management team with significant public market experience, a proven track record for driving operational efficiency, and a history of using customer data to improve our customer experience and drive our omnichannel strategy. Our senior management team has an average of 24 years of retail experience. Six out of the nine members of our senior management team, including our Chairman, President and Chief Executive Officer, Ken C. Hicks, were hired beginning early 2017 to lead the development and execution of our strategic growth and initiatives in merchandising, e-commerce and omnichannel, stores, information technology and finance. Together, our senior management has delivered strong results, with five consecutive quarters of positive comparable sales as of 2020 third quarter, Adjusted EBITDA growth to $323 million in 2019, or 8%, compared to 2018, and Adjusted Free Cash Flow growth of $99 million in 2018 to $197 million in 2019.

Strong and adaptive financial performance through economic cycles

We have remained strong and adaptive over the years through a variety of economic cycles, including economic downturns. Our customers are loyal in any economic environment, and we believe they become even more loyal to our compelling value proposition when the economy is challenged, like during the current recessionary environment resulting from the COVID-19 pandemic. We find that customers will continue to pursue their wellness, interests and passions, regardless of the economic backdrop. As a result, we have gained market share during all economic cycles, including during April and May 2020. We attribute this to customers knowing we offer a broad assortment of the items they want during a down cycle at everyday value.

We have consistently demonstrated steady revenue growth, expanded profit margins and disciplined capital expenditures. We generated $4.8 billion in net sales, $120 million in net income and $323 million in Adjusted EBITDA in 2019. In 2019, we also generated $264 million of net cash provided by operating activities and $197 million in Adjusted Free Cash Flow, while limiting net capital expenditures to $63 million. We have reduced our net leverage ratio to 1.1x as of end of 2020 third quarter compared to 5.2x as of end of both 2017 and 2018 and 4.1x as of end of 2019.

We have a proven store model that has generated strong Adjusted Free Cash Flow, store-level profitability and return on invested capital. All but one of our 217 mature stores (stores opened longer than four years) were profitable on a four-wall basis for the twelve months ended October 31, 2020 and our new stores have average payback periods of four to five years.

Our Growth Strategy

We are focused on the following four growth drivers:

Leverage technology and content to drive our omnichannel strategy

Our e-commerce sales represented 5% and 10% of our merchandise sales for 2019 and for the year-to-date 2020, respectively. E-commerce sales increased 406% from the prior quarter in first quarter 2020, 210% from the prior quarter in second quarter 2020 and 96% from the prior quarter in 2020 third quarter. Our goal is to increase our omnichannel penetration quickly and significantly. To meet this goal, since 2011, we have invested $225 million in omnichannel and information technology initiatives to improve our customers' online experience, with an emphasis on our mobile site and product information content. These investments have resulted in faster load times, more relevant search content, better site design, and a more-streamlined checkout process. We have also invested in omnichannel initiatives, such as BOPIS, curbside pickup and access to store inventory availability online.

Omnichannel offerings are becoming increasingly important, as our customers want options when they shop. During the first half 2020, our omnichannel customers spent 43% more than our store-only customers and 197% more than our online only customers. Since we launched our BOPIS program in 2019, we have seen significant e-commerce penetration that generates higher average order value and incremental in-store purchases. BOPIS orders accounted for 50% of all e-commerce sales during the year-to-date 2020. Our omnichannel platform also offers return-to-store capabilities for online orders, curbside fulfillment, the ability to place online orders in our stores if we are out of stock, and the ability to ship orders placed online from our retail locations. These capabilities help reduce the risk of lost sales and shorten delivery times for online orders while improving inventory productivity. We launched our ship-to-store capabilities in 2020 third quarter, which will continue to give our customers more options on how to shop Academy.

Our website also serves as the gateway to shopping in our stores. These customers leverage our website to learn more about the products and brands we sell, read reviews from other customers, compare prices and ensure their local Academy store has the inventory prior to heading to the store. Our website is also critical to reaching customers outside of our current store footprint. For the twelve months ended August 1, 2020, we reached approximately 6.7 million unique households, across 200 cities, in 44 states through ship-to-home orders made through our website. In 2019, 11% of our online transactions were ordered by customers in markets with no Academy stores. Our e-commerce platform's top ten out-of-store-footprint MSAs include adjacent markets, such as Tampa, Miami and Savannah. As we continue to bolster our omnichannel offerings, we expect to drive traffic to our stores and website and expand our reach beyond our store footprint.

Enhance customer engagement and increase retention

We believe we have a significant opportunity to continue to expand our customer base. Better understanding our customers' buying trends allows us to better target and cater to our customers. Our robust customer database has 38 million unique customers, and we continue to grow this through increased penetration of e-commerce sales and through the success of our Academy Credit Card program.

We utilize data obtained from our customer relationship management, or CRM, tools and targeted customer surveys. Our CRM tools enable us to create effective customer-targeting strategies. Our current CRM programs focus on welcoming our first-time customers, thanking our big spenders, reactivating our lapsed customers and cross-selling our category customers (including our hunting, sports equipment and recreation categories). With 38 million customers in our database, there is ample opportunity to increase our communication directly with our customers via one-on-one marketing. We are also leveraging the information from our approximately 80 million annual transactions to make more informed, localized decisions on promotion, marketing and inventory.

Online transactions are critical to helping us understand and analyze buying patterns. Data collected through our website allows us to personalize promotions for customers and recommend products based on purchase behavior. The Academy Credit Card program also provides data to track our customers' purchases across all channels, giving us the ability to better serve and target those customers. Launched in May 2019, the Academy Credit Card program constituted approximately 4% of first half 2020 net sales. Our customers are attracted to the Academy Credit Card because of its bank-funded 5% discount on every Academy purchase and free standard shipping on online orders of $15 or more. Academy Credit Card holders are responsible for paying all fees associated with having an Academy Credit Card, including any late fees, and we are responsible for paying all costs associated with shipping online orders of $15 or more purchased with an Academy Credit Card.

We believe we possess a significant amount of high quality customer data, which we can leverage to enhance customer engagement and retention and drive purchase conversion.

Enhance operational excellence

We intend to enhance profitability by improving our operational efficiencies. We will continue to optimize our merchandise presentation through strategic store remodeling and enhanced visual storytelling, improve our inventory management through disciplined pricing markdowns, and augment the customer experience through more efficient queuing and check out procedures.

Much of our margin expansion from 2017 to 2019 can be attributed to our improvements in inventory management. We can improve operations across our organization by optimizing our in-store inventory management and implementing automated re-ordering and labor scheduling. We have deployed several new tools to this end, which will enable us to further improve inventory handling and vendor management. For example, we have implemented third-party programs to analyze our inventory stock throughout the year at every location. This implementation, along with other factors, has allowed us to improve our inventory management in stores, increasing the average inventory turns from 2.68x in 2017 to 3.55x for the twelve months ended October 31, 2020, and has helped us to identify and exit certain product categories, such as luggage and toys.

We believe we can also enhance store operations through technology and personnel investments that will allow our team members to better manage and prioritize tasks, thereby increasing their productivity and sales conversion. These investments, for example, will reduce administrative tasks to enable more time for engaging in customer service.

Our supply chain initiatives include improving our logistics by leveraging our merchandising planning and assortment capabilities and facilitating product flow through our distribution centers. We use technology to track inventory daily and keep our distribution centers and stores in sync. Our data-driven process allows us to improve communication with our suppliers and ensure we are rightfully equipped with the correct inventory in our regional locations and has and will continue to help us to identify and exit certain product categories, such as luggage and toys. Although we believe these initiatives have helped us, we experienced a gross margin decline in the first quarter 2020 as a result of a shift in consumer preferences due to the COVID-19 pandemic and the related increased popularity in our isolated recreation, outdoor and leisure activity products, which are generally lower margin goods.

As our e-commerce sales continue to shift further towards BOPIS and curbside fulfillment, our overall omnichannel platform becomes more profitable, and we expect this trend to continue as we add more omnichannel solutions, such as ship-to-store, and further develop our omnichannel order execution and fulfillment capabilities.

Capitalize on substantial whitespace and in-fill opportunities

We have significant growth opportunities in both our core markets and outside of our footprint. We believe our real estate strategy has positioned us well for further expansion, and our track record has demonstrated that we can open and operate stores profitably. Our disciplined approach to new store openings has allowed most of our stores to achieve profitability within the first twelve months of opening a store. As of October 31, 2020, we had 217 mature stores, and all but one were profitable on a four-wall basis for the twelve months ended October 31, 2020. We expect to open eight to 10 new stores per year starting in 2022, which is similar to our growth rates from 2018 to 2019.

In-fill market opportunity

We classify in-fill markets as regions where we already have a well-established presence. We believe we have an opportunity to expand into surrounding metro areas and more rural locations. Some examples include Dallas/Fort Worth, Atlanta, Raleigh-Durham, Charlotte, New Orleans and Jacksonville. We believe our in-fill opportunity currently includes approximately 120 locations that could accommodate our preferred size of stores in markets we would consider.

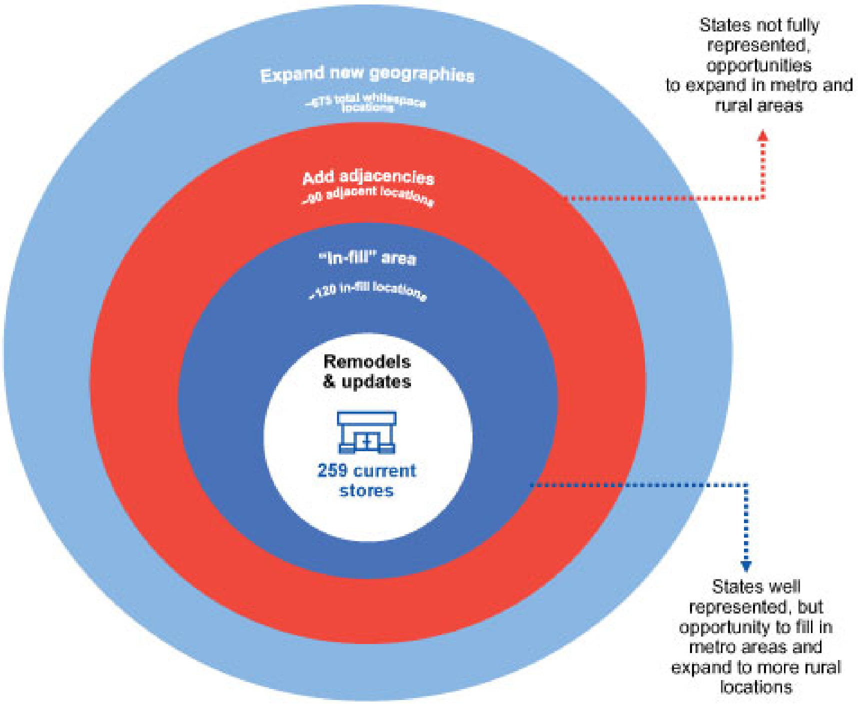
Adjacent market opportunity

We consider adjacent markets to include markets that are not fully represented. We believe these regions provide opportunities to expand in metro and rural areas that sit right outside of our current footprint. We believe our adjacent market opportunity currently includes approximately 90 locations that could accommodate our preferred size of stores in markets we would consider.

Greenfield opportunity

Beyond our in-fill and adjacent markets, we believe we have the opportunity to expand across the nation. We currently have store locations in 16 states, which leaves us substantial room for growth beyond our core geographies. We believe our greenfield opportunity currently includes approximately 675 locations that could accommodate our preferred size of stores in markets we would consider.

Significant growth opportunity



The majority of our store expansion is expected to be with our traditional box size of approximately 70,000 gross square feet. We have also recently tested a smaller store format, which is approximately 40% smaller than our average store, that we believe will be advantageous for in-fill markets and other metropolitan areas.

While we will continue to prioritize investments in our existing operations and omnichannel capabilities, we will continue to judiciously expand. We have online delivery capabilities in almost every state and will focus on disciplined new store openings. As we reach into new and existing markets, we expect our omnichannel platform to lead the way in our geographic expansion.

Recent Developments

We have demonstrated our ability to perform during periods of economic hardship, and the COVID-19 pandemic is no exception. Our diverse and essential offerings permitted our stores to remain open, which allowed us to safely serve both our existing customers and gain new customers during an uncertain time. With the ongoing pandemic, our customers' focus on health and wellness and outdoor recreation has amplified. Our customers are purchasing weights, yoga mats, treadmills and indoor cycles now more than ever to stay at home while maintaining their wellness. Families are buying backyard and driveway games, trampolines, patio seating and grills to spend more safe, quality time together at home. Outdoor enthusiasts and first-timers alike are buying fishing, hunting and camping gear to recreate outside at a safe distance.

Our stores range in size from approximately 40,000 to over 130,000 gross square feet, with an average size of approximately 70,000 gross square feet, which, together with our sophisticated social distancing and hygiene measures and curbside fulfillment of online orders, enable our customers to have a safe shopping experience. We have also benefitted from all of our locations not being tethered to malls. Mall traffic has continuously decreased over time, which has been exacerbated during the COVID-19 pandemic. Our stores are a single destination for shoppers to feel safe when visiting our stores. We believe our lack of reliance on malls has bolstered our performance, allows for much easier curbside pickup processes and increases traffic into our stores.

As consumers continue to spend less on travel and entertainment, our broad assortment of health and wellness-centered items at competitive prices position us well to continue taking share in this regard, and we believe our business can continue to benefit from the consistent growth in sports and outdoor goods spending.

Merchandising

Our merchandise consists of national brand products that we purchase and license from various vendors, owned brand products that we brand with our internal brands and exclusive license products that we purchase and license from vendors and carry exclusively. We have long-standing relationships with many of our suppliers and have partnered with them to grow our business over time. We have no history of material supply chain interruptions. In 2019, we purchased merchandise from approximately 1,300 vendors. For 2019, 2018 and 2017 no vendor represented more than 14%, 13% and 14% of our total purchases, respectively.

We carry a wide variety of national brand products such as Nike, Carhartt, adidas, Columbia Sportswear, North Face, Winchester, Brooks, Rawlings, Remington, Skechers, Under Armour and many more.

We offer a variety of products through our owned brand and exclusive license products such as apparel, footwear, barbecue equipment and outdoor equipment. Our owned brand products include brands such as Academy Sports + Outdoors, Magellan Outdoors, BCG, O'rageous and Outdoor Gourmet.

As of February 1, 2020, we generally organized our merchandise in four divisions made up of eleven categories as follows:

Division	Category(1)	Primary product types(1)
Outdoors	Camping and cooking	Outdoor cooking, coolers and drinkware, camping accessories, camping equipment, sunglasses, backpacks and sports bags
	Fishing	Marine equipment and fishing rods, reels, baits and equipment
	Shooting sports	Firearms, ammunition, archery and archery equipment, shooting accessories, optics, airguns and hunting equipment
Sports and Recreation	Team sports/fitness	Baseball, football, basketball, soccer, golf, racket sports, volleyball, fitness equipment, fitness accessories and nutrition
	Recreation	Patio equipment, wheeled goods (bicycles, skateboards and other ride-on toys), watersports, pet equipment, electronics and watches, and front-end (consumables, batteries, etc.)
Apparel	Outdoor and seasonal apparel	Outdoor apparel, seasonal apparel, denim, work apparel, camouflage apparel, waders, graphic t-shirts and accessories
	Youth apparel	Boys and girls outdoor and athletic apparel
	Athletic apparel	Sporting apparel, apparel for fitness and exercise and other accessories
	Licensed apparel	Professional and collegiate team licensed apparel and accessories
Footwear	Work, casual and youth footwear	Casual shoes and slippers, work and western boots, youth footwear, socks and hunting footwear
	Athletic footwear	Running shoes, athletic shoes, sport specific shoes and training shoes

(1) Certain products and categories were reclassified among categories and divisions during 2019 as compared to prior years in order to better align with our current merchandising strategy and view of the business. Changes in management’s merchandise strategy and viewpoints could result in future reclassifications.

The following table sets forth the approximate amount of sales by merchandise divisions for the periods presented (amounts in thousands):

	Fiscal Year Ended February 1, 2020	February 2, 2019	February 3, 2018
Merchandise division sales(1)			
Outdoors	$ 1,522,985	$ 1,544,021	$ 1,583,183
Sports and recreation	859,868	900,347	939,464
Apparel	1,405,258	1,321,035	1,311,054
Footwear	1,021,603	997,692	986,887
Total merchandise sales(2)	4,809,714	4,763,095	4,820,588
Other sales(3)	20,183	20,798	14,994
Net sales	$ 4,829,897	$ 4,783,893	$ 4,835,582

(1) Certain products and categories were re-categorized among categories and divisions during 2019 in order to better align with our current merchandising strategy and view of the business. As a result, we have reclassified sales between divisions for 2018 and 2017 for comparability purposes.
(2) E-commerce sales consist of 5.1%, 4.9% and 4.0% of merchandise sales for 2019, 2018 and 2017, respectively.
(3) Other sales consists primarily of the sales return allowance, gift card breakage income, credit card bounties and royalties, shipping income, net hunting and fishing license income and other items.

Stores

Our stores are designed to provide our customers with an easy-in, easy-out shopping experience. The interior of our stores are built around a central “racetrack” aisle that allows customers to efficiently navigate our selling floor. Additionally, our stores generally have consistent store layouts providing our customers familiarity across our entire store base. We seek to offer our customers strong merchandise assortment and a localized customer experience, which is facilitated by various types of merchandise fixtures and our large selling floor. Our central “racetrack” aisle and adjacent end-cap merchandising space allows us to adjust our inventory presentations throughout our various selling seasons.

Our store locations are typically positioned adjacent to major highways or thoroughfares, allowing customers to easily locate our stores. We seek to position our stores in areas with certain population densities, demographics and other characteristics to maximize sales. These markets consist of metropolitan, suburban and smaller cities. Additionally, our stores are typically placed in retail centers adjacent to co-tenants who drive significant traffic, with no store tethered to crowded mall spaces. We seek to lease all of our stores in long-term lease agreements with third-party landlords, which typically range from 15 to 20 years. Other than stores that we may temporarily own, and for which we are in the process of executing sale-leaseback transactions, we do not own our retail locations.

As of February 1, 2020, the number of stores that we operated by state was as follows:

State	Number of Stores
Texas	106
Louisiana	18
Georgia	18
Alabama	15
North Carolina	15
Tennessee	13
Oklahoma	13
Florida	12
Missouri	10
South Carolina	9
Arkansas	8
Mississippi	8
Kansas	6
Kentucky	5
Indiana	2
Illinois	1
	259

Our new stores average approximately 70,000 gross square feet, of which approximately 85% is dedicated to selling space. This allows us to merchandise and provide certain value-added services for the specialized nature of the merchandise we carry. These features include fishing and firearm service counters, free assembly of bicycles, grills and other products, hunting and fishing license certification, and in-store training for the use of certain of our products.

Marketing

Our marketing strategy is designed to reinforce our broad selection of merchandise and value prices. We rely on various media to communicate with our customers including printed advertisements, television commercials and digital marketing campaigns, among others. Our print advertisements are primarily comprised of newspaper and direct mail circulars. These print advertisements consist of a broad assortment of merchandise tailored to the season of the distribution. Our television and radio advertisements are typically themed to represent the current selling season and often feature certain merchandise related to that selling season. Our digital engagement includes communicating with our customers through paid search results, various social media platforms and email.

We often create events at our stores to drive customer traffic. These events include large Grand Opening celebrations to commemorate new store openings that offer various activities, food and games and often feature local celebrities. We also create championship events when professional or collegiate sports teams in our markets win league titles. At these events we extend our store hours and offer certain commemorative merchandise. We are active members in the communities we serve, participating in 36 National Night Out events in 2019, sponsoring over 1,500 local sports teams, hosting donation events for first responders and sponsoring events for the NCAA Southeastern Conference.

We periodically enter into sponsorship agreements generally with professional sports teams, associations, events, networks or individual professional players and collegiate athletic programs in exchange for marketing and advertising promotions.

We utilize data obtained from our CRM tools, which enable us to create effective customer-targeting strategies. Our current CRM programs focus on welcoming our first-time customers, thanking our big spenders, reactivating our lapsed customers and cross-selling our category customers (including our hunting, sports equipment and recreation categories). We also utilize customer demographic data that we capture to know when our customers buy from us and what items they purchase. With 38 million customers in our database, there is ample opportunity to increase our communication directly with our customers via one-on-one marketing.

In addition to our CRM tools, our Academy Credit Card program also provides data to track our customers' purchases across all channels, giving us the ability to better serve and target those customers.

Distribution Centers

We operate three distribution centers in Katy, Texas, Twiggs County, Georgia and Cookeville, Tennessee. The distribution centers receive and store products from vendors and use sophisticated sorting and logistical equipment to fill the product needs of the retail store locations they serve, as well as to fulfill e-commerce orders. Our distribution centers are leased under long-term agreements. Third-party trucking companies are used to disburse inventory from the distribution centers to and from our stores. These distribution centers are strategically located throughout our footprint to efficiently serve our retail locations, and have an ability to service up to an average of 110 locations each.

Information Technology

Our information technology systems are critical to our day-to-day operations as well as to our long-term growth strategies. Our technology is integrated across multiple functions throughout the organization, providing the data analysis, automation and solutions necessary to support our communications, inventory and supply chain management, store operations, distribution, point-of-sale, e-commerce, financial reporting and accounting functions. Our technology is the foundation of our merchandising and marketing functions; it processes our customers' orders and integrates our e-commerce sales with stores. We are leveraging our data to make more informed decisions around inventory, marketing, and store-level operations. We have agreements with third parties to provide hosting services and administrative support for portions of our infrastructure, and utilize cloud-based systems in addition to those hosted on premises.

Seasonality

Our business is subject to seasonal fluctuations. A significant portion of our net sales and profits is driven by summer holidays, such as Memorial Day, Father's Day and Independence Day, during the second quarter. Our net sales and profits are also impacted by the November/December holiday selling season, and in part by the sales of cold weather sporting goods and apparel during the fourth quarter.

Team Members

As of February 1, 2020, we employed over 21,000 team members. Of those team members, approximately 52% were full-time and 48% were part-time. Our employment levels fluctuate over the course of the year mainly due to the seasonality of our business. None of our team members are covered by collective bargaining agreements, and we believe we have good relationships with our team members. As a result of the COVID-19 pandemic, from mid-April 2020 to early June 2020, we temporarily furloughed a significant number of our corporate, store and distribution center team members and closed our corporate headquarters, thereby causing the majority of our active corporate team members to work remotely. As of October 31, 2020, we employed over 20,000 team members.

Properties

We are headquartered at 1800 North Mason Road, Katy, Texas, 77449, just outside of Houston. The following table sets forth the location, use and size of our corporate and distribution center facilities as of February 1, 2020:

Location	Use	Approximate Square Footage
Katy, Texas	Corporate Office Building 1	400,000(1)
Katy, Texas	Corporate Office Building 2	200,000(2)
Katy, Texas	Bulk Warehouse	200,000(4)
Katy, Texas	Distribution Center	1,400,000(1)
Twiggs County, Georgia	Distribution Center	1,600,000(3)
Cookeville, Tennessee	Distribution Center	1,600,000(4)
Kowloon, Hong Kong	Global Sourcing Office	5,000(5)

(1) 20-year lease entered in 2007.
(2) 20-year lease entered in 2015.
(3) 20-year lease entered in 2012.
(4) 20-year lease entered in 2016.
(5) Three-year lease entered in 2017.

We lease all of our stores. Our initial store lease terms are typically 15 to 20 years with various renewal options and lease escalation structures. We believe that all of our leases are entered into at the then-prevailing market lease rates. As of February 1, 2020, our total leased store square footage was approximately 18.3 million square feet.

Intellectual Property

Our trademarks, service marks, copyrights, patents, processes, trade secrets, domain names and other intellectual property, including our Academy Sports + Outdoors brand, our owned brands, such as Academy Sports + Outdoors, Magellan Outdoors, BCG, O'rageous and Outdoor Gourmet, and our goodwill, designs, names, slogans, images and trade dress associated with these brands, are valuable assets that are critical to our success.

We also enter into intellectual property agreements whereby the Company receives the right to use third-party owned trademarks typically in exchange for royalties on sales. These agreements typically contain a one to three-year term and contractual payment amounts required to be paid by the Company.

Governmental Regulations

We operate in a complex regulatory and legal environment that exposes us to regulatory, compliance and litigation risks that could materially affect our operations and financial results. We are subject to regulation by numerous federal, state and local regulatory agencies and authorities, including the U.S. Consumer Product Safety Commission, Equal Employment Opportunity Commission, Department of Labor, Occupational Safety and Health Administration, Department of Justice, Department of Treasury, Federal Trade Commission, Customs and Border Protection, Bureau of Alcohol, Tobacco, Firearms and Explosives, SEC, IRS, and Environmental Protection Agency and comparable state and local agencies.

Laws and regulations affecting our business may change, sometimes frequently and significantly, as a result of political, economic, social or other events. Some of the federal, state or local laws and regulations that affect us include but are not limited to:

- consumer product safety, product liability or consumer protection laws;

- laws related to advertising, marketing, pricing and selling our products, including but not limited to firearms, ammunition, and related accessories;
- labor and employment laws, including wage and hour laws;
- tax laws or interpretations thereof, including collection of state sales tax on e-commerce sales;
- data protection and privacy laws and regulations;
- environmental laws and regulations;
- hazardous material laws and regulations;
- customs or import and export laws and regulations, including collection of tariffs on product imports;
- intellectual property laws;
- antitrust and competition regulations;
- banking and anti-money laundering regulations;
- ADA and similar state and local laws and regulations;
- website design and content regulations;
- FCPA, UKBA and other anti-corruption laws; and
- securities and exchange laws and regulations.

We sell firearms, ammunition, and related accessories. Firearms represented less than 6% of our net sales in 2019. Numerous federal, state and local laws and regulations govern the procurement, transportation, storage, distribution and sale and marketing of firearms, ammunition, and related accessories, including the regulations governing the performance of federally and state mandated procedures for determining customer firearm purchase eligibility (such as age and residency verification, background checks and proper completion of required paperwork). In the future, there may be increased federal, state or local regulation affecting the sale of firearms, ammunition, and related accessories, including taxation or restrictions on the type of firearms and ammunition available for retail sale, which could reduce our sales and profitability. A failure by us to follow these laws or regulations may subject us to claims, lawsuits, fines, penalties, adverse publicity and government action (up to and including the possible revocation of licenses and permits allowing the sale of firearms and ammunition), which could have a material adverse effect on our business and results of operations. As a result, we devote significant resources to compliance with applicable laws and regulations governing our business and the products we sell.

Legal Proceedings

We are a defendant or co-defendant in lawsuits, claims and demands brought by various parties relating to matters normally incident to our business. No individual case, or group of cases against us, presenting substantially similar issues of law or fact, is expected to have a material effect on the manner in which we conduct our business or on our consolidated results of operations, financial position or liquidity. The majority of these cases are alleging product, premises, employment and/or commercial liability. Reserves have been established that we believe to be adequate based on our current evaluations and experience in these types of claim situations; however, the ultimate outcome of these cases cannot be determined at this time. We believe, taking into consideration our indemnities, insurance and reserves, the ultimate resolution of these matters will not have a material impact on our financial position, results of operations or cash flows.

Included in the matters discussed above are nine lawsuits filed against us between December 2017 and November 2019 in Texas state judicial courts located in Bexar County, Texas, by 79 plaintiffs on behalf of certain victims of a November 2017 shooting in Sutherland Springs, Texas. These cases, which present substantially similar issues of law and fact, relate to the April 2016 sale by one of our stores of a firearm and magazine that were alleged to have been used in the Sutherland Springs incident. The plaintiffs seek monetary relief ranging from $1 million to over $150 million and, in some cases, injunctive relief to prohibit us from selling certain firearms in Texas to residents of states where such a sale would violate their home state's applicable firearm laws. On October 6, 2020, the Supreme Court of Texas heard oral arguments relating to our motions for summary judgment to dismiss certain of these cases, with the remainder of these cases stayed pending the Supreme Court of Texas' decision. We believe that these cases are without merit and intend to contest them vigorously, particularly given that the sale and transfer of the firearm and the magazine complied with all applicable laws and that the purchaser passed a criminal background check at time of purchase. The ultimate outcome of these cases, however, cannot be determined at this time.

MANAGEMENT

Executive Officers and Directors

Below is a list of our executive officers and directors, their respective ages as of October 31, 2020 and a brief account of the business experience of each of them.

Name	Age	Position
Ken C. Hicks	67	Chairman, President and Chief Executive Officer
Michael P. Mullican	45	Executive Vice President and Chief Financial Officer
Steven P. Lawrence	53	Executive Vice President and Chief Merchandising Officer
Samuel J. Johnson	53	Executive Vice President, Retail Operations
Kenneth D. Attaway*	57	Executive Vice President, Chief Operating Officer
William S. Ennis	51	Senior Vice President, Chief Human Resources Officer
Manish Maini	47	Senior Vice President, Chief Information Officer
Jamey Traywick Rutherford	47	Senior Vice President, Omnichannel
Rene G. Casares	44	Senior Vice President, General Counsel and Secretary
Wendy A. Beck	56	Director
Brian T. Marley	63	Director
Vishal V. Patel	34	Director
Allen I. Questrom	80	Director
William S. Simon	61	Director
Nathaniel H. Taylor	44	Director
Jeffrey C. Tweedy	57	Director
Aileen X. Yan	31	Director

* Mr. Attaway will cease to serve in the role of chief operating officer and will terminate employment with the Company, effective January 29, 2021.

Executive Officers

Ken C. Hicks has served as the Chairman and our President and Chief Executive Officer since May 2018. Mr. Hicks has served as a member of the board of managers of New Academy Holding Company, LLC since May 2017 and as a member of the board of directors of Academy Sports and Outdoors, Inc. since June 2020. Mr. Hicks served on the compensation committee of the board of managers of New Academy Holding Company, LLC from May 2017 to May 2018. Mr. Hicks previously served as President and Chief Executive Officer at Foot Locker, Inc. from August 2009 to February 2010, and also served as Chairman, President and Chief Executive Officer at Foot Locker, Inc. from February 2010 to November 2014, and as Executive Chairman at Foot Locker, Inc. from December 2014 to May 2015. Prior to joining Foot Locker, Inc., Mr. Hicks held senior positions at J.C. Penney Company, Inc., Payless ShoeSource, Home Shopping Network, May Department Stores Company, and McKinsey & Company. Mr. Hicks has served on the board of directors of Avery Dennison Corporation since July 2007 and served on the board of directors of Whole Foods Market, Inc. from May 2017 to August 2017. Mr. Hicks graduated from the United States Military Academy located in West Point, NY, and served in the U.S. Army. He also earned a Masters of Business Administration with highest distinction from Harvard Business School. We believe Mr. Hicks' qualifications to serve on our board of directors include his executive leadership and management experience and extensive business and financial experience related to the retail industry.

Michael P. Mullican has served as our Executive Vice President and Chief Financial Officer since January 2018. He previously served as our Executive Vice President and General Counsel from February 2017 to January 2018. Prior to joining Academy Sports + Outdoors, Mr. Mullican served as the Managing Director of Aureus Health Services, a specialty pharmacy owned by Meijer, Inc. Before being named Managing Director at Aureus, Mr. Mullican held several leadership roles at Meijer, including Vice President of Business Development, and Vice President and Assistant General Counsel. Additionally, Mr. Mullican served as Divisional Counsel and Assistant Secretary at Family Dollar Stores, Inc., and Associate General Counsel and Assistant Secretary at

Horizon Lines, Inc. Mr. Mullican holds a Bachelor of Arts in Communication from North Carolina State University and a Juris Doctor degree from the University of Chicago Law School.

Steven (Steve) P. Lawrence has served as our Executive Vice President and Chief Merchandising Officer since joining the Academy Sports + Outdoors team in February 2019. Prior to joining Academy Sports + Outdoors, Mr. Lawrence was President and Chief Executive Officer at francesca's. From May 2012 to September 2016, he served as Chief Merchandising Officer at Stage Stores. Mr. Lawrence also spent nearly 12 years working in various merchandising leadership roles at J.C. Penney after 10 years at Foley's. Mr. Lawrence also served on the board of directors of francesca's from October 2016 to January 2019. Mr. Lawrence obtained his Bachelor of Business Administration in Finance from the University of Notre Dame.

Samuel (Sam) J. Johnson has served as our Executive Vice President, Retail Operations since joining the Academy Sports + Outdoors team in April 2017. Prior to joining Academy Sports + Outdoors, Mr. Johnson spent seven years with hhgregg, Inc., where he most recently served as Chief Retail Officer. While at hhgregg, Inc., he led functions including store operations, customer relations, commercial sales, real estate and visual merchandising. Prior to hhgregg, Inc., he spent more than 20 years in various leadership roles with Sears Holdings Corporation, including Vice President of Small Stores.

Kenneth (Ken) D. Attaway has served as our Executive Vice President, Chief Operating Officer since October 2013, currently overseeing Distribution and Logistics, Real Estate, Construction, Facilities/Maintenance, Procurement and Enterprise Program Management Office. Mr. Attaway joined the Academy Sports + Outdoors team as Executive Director of Supply Chain in January 2007 and was appointed as Vice President of Distribution and Logistics in September 2007. In February 2009, Mr. Attaway became the Executive Vice President of Distribution and Logistics, then was appointed as the Executive Vice President of Operations in May 2009 and led loss prevention, stores and the sourcing team along with his Distribution and Logistics responsibilities. Prior to joining Academy Sports + Outdoors, Mr. Attaway spent over 25 years at Dollar General and Bealls Department Stores combined, leading their supply chain teams.

William (Bill) S. Ennis has served as our Senior Vice President, Chief Human Resources Officer since March 2016. Mr. Ennis joined the Academy Sports + Outdoors team as Vice President of Human Resources in April 2008 and served in that role until October 2010 when he was appointed as Senior Vice President, Human Resources. Prior to joining Academy Sports + Outdoors, Mr. Ennis spent over 19 years with Stage Stores, May Department Stores and Federated Department Stores in multiple capacities including human resources, stores, buying group, store operations and finance areas. He currently sits on advisory boards for the Texas A&M Center for Retailing Studies and Texas Retailers Education Foundation, and he is also the governing body chair for the Houston HR Leadership Summit. Mr. Ennis graduated with a Bachelor of Arts in Economics from the University of Texas.

Manish Maini has served as our Senior Vice President, Chief Information Officer since joining the Academy Sports + Outdoors team in June 2017. Prior to joining Academy Sports + Outdoors, he served as the Chief Information Officer and Senior Vice President at The Children's Place U.S. where he led a 120-member team, and was responsible for the development and implementation of the company-wide IT strategy. Mr. Maini also spent nine years at Ann, Inc., formerly Ann Taylor Stores Inc., where he served in various IT leadership roles, including Vice President of Enterprise Systems. Mr. Maini holds a Bachelor of Engineering, Electronics and Communication from STJ Institute of Technology in Karnatak, India.

Jamey Traywick Rutherford has served as our Senior Vice President, Omnichannel since joining the Academy Sports + Outdoors team in May 2018. Prior to joining Academy Sports + Outdoors, Ms. Traywick Rutherford spent over 17 years at AutoZone where she served in various e-commerce roles until she was promoted to AutoZone's first Vice President, e-commerce in 2010. She was instrumental in the development and launch of AutoZone.com and AutoZonePro.com. In 2017, she transitioned to Vice President, Merchandising to leverage her digital expertise to support in-store sales initiatives. She holds a Bachelor of Science in Environmental Science from the University of Denver, and a Master of Science in e-commerce from the University of Memphis.

Rene G. Casares has served as our Senior Vice President, General Counsel and Secretary since March 2018. He joined the company in July 2013 as Senior Director, Associate General Counsel and served as Vice President, Associate General Counsel and Assistant Secretary from March 2016 to March 2018. Prior to joining Academy Sports + Outdoors, Mr. Casares served as an Associate Attorney at the global law firm, Vinson & Elkins LLP, from 2008 to 2013, where he advised major and middle-market companies with mergers and acquisitions, private equity, corporate governance and capital markets. He also served in a similar capacity as an Associate Attorney at the global law firm, Latham & Watkins LLP, from 2006 to 2008. Additionally, Mr. Casares has a background in finance and consulting after serving as an Associate at Growth Capital Partners. L.P., a Strategy Consultant at KPMG Consulting, Inc., and an Analyst at Merrill Lynch & Co. Mr. Casares holds a Bachelor of Business Administration in Finance from the University of Notre Dame and a Juris Doctor degree from Stanford Law School.

Directors

Wendy A Beck has served as a member of the board of directors of Academy Sports and Outdoors, Inc. since December 2020. Ms. Beck, a Certified Public Accountant, most recently served as Executive Vice President and Chief Financial Officer for Norwegian Cruise Line Holdings, Inc. until March 2018. Prior to that, Ms. Beck served as Executive Vice President and Chief Financial Officer of Domino's Pizza Inc. from 2008 to 2010, as Senior Vice President, Chief Financial Officer and Treasurer of Whataburger Restaurants, LP from 2004 through 2008 and as their Vice President and Chief Accounting Officer from 2001 through 2004, and as Vice President, Chief Financial Officer and Treasurer of Checkers Drive-In Restaurants, Inc. from 2000 through 2001. Ms. Beck has served on the board of directors and the compensation committee of Bloomin' Brands, Inc. since February 2018 and on the board of directors and has chaired the audit committee of At Home Group Inc. since September 2014. Ms. Beck previously served on the board of directors and the audit committee of SpartanNash Company from September 2010 to December 2013. We believe Ms. Beck's qualifications to serve on our board of directors include her executive leadership and management experience related to the retail industry and her extensive financial experience.

Brian T. Marley has served as a member of the board of managers of New Academy Holding Company, LLC since January 2018 and as a member of the board of directors of Academy Sports and Outdoors, Inc. since June 2020. Mr. Marley is the founder and Managing Partner of Marley Associates LLC, an advisory services firm. Mr. Marley previously served as Executive Vice President and Chief Financial Officer of Belk, Inc. from 2000 to 2013. Prior to joining Belk, Mr. Marley was at KPMG LLP for 20 years, during which he was a partner for 7 years. He is a graduate of the University of North Carolina at Chapel Hill. We believe Mr. Marley's qualifications to serve on our board of directors include his executive leadership and management experience and extensive financial experience.

Vishal V. Patel has served as a member of the board of managers of New Academy Holding Company, LLC since May 2015 and as a member of the board of directors of Academy Sports and Outdoors, Inc. since June 2020. Mr. Patel is a member of the Healthcare and Retail and Consumer teams at KKR. Mr. Patel served on the board of directors of US Foods Holding Corp. from August 2015 to September 2017. Prior to joining KKR, Mr. Patel was with Moelis & Company where he was involved in a variety of mergers, acquisitions and restructuring transactions. He holds a Bachelor of Science in Economics from the Wharton School at the University of Pennsylvania. We believe Mr. Patel's qualifications to serve on our board of directors include his significant business, financial and investment experience related to the retail industry and prior involvement with KKR's investment in the Company.

Allen I. Questrom has served on the board of directors of Academy Sports and Outdoors, Inc. since October 2020 and as lead director since December 2020. Mr. Questrom has served on the board of advisors of the Robin Report since January 2010, and as a Trustee of Boston University since September 2006. He served on the board of directors of At Home Group, Inc. from March 2012 to June 2020, Tailored Brands Inc. from August 2013 to June 2017, Sotheby's from December 2004 to June 2014, Foot Locker, Inc. from February 2011 to May 2013 and

Walmart Inc. from June 2007 to June 2009. He served as a Senior Advisor for Lee Equity Partners from June 2006 to January 2018. From September 2000 through December 2004, he was the Chairman and Chief Executive Officer of J.C. Penney Company, Inc. He served on the board of Barneys New York, Inc. beginning in January 1999 and as President and Chief Executive Officer from May 1999 until September 2000 and as Chairman of the Board from May 1999 until January 2001. He was Chairman and CEO of Federated Department Stores, Inc. (now Macy's) from February 1990 to May 1997. Mr. Questrom was Chairman and Chief Executive Officer of Neiman Marcus, Inc. from 1988 to 1990. Mr. Questrom graduated from Boston University with a Bachelor of Science in Finance and Marketing. We believe Mr. Questrom's qualifications to serve on our board of directors include his executive leadership and management experience related to the retail industry.

William (Bill) S. Simon has served as a member of the board of managers of New Academy Holding Company, LLC since September 2016 and as a member of the board of directors of Academy Sports and Outdoors, Inc. since June 2020. Mr. Simon has also served on the board of directors of Darden Restaurants Inc. since July 2012, Chico's FAS, Inc. since July 2016 and GameStop Corp. since March 2020. He served on the board of directors of Agrium Inc. from February 2016 to May 2017 and on the board of directors of Anixter International Inc. from March 2019 to June 2020. Mr. Simon was the President and CEO of Walmart U.S. from 2010 to 2014, and previously was appointed the COO of Walmart U.S. in 2007. Prior to joining Walmart, Mr. Simon held several senior positions at Brinker International, Diageo, Cadbury-Schweppes, PepsiCo and RJR-Nabisco. He also served in the public sector as Secretary of the Florida Department of Management Services, appointed by Governor Jeb Bush. Mr. Simon is currently a senior advisor to KKR. Mr. Simon served 25 years in the U.S. Navy and Naval Reserves and attended the University of Connecticut, where he earned a Bachelor of Arts in Economics and a Masters of Business Administration in Management. We believe Mr. Simon's qualifications to serve on our board of directors include his executive leadership and management experience and extensive business and financial experience related to the retail industry.

Nathaniel (Nate) H. Taylor has served as a member of the board of managers of New Academy Holding Company, LLC since August 2011, including as Chairman from June 2015 to May 2018, and as a member of the board of directors of Academy Sports and Outdoors, Inc. since June 2020. Mr. Taylor co-heads the Americas Private Equity at KKR and serves on the Investment Committee within KKR's Americas Private Equity platform. Mr. Taylor has also served on the board of directors of US Foods Holding Corp. since May 2020 and served on the board of directors of National Vision Holdings, Inc. from February 2014 to September 2020. Prior to joining KKR, Mr. Taylor worked at Bain Capital where he was involved with investments in the retail, health care and technology sectors. He holds a Bachelor of Arts from Dartmouth College and a Masters of Business Administration from Stanford University Graduate School of Business. We believe Mr. Taylor's qualifications to serve on our board of directors include his significant business, financial and investment experience related to the retail industry and prior involvement with KKR's investment in the Company.

Jeffrey C. Tweedy has served on the board of directors of Academy Sports and Outdoors, Inc. since October 2020. Mr. Tweedy has served as the Chief Executive Officer of Sean John Clothing since November 2007, where he previously served as Executive Vice President from February 1998 to March 2005. He serves on the board of The Piney Woods School since February 2019, and the advisory board of the Fashion Institute of Technology since January 2020, where he previously studied Menswear Design and Marketing. He served as Vice President of Karl Kani Jeans from March 1993 to June 1996. Mr. Tweedy served as Vice President of Spike Lee from February 1992 to June 1993 and as East Coast Sales Manager of Ralph Lauren Womenswear from February 1990 to December 1992. We believe Mr. Tweedy's qualifications to serve on our board of directors include his extensive executive leadership and management experience related to the retail industry.

Aileen X. Yan has served as a member of the board of managers of New Academy Holding Company, LLC since November 2019 and as a member of the board of directors of Academy Sports and Outdoors, Inc. since June 2020. Ms. Yan is a member of the Retail and Consumer team at KKR. Prior to joining KKR, Ms. Yan was with Clayton, Dubilier & Rice from 2013 to 2015, where she worked on investments across various industries including health care and retail. She holds a Bachelor of Science in Operations Research and Financial

Engineering from Columbia University and a Master of Business Administration from Harvard Business School. We believe Ms. Yan's qualifications to serve on our board of directors include her significant business, financial and investment experience related to the retail industry and prior involvement with KKR's investment in the Company.

There are no family relationships among our directors and executive officers.

Composition of Our Board of Directors

Our business and affairs are managed under the direction of our board of directors. Our amended and restated certificate of incorporation provides for a classified board of directors, with three directors in Class I (Nathaniel H. Taylor, William S. Simon and Brian T. Marley), three directors in Class II (Aileen X. Yan, Allen I. Questrom and Wendy A. Beck) and three directors in Class III (Ken C. Hicks, Vishal V. Patel and Jeffrey C. Tweedy). See "Description of Capital Stock."

In addition, pursuant to the stockholders agreement, KKR Stockholders have the right to designate nominees to our board of directors subject to the maintenance of certain ownership requirements in us. See "Certain Relationships and Related Party Transactions—Stockholders Agreement."

Controlled Company Exemption

KKR Stockholders, who are parties to the stockholders agreement, beneficially own shares representing more than 50% of the voting power of our shares eligible to vote in the election of directors. As a result, we are a "controlled company" within the meaning of the corporate governance standards of Nasdaq. Under these corporate governance standards, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance standards, including the requirements (1) that a majority of our board of directors consist of independent directors, (2) that our board of directors have a compensation committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities and (3) that our board of directors have a nominating and governance committee that is comprised entirely of independent directors with a written charter addressing the committee's purpose and responsibilities.

Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of these corporate governance requirements. In the event that we cease to be a "controlled company" and our shares continue to be listed on Nasdaq, we will be required to comply with these standards and, depending on our board of directors' independence determination with respect to our then-current directors, we may be required to add additional directors to our board of directors in order to achieve such compliance within the applicable transition periods.

Board Leadership Structure and Our Board of Director's Role in Risk Oversight

Committees of Our Board of Directors and Board Leadership Structure

The standing committees of our board of directors consist of an Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Our board of directors may also establish from time to time any other committees that it deems necessary or desirable.

Our chief executive officer and other executive officers regularly report to the non-executive directors and the Audit Committee, the Compensation Committee and the Nominating and Governance Committee to ensure effective and efficient oversight of our activities and to assist in proper risk management and the ongoing evaluation of management controls. In addition, pursuant to our Corporate Governance Guidelines, whenever the chairperson of the board does not qualify as an independent director, the independent directors may elect from among themselves a lead director of the board. Accordingly, in December 2020, the independent directors appointed Allen I. Questrom to serve as lead director. Key responsibilities of our lead director include, among others, presiding at executive sessions of independent directors, facilitating communications between the independent directors and the chairperson of the board and our management team, and calling meetings of the independent directors, as necessary. We believe that the leadership structure of our board of directors provides appropriate risk oversight of our activities given the controlling interests held by KKR Stockholders.

Audit Committee

We have an Audit Committee, consisting of Brian T. Marley, who serves as the Chair, and Wendy A. Beck and Allen I. Questrom. Each of Ms. Beck and Mr. Questrom qualifies as an independent director under the corporate governance standards of Nasdaq and the independence requirements of Rule 10A-3 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our board of directors has determined that each of Ms. Beck and Messrs. Marley and Questrom qualifies as an "audit committee financial expert" as such term is defined in Item 407(d)(5) of Regulation S-K.

The purpose of the Audit Committee will be to prepare the audit committee report required by the SEC to be included in our proxy statement and to assist our board of directors in overseeing:

- accounting, financial reporting and disclosure processes;
- adequacy and soundness of systems of disclosure and internal control established by management;
- the quality and integrity of our financial statements and the annual independent audit of our consolidated financial statements;
- our independent registered public accounting firm's qualifications and independence;
- the performance of our internal audit function and independent registered public accounting firm;
- our compliance with legal and regulatory requirements in connection with the foregoing;
- compliance with our Code of Conduct; and
- overall risk management profile.

Our board of directors adopted a written charter for the Audit Committee, which is available on our website.

Compensation Committee

We have a Compensation Committee, consisting of William S. Simon, Jeffrey C. Tweedy and Nathaniel H. Taylor, who serves as the Chair.

The purpose of the Compensation Committee is to assist our board of directors in discharging its responsibilities relating to:

- the establishment, maintenance and administration of compensation and benefit policies designed to attract, motivate and retain personnel with the requisite skills and abilities to contribute to our long term success;
- setting our compensation program and compensation of our executive officers, directors and key personnel;
- monitoring our incentive compensation and equity-based compensation plans;
- succession planning for our executive officers, directors and key personnel;
- our compliance with the compensation rules, regulations and guidelines promulgated by Nasdaq, the SEC and other law, as applicable; and

- preparing the compensation committee report required to be included in our proxy statement under the rules and regulations of the SEC.

Our board of directors adopted a written charter for the Compensation Committee, which is available on our website.

Nominating and Governance Committee

We have a Nominating and Governance Committee, consisting of Nathaniel H. Taylor, Jeffrey C. Tweedy and Allen I. Questrom, who serves as the Chair.

The purpose of the Nominating and Governance Committee is to:

- advise our board of directors concerning the appropriate composition of our board of directors and its committees;
- identify individuals qualified to become members of our board of directors;
- recommend to our board of directors the persons to be nominated by our board of directors for election as directors at any meeting of stockholders;
- recommend to our board of directors the members of our board of directors to serve on the various committees of our board of directors;
- develop and recommend to our board of directors a set of corporate governance guidelines and assist our board of directors in complying with them; and
- oversee the evaluation of our board of directors, our board of directors' committees, and management.

Our board of directors adopted a written charter for the Nominating and Governance Committee, which is available on our website.

Compensation Committee Interlocks and Insider Participation

None of the members of our Compensation Committee has at any time been one of our executive officers or team members. None of our executive officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more executive officers serving as a member of our board of directors or Compensation Committee.

We are parties to certain transactions with KKR Stockholders and their affiliates and certain of our directors described in the section of this prospectus entitled "Certain Relationships and Related Party Transactions."

Code of Ethics and Business Conduct

We adopted a new Code of Ethics and Business Conduct that applies to all of our directors, officers and team members, including our chief executive officer and chief financial and accounting officer. Our Code of Ethics and Business Conduct is available on our website. Our Code of Ethics and Business Conduct is a "code of ethics," as defined in Item 406(b) of Regulation S-K. We will make any legally required disclosures regarding amendments to, or waivers of, provisions of our code of ethics on our website.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis provides an overview of our executive compensation philosophy, the overall objectives of our executive compensation program, and each material element of compensation for the fiscal year ended February 1, 2020 (also referred to as 2019). We have provided this information for each person who served as our principal executive officer, principal financial officer and our three most highly compensated executive officers employed at the end of 2019, all of whom we refer to collectively as our Named Executive Officers.

Our Named Executive Officers for 2019 were:

- Ken C. Hicks, *Chairman, President, and Chief Executive Officer*;
- Michael P. Mullican, *Executive Vice President, Chief Financial Officer*;
- Steven (Steve) P. Lawrence, *Executive Vice President, Chief Merchandising Officer*;
- Samuel (Sam) J. Johnson, *Executive Vice President, Retail Operations;* and
- Kenneth (Ken) D. Attaway, *Executive Vice President, Chief Operations Officer*.

Who We Are and 2019 Business Performance Highlights

We are one of the leading full-line sporting goods and outdoor recreation retailers in the United States. We estimate that we served 30 million unique customers and completed approximately 80 million transactions in 2019 across our seamless omnichannel platform and highly productive stores, resulting in net sales of $4.8 billion and making us the largest value-oriented sporting goods and outdoor recreation retailer in the country. Our mission is to provide “Fun for All” and fulfill this mission with a localized merchandising strategy and value proposition that deeply connect with a broad range of consumers. Our broad and localized assortment appeals to all ages, incomes and aspirations, including beginning and advanced athletes, families enjoying outdoor recreation, and enthusiasts pursuing their passion for sports and the outdoors. We sell a range of sporting and outdoor recreation products, including sporting equipment, apparel, footwear, camping gear, patio furniture, outdoor cooking equipment, and hunting and fishing gear, among many others. As of February 1, 2020, we operated 259 stores that range in size from approximately 40,000 to 130,000 gross square feet, with an average size of approximately 70,000 gross square feet, throughout 16 contiguous states located primarily in the southern United States. Our stores are supported by over 20,000 team members, three distribution centers, and our rapidly growing e-commerce platform, www.academy.com.

Highlights from 2019 include:

- We generated $4.8 billion of net sales, $120 million of net income, $323 million of Adjusted EBITDA (a $23 million increase over 2018), $197 million of Adjusted Free Cash Flow, and return on invested capital, or ROIC Percentage, of 14.3%. See “Summary—Summary Historical Consolidated Financial and Other Data” for the definitions of Adjusted EBITDA and Adjusted Free Cash Flow and reconciliations of Adjusted EBITDA to net income and Adjusted Free Cash Flow to net cash provided by (used in) operating activities.
- We estimate that we served 30 million customers and completed approximately 80 million transactions resulting in strong household penetration in our core markets.
- Our e-commerce sales represented 5% of our sales, with sales growth of $17.8 million, or 7.8%, over 2018.

- We rolled out BOPIS to all locations, which accounted for approximately 24% of our e-commerce sales.
- We opened eight new stores and renovated 11 stores.

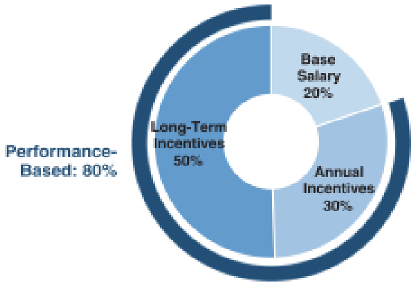
Executive Officer Compensation Objectives and Philosophy

The goal of our executive officer compensation program is to create long-term value for our equityholders, reward our executive officers for superior financial and operating performance, and support retention in a competitive market environment. We believe the most effective way to achieve this objective is to design an executive officer compensation program that drives the achievement of annual, long-term and strategic goals and that aligns executive officers' interests with those of our equityholders. The following are the core elements of our executive officer compensation philosophy:

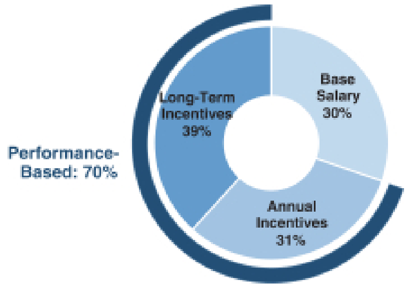
- *Market Competitive*: Compensation levels and programs for executive officers, including our Named Executive Officers, should be competitive relative to the marketplace in which we operate. It is important for us to leverage an understanding of what constitutes competitive pay in our market and build unique strategies to attract the high caliber talent we require to manage and grow the Company.
- *Performance-Based*: We believe in a pay-for-performance compensation philosophy which targets our team members to be paid at market compensation based on their role and responsibilities. Most of our executive officer compensation should be performance-based pay that is "at risk," based on short-term and long-term goals, which reward both organizational and individual performance. The performance targets under both our annual bonus program and our performance-based equity awards were designed to drive significant growth of our business yet still be achievable, and to focus on long-term value creation.
- *Equityholder Aligned*: Incentives should be structured to create a strong alignment between executive officers and equityholders on both a short-term and a long-term basis.

The charts below illustrate that the majority of each Named Executive Officer's annual total target compensation for 2019 (i.e., base salary, annual target bonus and annual target equity grant) is performance-based and "at risk" based on the Company's performance:

Compensation Mix - CEO



Compensation Mix - Average of All Other NEOs



Governance of Executive Officer Compensation Program

Role of the Compensation Committee

The Compensation Committee, or the Compensation Committee, of our Board of Directors, or the Board, which is comprised solely of non-employee directors, is responsible for establishing, implementing, and evaluating our executive officer compensation and benefit programs.

The Compensation Committee discharges the responsibilities of our Board relating to the compensation of our executive officers, including the Named Executive Officers, according to its charter. The Compensation Committee annually evaluates the performance of our Chief Executive Officer and our other executive officers, establishes the base salaries, cash bonus awards, long-term incentive compensation opportunities, and perquisites for our Chief Executive Officer and our other executive officers, and approves (or recommends for approval by the Board) all equity awards. The Compensation Committee's objective is to ensure that the total compensation paid to our Named Executive Officers as well as our other executive officers is fair, reasonable, and market competitive while incentivizing the creation of long-term value for our equityholders. Generally, the types of compensation and benefits provided to our Named Executive Officers are similar to those provided to other executive officers.

The Compensation Committee has overall responsibility for overseeing our compensation and benefits policies generally, overseeing, evaluating, and approving the compensation policies, practices, and plans applicable to our executive officers, determining the compensation of our Chief Executive Officer and other executive officers, determining and overseeing the process of evaluating our Chief Executive Officer's performance, and overseeing the preparation of, reviewing, and approving this Compensation Discussion and Analysis.

The Compensation Committee reviews the base salary levels, annual cash bonus opportunities, long-term incentive compensation opportunities, and perquisites of our executive officers, including the Named Executive Officers, each fiscal year, or more frequently as warranted. Each fiscal year, the Compensation Committee reviews our financial and operational performance and the corresponding projected payments under our annual bonus plan and the equity awards previously granted to our executive officers.

When selecting and setting the amount of each compensation element, the Compensation Committee generally considers the following factors:

- our performance against the financial and operational objectives established by the Compensation Committee;
- each individual executive officer's skills, experience, and qualifications relative to other similarly-situated executive officers at the companies in our compensation peer group;
- the scope of each executive officer's role compared to other similarly-situated executive officers at the companies in our compensation peer group;
- the performance of each individual executive officer, based on a subjective assessment of his or her contributions to our overall performance, ability to lead his or her business unit or function, and work as part of a team, all in furtherance of our core values;
- compensation equality among our executive officers, including the Named Executive Officers (other than our Chief Executive Officer);
- our performance relative to our compensation peer group; and
- the compensation practices of our compensation peer group and how each executive officer's target compensation compares to a ranking of similar positions in our compensation peer group.

Historically, the Compensation Committee has recommended equity awards for each Named Executive Officer, and such awards are then granted by the Board (or its Executive Committee). Following the IPO, all equity awards are granted by the full Board or the Compensation Committee. In determining the amount of long-term incentive compensation for our executive officers as part of its annual compensation review, the Compensation Committee also considers the accounting impact of the proposed awards on our earnings and the proportion of our total shares outstanding used for annual employee long-term incentive compensation awards, or burn rate, in relation to the median proportions of the companies in the retail sector benchmarks.

These factors provide the framework for compensation decision-making and final decisions regarding the compensation opportunity for each executive officer. No single factor is determinative in setting pay levels, nor is the impact of any factor on the determination of pay levels quantifiable. Our Compensation Committee retains significant authority to adjust compensation levels of our executive officers based on these and other factors that it may deem appropriate to achieve our overall compensation goals.

Role of Executive Management Team for Compensation

In discharging its responsibilities, the Compensation Committee works with members of our executive management team for compensation (i.e., our Chief Executive Officer, Chief Human Resources Officer, and Vice President of Compensation and Benefits). The executive management team for compensation (with input from Meridian Compensation Partners, or Meridian, the Company's independent compensation consultant) assists the Compensation Committee by providing information on our performance and the individual performance of our executive officers, as well as market and industry data, and executive management's perspective and recommendations on compensation matters. The Compensation Committee solicits and reviews our executive management team for compensation's recommendations and proposals with respect to adjustments to base salaries, annual cash bonus opportunities, long-term incentive compensation opportunities, perquisites, program structures, and other compensation-related matters for our executive officers. The Compensation Committee reviews and discusses these recommendations and proposals with some or all of the members of our executive management team for compensation and uses them as one factor in determining and approving the compensation for our executive officers. In addition, the level of attainment of each individual executive officer's performance pursuant to the Company's Executive Team Bonus Plan (described in "—Executive Team Bonus Plan") is recommended by our Chief Executive Officer (other than his own, which is determined by the Compensation Committee) to the Compensation Committee for its final approval. Each executive officer on the executive management team for compensation recuses himself from all Compensation Committee deliberations regarding his own compensation.

Role of Compensation Consultant

The Company has retained Meridian, a national compensation executive compensation consulting firm, to serve as an independent compensation advisor. The Company has utilized Meridian for general input and guidance on components of our executive officer compensation program. Meridian advises the Company with respect to developing a compensation benchmarking peer group and market data for base salary, annual bonus, long-term equity compensation, and perquisites for similarly situated executive officers in the Company's compensation peer group.

Pursuant to its charter, the Compensation Committee has the authority to retain the services of external advisors, including compensation consultants, legal counsel, and other advisors, to assist in the performance of its responsibilities. Historically, the Compensation Committee has not retained its own compensation consultant but we anticipate that the Compensation Committee will engage its own independent compensation consultant following the IPO.

During 2019, Meridian provided the following services to the Company:

- Developed a compensation benchmarking peer group and approach that is used to develop competitive market data references.
- Provided competitive market data based on the compensation peer group for our executive officers.
- Reviewed the base salary levels, annual cash bonus opportunities, long-term incentive compensation opportunities, and perquisites of our executive officers.
- Provided an assessment of executive compensation trends within our industry.

Competitive Positioning

For purposes of comparing our executive compensation against the competitive market, the Compensation Committee reviews and considers the compensation levels and practices of a group of comparable retail companies. In December 2018, the Compensation Committee, with the input of data and analysis from Meridian and the executive management team for compensation (i.e., our Chief Executive Officer, Chief Human Resources Officer and Vice President of Compensation and Benefits), developed and approved the following compensation peer group for purposes of understanding the competitive market:

Advance Auto Parts, Inc.	GameStop Corp.
Ascena Retail Group, Inc.	Genesco Inc.
AutoZone, Inc.	GNC Holdings, Inc.
Burlington Stores, Inc.	Sally Beauty Holdings, Inc.
Caleres, Inc.	Tailored Brands, Inc.
Carter’s, Inc.	The Michaels Companies, Inc.
Dick’s Sporting Goods, Inc.	Tractor Supply Company
DSW Inc.	Urban Outfitters, Inc.
Foot Locker, Inc.	Williams-Sonoma, Inc.

The companies in this compensation peer group were selected using the following criteria:

- Similar revenue size – 0.4x to 2.5x our last four fiscal quarters’ revenue as of the third quarter of 2018;
- Companies primarily in the retail business; and
- Similar business model and/or product.

This compensation peer group was used by the Compensation Committee during 2019 as a reference for understanding the compensation practices of companies in our industry sector and compensation peer group.

To analyze the compensation practices of the companies in our compensation peer group, Meridian gathered data for the peer group companies from public filings (primarily proxy statements). This market data was then used as a reference point for the Compensation Committee to assess our current compensation levels in the course of its deliberations on compensation forms and amounts.

The Compensation Committee reviews our compensation peer group at least annually and makes adjustments to its composition as necessary or appropriate, taking into account changes in both our business and the businesses of the companies in the compensation peer group.

In December 2019, the Compensation Committee, with the input of data and analysis from Meridian, approved the same compensation peer group for 2020 as described above.

Employment Agreements

We have entered into employment agreements with each of our Named Executive Officers and all of our other executive officers to help ensure the retention of those executive officers who are critical to the future success of the Company. For additional information regarding our employment agreements, see “—Employment Agreements with Named Executive Officers.”

Considerations in Setting 2019 Compensation

The Compensation Committee believes that to attract, retain, and motivate the Company’s executive officer talent, it is critical to review the compensation of each Named Executive Officer on an annual basis in relation to the Company’s compensation peer group using the appropriate job matches by position and performance.

Meridian performs executive officer compensation benchmarking analyses for the Company each year, and the Compensation Committee reviews the Company's compensation peer group annually to ensure that there is an appropriate mix of retail companies for comparison purposes.

In approving 2019 compensation for our Named Executive Officers, the Compensation Committee took into consideration the recommendation of the executive management team for compensation (i.e., our Chief Executive Officer, Chief Human Resources Officer and Vice President of Compensation and Benefits) relating to the total compensation package for our Named Executive Officers, which was determined based on guidance from Meridian regarding peer group data and position matching. Based on Company-wide operating results and the extent to which individual performance objectives were met in 2018, the Compensation Committee determined the total 2019 compensation opportunity for each of our Named Executive Officers. Our Compensation Committee believes that the total 2019 compensation opportunity for our Named Executive Officers was competitive while at the same time being responsible to our equityholders because a majority of the total 2019 compensation opportunity was allocated to variable "at risk" compensation, paid only upon achievement of both individual and Company performance objectives.

In setting executive officer compensation, the Compensation Committee generally strives to remain in the range of the 50th to 60th percentile of our compensation peer group for total annual target compensation which corresponds closely to our annual revenue placement within our peer group. For 2019: (i) total annual target compensation (i.e., base salary, annual target bonus and annual target equity grant) was between the 50th to the 60th percentile of our compensation peer group; (ii) base salary was between the 25th and 50th percentile of our compensation peer group; (iii) annual target bonuses were approximately around the 75th percentile of our compensation peer group; and (iv) the total target value of annual equity grants was between the 50th and 75th percentile of our compensation peer group.

The following is a summary of key considerations that affected the development of 2019 compensation decisions for our Named Executive Officers, and which the Compensation Committee believes will continue to affect its compensation decisions in future fiscal years:

Use of Market Data. We establish target compensation levels that are consistent with market practice and internal equity considerations (including position, responsibility and contribution) relative to base salaries, cash bonuses, and long-term equity compensation, as well as with the assessment of the appropriate pay mix for a particular position. In order to gauge the competitiveness of our compensation programs, we also review compensation practices and pay opportunities from our compensation peer group. We attempt to position ourselves to attract and retain qualified executive officers in the face of competitive pressures in relevant labor markets.

Emphasis on Performance. Our compensation program provides increased pay opportunity correlated with superior performance over the long term. When evaluating base salary, individual performance is the primary driver that determines each Named Executive Officer's annual increase, if any. Historically, we have used both cash bonuses and performance vesting equity awards to reward Company and individual performance.

Importance of Company Results. In determining the amount of cash bonus for each Named Executive Officer, we may consider performance with respect to our success in implementing our business strategies that yield long-term benefits, such as developing a more exciting and productive experience in our stores and increasing the productivity of all of our assets. The Compensation Committee believes it is important to hold our Named Executive Officers accountable for overall Company results. Under the Company's Executive Team Bonus Plan as in effect during 2019, 90% of the payout was tied to Company performance metrics and the remaining 10% was tied to individual performance metrics. The same weighting of Company and individual performance metrics also applies to the Executive Team Bonus Plan in effect for 2020.

Executive Officer Compensation Policies and Practices

Either during 2019 or in connection with or following the IPO where noted, we either adopted or maintained the following executive officer compensation policies and practices, which include policies and practices that we have implemented to drive performance as well as policies and practices that either prohibit or minimize behaviors that we do not believe serve our equityholders' long-term interests:

- *Composition of Compensation Committee*. The Compensation Committee is comprised solely of nonemployee directors.
- *Compensation Committee Advisor*. We anticipate that the Compensation Committee will engage its own independent compensation consultant following the IPO. The Company has historically retained Meridian as an advisor on executive pay related items.
- *Annual Executive Officer Compensation Review*. The Compensation Committee conducted an annual review and approval of our compensation strategy, including a review and determination of our compensation peer group used for comparative purposes. In determining the base salary, bonus, long-term incentives, and perquisites for each of our Named Executive Officers, the Compensation Committee meets in March of each fiscal year to review and approve each executive officer's compensation as compared to the Company's compensation peer group. The Compensation Committee considers the data provided by Meridian and the recommendations provided by the Company's executive management team for compensation and, in that context, approves the compensation for each Named Executive Officer.
- *Executive Officer Compensation Practices*. Our compensation philosophy and related corporate governance policies and practices are complemented by several specific compensation practices that are designed to align our executive officer compensation with long-term equityholder interests, including the following:
  - *Annual Performance Review*. The Compensation Committee engages in an annual performance review of each Named Executive Officer based on our corporate results and individual performance.
  - *Compensation At Risk*. Our executive officer compensation program is designed so that a majority of compensation is "at risk" based on the Company's performance, in the form of both short-term cash and long-term equity incentives to align the interests of our executive officers and equityholders.
  - *No Defined Benefit Pension or Nonqualified Deferred Compensation Plans*. We do not currently offer, nor do we have plans to provide, defined benefit pension arrangements or nonqualified deferred compensation plans or arrangements to our executive officers.
  - *Nominal Special Health or Welfare Benefits*. Our executive officers participate in broad-based company-sponsored health and welfare benefits programs on the same basis as our other full-time, salaried employees. However, in order to maintain continuity of leadership by encouraging physical well-being, the Compensation Committee has approved reimbursement for annual physicals for each of the Named Executive Officers in 2019.
  - *No Post-Employment Tax Reimbursements*. We do not provide any tax reimbursement payments (including "gross-ups") on any severance or change-in-control payments or benefits.
  - *No Options Granted with Exercise Price Below Fair Market Value, with Pre-Offering Fair Market Value determined based on Third-Party Valuations*. All options have been granted with exercise prices equal to the fair market value of our Membership Units on the date of grant. We believe that such equity awards provide an appropriate long-term incentive for our executive officers, since the options reward them only to the extent that the value of our Membership Units increases and equityholders realize value following their grant date. Prior to the IPO, the Board determined

the fair market value of our Membership Units based on valuation reports intended to comply with the safe harbor under Section 409A of the Internal Revenue Code of 1986, as amended, or the Code, and the regulations promulgated thereunder that it received on a quarterly basis from a third party valuation expert.

- *Multi-Year Time Vesting and Performance Vesting Requirements for Equity Awards*. The options and restricted units granted to our executive officers vest over multi-year periods, consistent with current market practice and our retention objectives. In addition, certain options granted to our executive officers are subject to performance-based vesting requirements, and restricted units are subject to a liquidity event vesting requirement.
- *Hedging and Pledging Prohibited*. We prohibit our executive officers from hedging our securities, pledging our securities as collateral for loans, or holding our securities in margin accounts.

Elements of 2019 Compensation Program

There are three key elements of our executive officer compensation program for our Named Executive Officers:

Component	Purpose	Overview
Base salary	• Compensate for services rendered each year	• Based on position, experience, job responsibilities, and performance

Annual cash incentive bonus	• Encourage achievement of our corporate performance objectives
	• Reward those individuals who significantly impact our corporate results
		• Company performance (90% weighting)
		  • Total Company EBITDA Dollars (40% weighting)
		  • Total Company Sales (weighted 40%)
		  • ROIC Percentage (weighted 10%)
		• Individual performance (10% weighting)

Long-term equity incentives	• Align executive officer and equityholder interests by creating a link between executive compensation and our long-term performance	• Options • Restricted Units

In addition to these key compensation elements, our Named Executive Officers are provided certain other compensation including perquisites and other benefits, as described in "—Other Compensation."

Base Salary

We pay our Named Executive Officers base salaries to compensate them for services rendered each year. Base salary is a regular cash payment, the amount of which is based on position, experience, job responsibilities, and performance after considering the following primary factors: internal review of the executive officer's compensation, relative to both U.S. national market targets and other compensation peer group executive officers' salaries, and the Compensation Committee's assessment of the executive officer's individual prior performance and internal pay equity. Salary levels are typically considered annually as part of our performance review process but can be adjusted in connection with a promotion or other change in job responsibility.

In March 2019, in connection with its annual review of our executive officer compensation program, the Compensation Committee evaluated the base salaries of our executive officers, including the Named Executive Officers other than Mr. Lawrence (who commenced employment with us on February 11, 2019 and whose base salary was determined in connection with the negotiation of the employment agreement he entered into when he joined our Company), taking into consideration the competitive market analysis prepared by Meridian, the recommendations of the executive management team for compensation (i.e., our Chief Executive Officer, Chief Human Resources Officer and Vice President of Compensation and Benefits), and the other factors described above in "Governance of Executive Compensation Program." Following this review, the Compensation Committee determined to increase the base salaries of our executive officers, other than our Mr. Hicks and Mr. Lawrence, to better position their compensation against the competitive market. The Compensation Committee considered but did not make a base salary increase for Mr. Hicks because he declined an increase for 2019. All base salary increases were effective from the date approved by the Compensation Committee and did not apply retroactively from the beginning of the fiscal year.

Effective on October 20, 2019, the Compensation Committee increased the base salary of Mr. Lawrence from $685,000 to $705,000 and of Mr. Johnson from $459,500 to $480,000, reflecting the increased responsibility assumed by Mr. Lawrence for all marketing operations and by Mr. Johnson for our customer care operations during 2019 and again without retroactive effect.

The following table summarizes the base salaries of the Named Executive Officers for fiscal years 2018 and 2019, in each case at rate in effect on the last day of such fiscal year. The actual salary amounts earned by the Named Executive Officers for 2019 are reported in the Summary Compensation Table.

Name	Fiscal 2018 Base Salary ($)	Fiscal 2019 Base Salary ($)	Percentage Increase (%)
Ken C. Hicks	1,100,000	1,100,000	—
Michael P. Mullican	475,000	489,500	3.05
Steve P. Lawrence	N/A	705,000	—
Sam J. Johnson	446,250	480,000	7.56
Ken D. Attaway	435,000	448,000	2.99

In March 2020, in connection with its annual review of our executive officer compensation program, the Compensation Committee increased the base salary of each Named Executive Officer (except Mr. Hicks, who declined an increase), reflecting the Compensation Committee's assessment of the executive's individual contributions and performance during the 2019 . In order to bring the base salaries of the Named Executive Officers closer to the 50th percentile of our compensation peer group, the Compensation Committee increased the base salary of Mr. Mullican to $508,000, Mr. Lawrence to $730,000, Mr. Johnson to $498,500, and Mr. Attaway to $465,500.

Executive Team Bonus Plan

We seek to have a significant portion of the compensation of our executive officers, including the Named Executive Officers, tied to performance. To accomplish this objective, we provide our executive officers with the opportunity to earn cash bonuses to encourage the achievement of both Company and individual performance objectives and to reward those individuals who significantly impact our corporate results.

In March 2019, the Compensation Committee approved the Executive Team Bonus Plan, an incentive bonus plan which provided an opportunity for our executive officers, including the Named Executive Officers, to earn annual cash bonuses based on our ability to achieve both Company and individual performance objectives. The Compensation Committee approves the performance goals for each year's Executive Team Bonus Plan and believes that the targets it set for 2019 were challenging to achieve and reasonable and fairly incentivized participants. By setting the targets described below, the Compensation Committee established what it believed were stretch goals that would incentivize and reward exceptional employee performance without any guarantee that we would meet or exceed any such metrics in the prevailing business environment. The level of attainment of Company performance targets, other than total Company Adjusted EBITDA dollars, or Total Company

EBITDA Dollars, and total Company sales, and of individual performance targets, other than his own, are recommended by Mr. Hicks to the Compensation Committee for its final approval.

The following table sets forth the metrics, the weighting of each metric and the minimum, target, and maximum levels of achievement (in each case, expressed as a percentage of the target payout), as well as the percentage of target bonus payout to each of the Chief Executive Officer and all other Named Executive Officers at each level of achievement (expressed as a percentage of their target bonus opportunity) under the Executive Team Bonus Plan. For the Company performance metrics, we use linear interpolation to determine the payout percentage where the level of achievement falls between minimum and target or target and maximum levels of achievement. For executive officers to be eligible for any bonus payout, the Company must achieve a minimum actual Adjusted EBITDA dollars result of 80% of the Total Company EBITDA Dollars target as set and approved by the Compensation Committee.

			Level of Achievement			% of Target Bonus Payout			
	Metrics	Weighting	Threshold	Target	Maximum	Threshold	Target	Maximum CEO	Maximum All Others
Company Performance	Total Company EBITDA Dollars	40%	90%	100%	110%	50%	100%	300%	200%
	Total Company Sales	40%	93%	100%	103%	50%	100%	300%	200%
	ROIC %	10%	90%	100%	110%	50%	100%	300%	200%
Individual Performance	Individual Goals	10%	Does not meet all expectations	Meets expectations	Outstanding	50%	100%	300%	200%

Company Performance Metrics

Under the Executive Team Bonus Plan, there is a Company performance component that represents 90% of each Named Executive Officer's annual bonus opportunity. The Company performance metrics and weighting of total target bonus under the Executive Team Bonus Plan for 2019 were as follows for the Named Executive Officers: (i) Total Company EBITDA Dollars weighted at 40%; (ii) total Company sales weighted at 40%; and (iii) ROIC Percentage weighted at 10%. The level of achievement of these targets is subject to the final determination and approval of the Compensation Committee.

The Compensation Committee chose Adjusted EBITDA, sales and ROIC Percentage as the three Company performance metrics under the Executive Team Bonus Plan for the following reasons: (i) Adjusted EBITDA reflects the profitability of the Company, (ii) sales represents the growth of the Company; and (iii) ROIC Percentage represents the Company's return on its investments.

Total Company sales are defined as the sales on our income statement. The Company's ROIC Percentage is calculated as follows: (i) the numerator is defined as Adjusted EBITDA plus rent minus estimated taxes (24.5% tax rate assumption); and (ii) the denominator is defined as: (1) the sum of the 13-month average balances for: net receivables, inventory, prepaid expenses and other current assets, gross property and equipment, and other noncurrent assets, plus (2) eight times rent, minus (3) the sum of the 13-month average balances for: accounts payable, accrued liabilities, and income tax payable.

Individual Performance Metrics

Under the Executive Team Bonus Plan, there is an individual performance component that represents 10% of each Named Executive Officer's annual bonus opportunity. The maximum payout under the individual performance component is three times (or 30% of his target bonus) for Mr. Hicks and two times (or 20% of his target bonus) for the other Named Executive Officers, with a minimum possible payout of zero if there is a failure to achieve the individual performance metrics and a threshold payout at 50% of the individual performance metric target bonus if it is determined that there was a reasonable, but not full, level of achievement of the applicable metrics. The level of achievement of each Named Executive Officer's individual goals is determined holistically by Mr. Hicks and then recommended by him to the Compensation Committee for final approval (the Compensation Committee determines the level of achievement for Mr. Hicks without his input)). The individual performance metrics (none of which are individually weighted) for each of our Named Executive Officers for 2019 were as follows: (i) for Mr. Hicks, blended attainment of the performance goals applicable to the whole executive officer team; (ii) for Mr. Mullican, increasing the productivity of our assets, improving our liquidity and balance sheet metrics, creating flexibility to re-finance our long-term debt, building an industry leading finance organization, and rigorously managing our expenses; (iii) for Mr. Lawrence, driving a power merchandiser strategy, developing a more exciting and productive shopping experience in our stores, creating a meaningful online business, and building an industry leading retail team; (iv) for Mr. Johnson, driving a power merchandiser strategy, developing a more exiting and productive shopping experience in our stores, building an industry leading retail team, and increasing the productivity of all of our assets; and (v) for Mr. Attaway, increasing the productivity of all our assets, driving a power merchandiser strategy, developing a more exciting and productive shopping experience in our stores, delivering top priority projects by ensuring prioritization of resources and adherence to schedule, and reducing total company shrink to deliver budget.

Achievement of Performance Goals

Bonus amounts are payable in a lump sum cash amount, and the payment with respect to any bonus amount under the Executive Team Bonus Plan is subject to a participant's continued employment through the payment date, which is typically in April following the end of the applicable fiscal year. Actual annual cash incentive awards were calculated by multiplying each Named Executive Officer's weighted average base salary for 2019 by his target bonus opportunity, which was then adjusted by an overall achievement factor based on the combined weighted achievement of the Company and individual performance metrics.

The following table summarizes the 2019 Company performance metric results:

		Level of Achievement		
	Metrics	**Target**	**Achievement**	**Achievement as % of Target**
Company	Total Company EBITDA Dollars	$317.3 million	$323.2 million	101.9%
Performance	Total Company Sales	$4.94 billion	$4.83 billion	97.9%
	ROIC %	13.7%	14.0%	102.2%

It was determined that each Named Executive Officers achieved his applicable individual performance goals at the targeted level of performance for 2019.

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The following table summarizes the fiscal 2019 bonus earned by each Named Executive Officer under the Executive Team Bonus Plan based on actual performance, as compared to the target opportunity, for each of our Named Executive Officers:

Name	2019 Base Salary ($)(1)	Target Bonus (%)	Target Bonus Amount ($)	% of Salary Earned (%) for Achievement of Combined Company Performance Goals	% of Salary Earned (%) for Achievement of Individual Performance Goals	Overall Achievement Factor (%)	Actual Bonus Achieved ($)
Ken C. Hicks	1,100,000	150	1,650,000	154.9	15.0	169.9	1,868,667
Michael P. Mullican	487,822	100	487,822	93.6	10.0	103.6	505,353
Steve P. Lawrence(2)	690,730	120	828,876	112.3	12.0	124.3	858,663
Sam J. Johnson	463,840	100	463,840	93.6	10.0	103.6	480,509
Ken D. Attaway	446,495	100	446,495	93.6	10.0	103.6	462,541

(1) Bonus payments under the Executive Team Bonus Plan were calculated by multiplying each Named Executive Officer’s weighted average base salary for 2019 (assuming for this purpose the number of days determined by subtracting the last day of the fiscal year from the first day) by his target bonus opportunity, which was then adjusted by an overall achievement factor based on the combined weighted achievement of the Company and individual performance metrics.

(2) Under the terms of the Executive Team Bonus Plan, annual bonuses are only prorated for participants who commence employment on or after February 15 of the applicable fiscal year. Because Mr. Lawrence commenced employment with us on February 11, 2019, his bonus payment was not prorated based on the number of days he worked in 2019. Mr. Lawrence’s target bonus amount under the Executive Team Bonus Plan was agreed upon as the result of negotiations in connection with the commencement of his employment in order to incentivize him to join our Company. The target bonus amounts of each other Named Executive Officer are the same as those in effect for 2018 and none of our Named Executive Officers received an increase to their target bonus amount for 2020.

Sign-on Bonus Payment

Pursuant to Mr. Lawrence’s employment agreement, dated January 29, 2019, he received a sign-on bonus of $200,000, which was paid by the Company within the first 30 days of his commencement of employment. Mr. Lawrence’s employment agreement provides that if his employment had been terminated either by the Company for Cause or by Mr. Lawrence without Good Reason (as such terms are defined in his employment agreement), in either case, before he had completed twelve months of employment (i.e., before February 11, 2020), he would have been required to repay to the Company a pro-rated portion of the sign-on bonus, calculated based on the number of whole months remaining in such 12 month period from the termination date. Mr. Lawrence’s employment agreement was negotiated at arm’s-length, and the sign-on bonus was designed to make him whole for compensation to which he may have been entitled from his prior employer, and to provide him with market-competitive compensation and benefits.

Long-Term Equity Incentive Compensation

Our Named Executive Officers are provided long-term equity incentive compensation in the form of annual equity awards. The use of long-term equity incentives creates a link between executive compensation and our long-term performance and growth, thereby creating alignment between executive officer and equityholder interests.

The Compensation Committee believes that long-term incentive compensation is an effective means for incentivizing our executive officers, including the Named Executive Officers, to increase equity value over a multi-year period, provides a meaningful reward for appreciation in the value of our equity and long-term value creation, and motivates them to remain employed with us. Our equity award grant practices are designed to reflect a balance between:

- our desire to motivate, retain, and reward executive talent;
- our need to remain competitive in recruiting; and
- effectively managing the dilution of equityholders' interests.

The 2011 Equity Plan became effective on August 30, 2011 and has been subsequently amended on multiple occasions to increase the number of Membership Units available for issuance thereunder, most recently on August 26, 2020. Under the 2011 Equity Plan, we granted each Named Executive Officer options to purchase Membership Units of the Company, or Options, and phantom units that may be settled in Membership Units of the Company, or Restricted Units. Following the effectiveness of our 2020 Equity Plan, no further awards will be granted under the 2011 Equity Plan. However, all outstanding awards granted under the 2011 Equity Plan will continue to be governed by the existing terms of the 2011 Equity Plan and the applicable award agreements. We have filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our 2011 Equity Plan, our 2020 Equity Plan and the ESPP.

We use equity awards in the form of Options and Restricted Units to deliver the annual long-term incentive compensation opportunities to our executive officers, including the Named Executive Officers, and to address special situations as they may arise from time to time. The Compensation Committee believes that Options, when granted with exercise prices equal to the fair market value of our Membership Units on the date of grant, provide an appropriate long-term incentive for our executive officers, since the Options reward them only to the extent the price of our Membership Units increases and equityholders realize value following their grant date. The Compensation Committee believes that Restricted Unit awards help us to retain our executive officers and reward them for long-term stock price appreciation while at the same time providing some value to the recipient. The Compensation Committee also believes that Restricted Unit awards helps us to manage dilution to existing equityholders and provide greater transparency and predictability to our executive officers regarding the ultimate value of their compensation opportunities.

In determining the appropriate mix of Options and Restricted Units, the Compensation Committee considers competitive market data of the types of equity award compensation provided to executive officers by the companies in our compensation peer group, with a goal of reaching a mix that would provide the appropriate incentives while staying competitive in our market.

As discussed above, the Compensation Committee determines the amount of long-term incentive compensation for our executive officers as part of its annual compensation review and after taking into consideration the recommendations of the executive management team for compensation (i.e., our Chief Executive Officer, Chief Human Resources Officer and Vice President of Compensation and Benefits) which are based on a competitive market analysis, criticality of position and individual performance (both historical and expected future performance), the accounting impact of the proposed awards on our earnings, our "burn rate" in relation to the retail sector benchmarks, and the other factors described above in "Governance of Executive Compensation Program."

For more information regarding long-term equity incentive compensation, see "—Equity Compensation Plans."

Equity Awards under 2011 Equity Plan

Options

The Company has granted Options subject to time-based vesting, or Time Options, and Options subject to performance-based vesting, or Performance Options, to each Named Executive Officer pursuant to different forms of Option award agreements under the 2011 Equity Plan, as described below, each an Option Agreement.

Option Agreements of the Chief Executive Officer

2018 CEO Option Agreement

On September 16, 2018, the Company granted 518,135 Time Options and 259,068 Performance Options with an exercise price of $5.44 to Mr. Hicks pursuant to an Option Agreement under the 2011 Equity Plan, or the 2018 CEO Option Agreement.

With regard to vesting of Time Options, the 2018 CEO Option Agreement provides:

- $1/48^{th}$ of the Time Options become vested and exercisable on each monthly anniversary of the vesting commencement date (April 5, 2018), subject to Mr. Hicks' continued service through the applicable vesting date.
- Upon a termination of Mr. Hicks' service at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had Mr. Hicks remained in service through such vesting date, will become vested and exercisable as of such termination.
- In connection with any Change of Control (as defined in the 2011 Equity Plan), any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.

With regard to vesting of Performance Options, the 2018 CEO Option Agreement provides:

- The Performance Options will be eligible to become vested and exercisable, or Earned, with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs, such period, the Option Grant Year, in accordance with the following terms and conditions:
  - The Performance Options will become Earned based on the Company's level of achievement of consolidated Adjusted EBITDA for the Option Grant Year and thereafter become vested and exercisable based on elapsed time, in accordance with the terms set forth in the Option Agreement, such that the portion of the Performance Options that has been Earned shall become vested and exercisable on the vesting date required by the Option Agreement; provided that no portion of the Performance Options shall become Earned (and thereby become eligible to become vested and exercisable), unless Mr. Hicks remains in service through the date on which the Compensation Committee determines that the applicable condition(s) to becoming Earned has been satisfied.
    - If the Company's actual consolidated Adjusted EBITDA for the Option Grant Year is: (i) equal to or greater than the "high performance target," then 100% of the Performance Option shall be Earned; (ii) less than the "high performance target" but equal to or greater than the "low performance target," then a specified percentage (based on a linear performance scale) of the Performance Option shall be Earned; and (iii) less than the "low performance target," then none of the Membership Units that are subject to the Performance Option shall be Earned.

        - 25% of the portion of the Performance Option that has been Earned shall become vested and exercisable on the date of determination by the Compensation Committee of the Company's actual consolidated Adjusted EBITDA for the Option Grant Year and the remaining portion of the Performance Option that has been Earned shall become vested and exercisable on each monthly anniversary of the last day of the Option Grant Year in equal installments, such that 100% of the portion of the Performance Option that has been Earned shall be vested and exercisable on the third anniversary of the last day of the Option Grant Year.
        - The 2018 CEO Option Agreement further provides that (i) if any portion of the Performance Option that has not been Earned remains outstanding and unvested as of February 2, 2022, and (ii) the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of such date equals or exceeds the applicable target Membership Unit price, then 100% of the portion of the Performance Options that has not been Earned as of such date shall become vested and exercisable immediately upon such determination. No portion of the Performance Options may become vested pursuant to this paragraph following a termination of service for any reason.
    - Upon a termination of service at any time by reason of death or disability, to the extent Earned as of the date of such termination, the portion of the Performance Options that would have become vested and exercisable on the vesting date of the Performance Options immediately following the date of such termination, had he remained in service through such vesting date, will become vested and exercisable as of such termination.
- In connection with a Change of Control:
    - If such Change of Control occurs during the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
    - If such Change of Control occurs following the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options that has been Earned as of immediately prior to such Change of Control shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control, and any portion of the Performance Options that has not been Earned as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

As of the 2019 fiscal year end, the Performance Options granted under the 2018 CEO Option Agreement have not been Earned because the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "low performance target." Pursuant to the 2018 CEO Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued service.

2019 CEO Option Agreement

On March 7, 2019, the Company granted 694,301 Time Options and 341,969 Performance Options with an exercise price of $5.26 to Mr. Hicks pursuant to an Option Agreement under the 2011 Equity Plan, or the 2019 CEO Option Agreement.

The 2019 CEO Option Agreement is substantially similar to the 2018 CEO Option Agreement, except that (i) vesting is measured from the grant date (not an earlier vesting commencement date), and (ii) with respect to any portion of the Performance Option that has not been Earned and remains outstanding and unvested following the Compensation Committee's determination for the Option Grant Year, the applicable target Membership Unit price is different and the measurement date is January 28, 2023.

As described above, in order for the Performance Options to vest under the 2019 CEO Option Agreement, the Compensation Committee must certify that the Company achieved the 2019 Adjusted EBITDA dollar target. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year "high performance target" of $317.3 million in 2019 by achieving an actual EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 CEO Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 CEO Option Agreement.

2020 CEO Option Agreement

On March 5, 2020, the Company granted 870,757 Time Options with an exercise price of $5.49 to Mr. Hicks pursuant to an Option Agreement under the 2011 Equity Plan, or the 2020 CEO Option Agreement.

With regard to vesting of Time Options, the 2020 CEO Option Agreement provides:

- 1/48th of the Time Options become vested and exercisable on each monthly anniversary of the grant date, subject to Mr. Hicks' continued service through the applicable vesting date; provided, that if his service is terminated by the Company without Cause or due to his resignation for Good Reason (as such terms are defined in Mr. Hicks' employment agreement) at any time prior to the sixth monthly anniversary of the grant date, then 6/48th of the Time Options shall be vested and exercisable on the date of such termination.
- Upon a termination of Mr. Hicks' service at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had he remained in service through such vesting date, will become vested and exercisable as of such termination.
- In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.

Option Agreements of the Other Named Executive Officers

2016 Executive Option Agreement

On March 27, 2016, the Company granted 118,337 Time Options with an exercise price of $5.30 (repriced down from $5.96 by the Compensation Committee in 2018) to Mr. Attaway pursuant to an Option Agreement under the 2011 Equity Plan, or the 2016 Executive Option Agreement.

The 2016 Executive Option Agreement is substantially similar to the 2018 CEO Option Agreement, except that it contains the following vesting schedule with respect to the Time Options:

- 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to Mr. Attaway's continued service through the applicable vesting date.

Pursuant to the 2016 Executive Option Agreement, the Company also granted Mr. Attaway 59,169 Performance Options, which, after failing to achieve the performance goal initially applicable in 2016, could only become vested if the Compensation Committee certified that the Company achieved the target Membership Unit of $12.25 as of February 1, 2020. Because the market value of a Membership Unit was $5.49 as of February 1, 2020, the Compensation Committee determined that the Performance Options granted to Mr. Attaway pursuant to the 2016 Executive Option Agreement were forfeited on that date.

2017 Executive Option Agreement

The Company granted the following awards of Options to each of Messrs. Mullican, Johnson, and Attaway pursuant to an Option Agreement under the 2011 Equity Plan, or the 2017 Executive Option Agreement:

- On March 23, 2017, the Company granted 98,523 Time Options and 49,261 Performance Options with an exercise price of $5.30 (repriced down from $6.03 by the Compensation Committee in 2018) to Mr. Mullican;
- On June 6, 2017, the Company granted 73,892 Time Options and 36,946 Performance Options with an exercise price of $5.30 (repriced down from $6.03 by the Compensation Committee in 2018) to Mr. Johnson; and
- On March 23, 2017, the Company granted 123,154 Time Options and 61,576 Performance Options with an exercise price of $5.30 (repriced down from $6.03 by the Compensation Committee in 2018) to Mr. Attaway.

The 2017 Executive Option Agreement is substantially similar to the 2018 CEO Option Agreement, except as described below.

With regard to Time Options:

- 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to the grantee's continued service through the applicable vesting date.

With regard to Performance Options:

- 25% of the portion of the Performance Option that has been Earned shall become vested and exercisable on the date of determination by the Compensation Committee of the Company's actual consolidated Adjusted EBITDA for the Option Grant Year and the remaining portion of the Performance Option that has been Earned shall become vested and exercisable on each anniversary of the last day of the Option Grant Year in equal installments of 25%, such that 100% of the portion of the Performance Option that has been Earned shall be vested and exercisable on the third anniversary of the last day of the Option Grant Year.
- For any portion of the Performance Option that has not been Earned and remains outstanding and unvested following the Compensation Committee's determination for the Option Grant Year, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of February 1, 2021 equals or exceeds the applicable target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued service.

For 2017, the Compensation Committee determined on March 6, 2018 that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "high performance target" but greater than the "low performance target." Accordingly, a specified percentage (56.5%) of the Performance Options granted under the 2017 Executive Option Agreement, as determined by the linear performance scale, were Earned and vest pursuant to the applicable time vesting provisions for Performance Options in the 2017 Executive Option Agreement, with the remaining portion of the Performance Options not being Earned. Pursuant to the 2017 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued service.

2018 Executive Option Agreement

The Company granted the following awards of Options to each of Messrs. Mullican, Johnson, and Attaway pursuant to an Option Agreement under the 2011 Equity Plan, or the 2018 Executive Option Agreement:

- On April 5, 2018, the Company granted 128,825 Time Options and 64,412 Performance Options with an exercise price of $5.23 to Mr. Mullican;
- On April 5, 2018, the Company granted 104,670 Time Options and 52,335 Performance Options with an exercise price of $5.23 to Mr. Johnson; and
- On April 5, 2018, the Company granted 112,722 Time Options and 56,361 Performance Options with an exercise price of $5.23 to Mr. Attaway.

The 2018 Executive Option Agreement is substantially similar to the 2017 Executive Option Agreement except that for any portion of the Performance Option that has not been Earned and remains outstanding and unvested following the Compensation Committee's determination for the Option Grant Year, the target Membership Unit price is different and the measurement date is February 2, 2022 for each of Messrs. Mullican, Johnson, and Attaway.

As of the 2019 fiscal year end, the Performance Options granted under the 2018 Executive Option Agreement had not been Earned because the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "low performance target." Pursuant to the 2018 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued service.

2019 Executive Option Agreement

The Company granted the following awards of Options to each of Messrs. Mullican, Lawrence, Johnson, and Attaway pursuant to an Option Agreement under the 2011 Equity Plan, or the 2019 Executive Option Agreement:

- On March 7, 2019, the Company granted:
  - 138,861 Time Options and 68,393 Performance Options with an exercise price of $5.26 to Mr. Mullican;
  - 411,270 Time Options and 106,865 Performance Options with an exercise price of $5.26 to Mr. Lawrence in connection with the commencement of his employment with us, pursuant to his employment agreement;
  - 121,504 Time Options and 59,844 Performance Options with an exercise price of $5.26 to Mr. Johnson; and
  - 112,824 Time Options and 55,570 Performance Options with an exercise price of $5.26 to Mr. Attaway.

The 2019 Executive Option Agreement is substantially similar to the 2017 Executive Option Agreement, except that for any portion of the Performance Option that has not been Earned and remains outstanding and unvested following the Compensation Committee's determination for the Option Grant Year: (i) the target Membership Unit price is different and the measurement date is February 3, 2023 for each of Messrs. Mullican, Johnson, and Attaway, and (ii) the target Membership Unit price is different and the measurement date is January 28, 2023 for Mr. Lawrence.

As described above, in order for the Performance Options to vest under the 2019 Executive Option Agreement, the Compensation Committee must certify that the Company achieved the 2019 Adjusted EBITDA dollar target. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year “high performance target” of $317.3 million in 2019 by achieving an actual Adjusted EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 Executive Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 Executive Option Agreement.

2020 Executive Option Agreement

The Company granted the following awards of Options to each of Messrs. Mullican, Lawrence, Johnson, and Attaway pursuant to an Option Agreement under the 2011 Equity Plan, or the 2020 Executive Option Agreement:

- On March 5, 2020, the Company granted:
  - 156,736 Time Options with an exercise price of $5.49 to Mr. Mullican;
  - 217,689 Time Options with an exercise price of $5.49 to Mr. Lawrence;
  - 156,736 Time Options with an exercise price of $5.49 to Mr. Johnson; and
  - 113,198 Time Options with an exercise price of $5.49 to Mr. Attaway.

With regard to vesting of Time Options, the 2020 Executive Option Agreement provides:

- 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to the grantee’s continued service through the applicable vesting date.
- Upon a termination of the grantee’s service at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had the grantee remained in service through such vesting date, will become vested and exercisable as of such termination.
- In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.

Restricted Units

The Company has granted Restricted Units to each Named Executive Officer pursuant to different forms of Restricted Unit award agreements under the 2011 Equity Plan, as described below, each a Restricted Unit Agreement. As of February 1, 2020, the Company had not recognized stock-based compensation expense for Restricted Units, some of which are subject to both a service-based vesting condition and a liquidity event-based vesting condition and others which are subject to a service-based vesting condition, a Company performance vesting condition, and a liquidity event-based vesting condition, because in each case the liquidity event had not occurred and, therefore, cannot be considered probable. In the period in which the Company’s liquidity event is probable (e.g., in connection with the IPO), the Company recorded a cumulative one-time equity-based compensation expense determined using the grant date fair values. Equity-based compensation related to remaining time-based service after the liquidity event will be recorded over the remaining requisite service period.

Restricted Unit Agreements of the CEO

2018 Independent Non-Employee Director Restricted Unit Agreement

On March 6, 2018, the Company granted 19,121 Restricted Units to Mr. Hicks for his service as a member of the Board pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or the 2018 Independent Non-Employee Director Restricted Unit Agreement.

The 2018 Independent Non-Employee Directors Restricted Unit Agreement provides that, subject to Mr. Hicks' continued service on such date, 100% of the Restricted Units shall vest on the earliest of (i) March 6, 2019, (ii) his termination of service due to death or disability or (iii) a Change of Control. The Restricted Units under the 2018 Independent Non-Employee Directors Restricted Unit Agreement became fully vested on March 6, 2019.

2018 CEO Restricted Unit Agreement

On September 16, 2018, the Company granted 735,295 Restricted Units to Mr. Hicks pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or as amended on January 30, 2019, the 2018 CEO Restricted Unit Agreement.

The 2018 CEO Restricted Unit Agreement provides:

- Settlement of Restricted Units is conditioned on satisfaction of two vesting requirements before the seventh anniversary of the grant date (or earlier termination of Restricted Units pursuant to the Restricted Unit Agreement): (i) a time and service based requirement, or the Time and Service Based Requirement, and (ii) a liquidity event requirement, or the Liquidity Event Requirement, each as described in clauses (1) and (2) below:
  - (1) The Liquidity Event Requirement will be satisfied on the earliest to occur of: (i) the consummation of the IPO, and (ii) the date of a Change of Control, any of the foregoing (i) and (ii) being an Initial Vesting Event, if Mr. Hicks is in continuous service on the date of the Initial Vesting Event.
  - (2) Provided that Mr. Hicks is in continuous service on each applicable vesting date described below, the Time and Service Based Requirement will be satisfied as to the following percentages of the Restricted Units:
    - (i) If the Initial Vesting Event occurs prior to the 24th monthly anniversary of the vesting commencement date (June 22, 2018), the total number of Restricted Units that will vest on the Initial Vesting Event shall be increased by 1/24th upon each monthly anniversary of the vesting commencement date, and
    - (ii) If the Initial Vesting Event occurs on or after the 24th monthly anniversary of the vesting commencement date, all of the Restricted Units will vest on the Initial Vesting Event;

provided, that, if Mr. Hicks is in continuous service on the date of a Change of Control, then the Time and Service Based Requirement will thereupon be satisfied as to 100% of the Restricted Units.

Restricted Units will only vest as set forth below if both the Time and Service Based Requirement and the Liquidity Event Requirement are satisfied before the expiration date of the Restricted Units:

- Restricted Units Vested at Initial Vesting Event.
  - If Mr. Hicks is in continuous service on the date of the Initial Vesting Event, then (i) if the Initial Vesting Event is a Change of Control, all (100%) of the Restricted Units will become vested upon the Change of Control, and (ii) if the Initial Vesting Event is an IPO, the Restricted Units shall become vested as of the IPO based on the vesting schedule set forth in clause (2) above and any then-unvested Restricted Units shall be subject to continued vesting on the vesting schedule set forth below with regard to "Restricted Units Vested after IPO," if applicable.
  - If Mr. Hicks' continuous service terminates for any reason prior to the date of the Initial Vesting Event, then all Restricted Units, including those Restricted Units that met the Time and Service Based Requirement at the time of Mr. Hicks' termination of service, will be forfeited as of the date of his termination of service.

- Restricted Units Vested after IPO.
  - If Mr. Hicks was in continuous service on the date of the IPO, then with respect to any unvested Restricted Units as of such date, vesting will continue under the Time and Service Based Requirement as set forth in clause (2) above, each vesting date a Subsequent Vesting Event. If his service is terminated at any time, any then-unvested Restricted Units shall be forfeited as of the date of his termination of service.

The 2018 CEO Restricted Unit Agreement provides that within 30 days following the occurrence of the Initial Vesting Event or any Subsequent Vesting Event as set forth above, Restricted Units that vest as of the Initial Vesting Event or any Subsequent Vesting Event shall be settled; provided, that if the Initial Vesting Event is an IPO, the Restricted Units that vest as of the IPO shall be settled on the earlier to occur of (x) the date that is six months after the consummation of the IPO or (y) March 15th of the calendar year following the calendar year in which the IPO is consummated.

2020 CEO Restricted Unit Agreement

On March 5, 2020, the Company granted 303,279 Restricted Units to Mr. Hicks pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or the 2020 CEO Restricted Unit Agreement.

The 2020 CEO Restricted Unit Agreement provides that only “Earned Restricted Units” are eligible to become vested in accordance with the vesting schedule set forth therein. Restricted Units become “Earned Restricted Units” based on (i) the Company’s level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs, such period, the RU Grant Year, or (ii) the Company’s achievement of a specified target Membership Unit price, or (iii) a Change of Control occurring during the RU Grant Year, in each case of clauses (i) and (ii) above in accordance with the performance targets set forth in the 2020 CEO Restricted Unit Agreement.

If the Company’s actual consolidated Adjusted EBITDA for the RU Grant Year is: (i) equal to or greater than the “high performance target,” then 100% of the Restricted Units shall be Earned Restricted Units; (ii) less than the “high performance target” but equal to or greater than the “low performance target,” then a specified percentage (based on a linear performance scale) of the Restricted Units shall be Earned Restricted Units; and (iii) less than the “low performance target,” then none of the Restricted Units shall become Earned Restricted Units.

The 2020 CEO Restricted Unit Agreement provides that if prior to consummation of an IPO or Change of Control (i) any Restricted Units that have not become Earned Restricted Units remain outstanding and unvested as of February 2, 2024, and (ii) the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of such date equals or exceeds the applicable target Membership Unit price, then 100% of the Restricted Units that have not become Earned Restricted Units as of such date shall become Earned Restricted Units immediately upon such determination by the Compensation Committee. No Restricted Units may become Earned Restricted Units pursuant to this paragraph following a termination of service for any reason or following the consummation of an IPO or Change of Control.

The 2020 CEO Restricted Unit Agreement further provides that (i) if a Change of Control occurs during the RU Grant Year, then all outstanding Restricted Units shall automatically become Earned Restricted Units immediately prior to such Change of Control and (ii) if a Change of Control occurs following the RU Grant Year, any Restricted Units that are not Earned Restricted Units as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

With regard to vesting, the 2020 CEO Restricted Unit Agreement provides:

- Earned Restricted Units have two vesting requirements that must occur before the 10th anniversary of the grant date (or earlier termination of Restricted Units pursuant to the Restricted Unit Agreement): (i) a time and service based requirement, or the Time and Service Based Requirement and (ii) a liquidity event requirement, or the Liquidity Event Requirement, each as described in clauses (1) and (2) below:
  - (1) The Liquidity Event Requirement will be satisfied on the earlier to occur of: (i) the consummation of the IPO, and (ii) the date of a Change of Control, any of the foregoing (i) and (ii) being an Initial Vesting Event, if Mr. Hicks is in continuous service on the date of the Initial Vesting Event.
  - (2) Provided that Mr. Hicks is in continuous service on each applicable vesting date described below, the Time and Service Based Requirement will be satisfied as to the following percentages of the Earned Restricted Units:
    - (i) If the Initial Vesting Event occurs prior to the 48th monthly anniversary of the grant date, the total number of Earned Restricted Units that will vest on the Initial Vesting Event shall be increased by 1/48th upon each monthly anniversary of the grant date; provided, that, if Mr. Hicks' service is terminated by the Company without Cause or due to his resignation for Good Reason (as such terms are defined in Mr. Hicks' employment agreement) prior to the sixth monthly anniversary of the grant date, then 6/48th of the Earned Restricted Units will vest on the Initial Vesting Event, and
    - (ii) If the Initial Vesting Event occurs on or after the 48th monthly anniversary of the grant date, all of the Earned Restricted Units will vest on the Initial Vesting Event;

provided, that, if Mr. Hicks is in continuous service on the date of a Change of Control, then the Time and Service Based Requirement will thereupon be satisfied as to 100% of the Earned Restricted Units.

Earned Restricted Units will only vest as set forth below if both the Time and Service Based Requirement and the Liquidity Event Requirement are satisfied before the expiration date of the Restricted Units:

- Earned Restricted Units Vested at Initial Vesting Event.
  - If Mr. Hicks is in continuous service on the date of the Initial Vesting Event, then (i) if the Initial Vesting Event is a Change of Control, all of the Earned Restricted Units will become vested upon the Change of Control, and (ii) if the Initial Vesting Event is an IPO, the Earned Restricted Units shall become vested as of the IPO based on the vesting schedule set forth in clause (2) above and any then-unvested Earned Restricted Units shall be subject to continued vesting on the vesting schedule set forth below with regard to "Earned Restricted Units Vested after IPO," if applicable.
  - If Mr. Hicks' continuous service terminates for any reason prior to the date of the Initial Vesting Event, then all Restricted Units (including those Earned Restricted Units that met the Time and Service Based Requirement at the time of his termination of service) will be forfeited as of the date of his termination of service.
- Earned Restricted Units Vested after IPO.
  - If Mr. Hicks was in continuous service on the date of the IPO, then with respect to any unvested Earned Restricted Units as of such date, vesting will continue under the Time and Service Based Requirement schedule as set forth in clause (2) above, each vesting date, a Subsequent Vesting Event. If his service is terminated, any then-unvested Earned Restricted Units shall be forfeited as of the date of his termination of service.

The 2020 CEO Restricted Unit Agreement provides that within 30 days following the occurrence of the Initial Vesting Event or any Subsequent Vesting Event as set forth above, Earned Restricted Units that vest as of the Initial Vesting Event or any Subsequent Vesting Event shall be settled; provided, that if the Initial Vesting Event is an IPO, the Earned Restricted Units that vest as of the IPO shall be settled on the earlier to occur of (x) the date that is six months after the consummation of the IPO or (y) March 15th of the calendar year following the calendar year in which the IPO is consummated.

Restricted Unit Agreements of the Other Named Executive Officers

2018 Executive Restricted Unit Agreement

The Company granted the following awards of Restricted Units to each of Messrs. Mullican, Johnson, and Attaway pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or the 2018 Executive Restricted Unit Agreement.

- On June 22, 2018, the Company granted
  - 377,359 Restricted Units to Mr. Mullican;
  - 235,850 Restricted Units to Mr. Johnson; and
  - 141,510 Restricted Units to Mr. Attaway.

With regard to vesting, the 2018 Executive Restricted Unit Agreement provides:

- Settlement of Restricted Units is conditioned on satisfaction of two vesting requirements before the fifth anniversary of the grant date (or earlier termination of Restricted Units pursuant to the Restricted Unit Agreement): (i) a time and service based requirement, or the Time and Service Based Requirement and (ii) a liquidity event requirement, or the Liquidity Event Requirement, each as described in clauses (1) and (2) below:
  - (1) The Liquidity Event Requirement will be satisfied on the earlier to occur of: (i) the consummation of the IPO, and (ii) the date of a Change of Control, any of the foregoing (i) and (ii) being an Initial Vesting Event, if the grantee is in continuous service on the date of the Initial Vesting Event.
  - (2) Provided that the grantee is in continuous service on each applicable vesting date described below, the Time and Service Based Requirement will be satisfied as to the following percentages of the Restricted Units:
    - (i) 25% on or after the first anniversary of the grant date but prior to the second anniversary of the grant date,
    - (ii) 25% on or after the second anniversary of the grant date but prior to the third anniversary of the grant date,
    - (iii) 25% on or after the third anniversary of the grant date but prior to the fourth anniversary of the grant date, and
    - (iv) 25% on or after the fourth anniversary of the grant date;

provided, that, if the grantee is in continuous service on the date of a Change of Control, then the Time and Service Based Requirement will thereupon be satisfied as to 100% of the Restricted Units.

Restricted Units will only vest as set forth below if both the Time and Service Based Requirement and the Liquidity Event Requirement are satisfied before the expiration date of the Restricted Units:

- Restricted Units Vested at Initial Vesting Event.
  - If the grantee is in continuous service on the date of the Initial Vesting Event, then (i) if the Initial Vesting Event is a Change of Control, all of the Restricted Units will become vested upon the

Change of Control, and (ii) if the Initial Vesting Event is an IPO, the Restricted Units shall become vested as of the IPO based on the vesting schedule set forth in clause (2) above and any then-unvested Restricted Units shall be subject to continued vesting on the vesting schedule set forth below with regard to "Restricted Units Vested after IPO," if applicable.

    - If the grantee's continuous service terminates for any reason prior to the date of the Initial Vesting Event, then all Restricted Units, including all Restricted Units that met the Time and Service Based Requirement at the time of the grantee's termination of service, will be forfeited as of the date of the grantee's termination of service.

- Restricted Units Vested after IPO.

    - If the grantee is in continuous service on the date of this offering, then with respect to any unvested Restricted Units as of such date, vesting will continue under the Time and Service Based Requirement as set forth in clause (2) above, each vesting date a Subsequent Vesting Event. If the grantee's service is terminated, any then-unvested Restricted Units shall be forfeited as of the date of the grantee's termination of service.

The 2018 Executive Restricted Unit Agreement provides that within 30 days following the occurrence of the Initial Vesting Event or any Subsequent Vesting Event as set forth above, Restricted Units that vest as of the Initial Vesting Event or any Subsequent Vesting Event shall be settled; provided, that if the Initial Vesting Event is an IPO, the Restricted Units that vest as of the IPO shall be settled on the earlier to occur of (x) the date that is six months after the consummation of the IPO or (y) March 15th of the calendar year following the calendar year in which the IPO is consummated.

2019 Executive Restricted Unit Agreement

On March 7, 2019, the Company granted 142,586 Restricted Units to Mr. Lawrence in connection with the commencement of his employment with us pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or the 2019 Executive Restricted Unit Agreement. The 2019 Executive Restricted Unit Agreement is identical to the 2018 Executive Restricted Unit Agreement.

2020 Executive Restricted Unit Agreement

The Company granted the following awards of Restricted Units to each of Messrs. Mullican, Lawrence, Johnson, and Attaway pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or the 2020 Executive Restricted Unit Agreement:

- On March 5, 2020, the Company granted:

    - 54,591 Restricted Units to Mr. Mullican;

    - 75,820 Restricted Units to Mr. Lawrence;

    - 54,591 Restricted Units to Mr. Johnson; and

    - 39,427 Restricted Units to Mr. Attaway.

The 2020 Executive Restricted Unit Agreement is substantially similar to the 2020 CEO Restricted Unit Agreement, except that it contains the following vesting schedule with respect to the Time and Service Based Requirement:

- Provided that the grantee is in continuous service on each applicable vesting date described below, the Time and Service Based Requirement will be satisfied as to the following percentages of the Earned Restricted Units:

    - (i) 25% on or after the date of determination by the Compensation Committee of the Company's actual consolidated Adjusted EBITDA for the RU Grant Year but prior to the second anniversary of the vesting commencement date (February 2, 2020),

- (ii) 50% on or after the second anniversary of the vesting commencement date but prior to the third anniversary of the vesting commencement date,
- (iii) 75% on or after the third anniversary of the vesting commencement date but prior to the fourth anniversary of the vesting commencement date, and
- (iv) 100% on or after the fourth anniversary of the vesting commencement date.

Additional Restricted Unit Awards Granted in 2020

On August 26, 2020, the Company granted the following awards of Restricted Units to each of the Named Executive Officers pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, or the August 2020 Restricted Unit Agreement:

- 777,203 to Mr. Hicks;
- 345,424 to Mr. Mullican;
- 345,424 to Mr. Lawrence;
- 345,424 to Mr. Johnson; and
- 86,356 to Mr. Attaway.

The August 2020 Restricted Unit Agreement provides:

- Settlement of Restricted Units is conditioned on satisfaction of two vesting requirements before the tenth anniversary of the grant date (or earlier termination of Restricted Units pursuant to the Restricted Unit Agreement): (i) a time and service based requirement, or the Time and Service Based Requirement, and (ii) a liquidity event requirement, or the Liquidity Event Requirement, each as described in clauses (1) and (2) below:
  - (1) The Liquidity Event Requirement will be satisfied on the earliest to occur of: (i) the consummation of the IPO, (ii) the consummation of an acquisition of the Company or one of its affiliates by, or merger of the Company or one of its affiliates with, a publicly traded special purpose acquisition company, which consummation does not thereupon result in a Change of Control, or a SPAC Event, and (iii) the date of a Change of Control, any of the foregoing (i) to (iii) being an Initial Vesting Event, if the executive is in continuous service on the date of the Initial Vesting Event.
  - (2) Provided that the executive is in continuous service on each applicable vesting date described below, the Time and Service Based Requirement will be satisfied as to the following percentages of the Restricted Units:
    - 25% on or after the first anniversary of the grant date but prior to the second anniversary of the grant date, and
    - 75% on or after the second anniversary of the grant date;

provided, that, if the executive is in continuous service on the date of a Change of Control, then the Time and Service Based Requirement will thereupon be satisfied as to 100% of the Restricted Units.

Restricted Units will only vest as set forth below if both the Time and Service Based Requirement and the Liquidity Event Requirement are satisfied before the expiration date of the Restricted Units:

- Restricted Units Vested at Initial Vesting Event.
  - If the executive is in continuous service on the date of the Initial Vesting Event, then (i) if the Initial Vesting Event is a Change of Control, all (100%) of the Restricted Units will become vested upon the Change of Control, and (ii) if the Initial Vesting Event is a SPAC Event or an IPO, the Restricted Units shall become vested as of the SPAC Event or IPO based on the vesting

schedule set forth in clause (2) above and any then-unvested Restricted Units shall be subject to continued vesting on the vesting schedule set forth below with regard to “Restricted Units Vested after SPAC Event or IPO,” if applicable.

- If the executive’s continuous service terminates for any reason prior to the date of the Initial Vesting Event, then all Restricted Units, including those Restricted Units that met the Time and Service Based Requirement at the time of the termination of service, will be forfeited as of the date of termination of service.
- Restricted Units Vested after SPAC Event or IPO.
  - If the executive is in continuous service on the date of the SPAC Event or the IPO, then with respect to any unvested Restricted Units as of such date, vesting will continue under the Time and Service Based Requirement as set forth in clause (2) above, each vesting date a Subsequent Vesting Event. If the executive’s service is terminated at any time following the SPAC Event or the IPO, any then-unvested Restricted Units shall be forfeited as of the date of termination of service.

The August 2020 Restricted Unit Agreement provides that within 30 days following the occurrence of the Initial Vesting Event or any Subsequent Vesting Event as set forth above, Restricted Units that vest as of the Initial Vesting Event or any Subsequent Vesting Event shall be settled; provided, that if the Initial Vesting Event is an IPO, the Restricted Units that vest as of the IPO shall be settled on the earlier to occur of (x) the date that is six months after the consummation of the IPO or (y) March 15th of the calendar year following the calendar year in which the IPO is consummated.

IPO Equity Awards under 2020 Equity Plan

The Compensation Committee has adopted and our equityholders approved the 2020 Equity Plan. Equity awards under the 2020 Equity Plan are designed to reward our employees, including our Named Executive Officers, for long-term equityholder value creation. In determining equity awards for our Named Executive Officers, our Compensation Committee will take into account the Company’s overall financial performance as well as its performance versus competitor firms. The awards made under the 2020 Equity Plan concurrent with the IPO, as described below, were granted to ensure such individuals’ alignment with our equityholders’ interests and to provide a retention element to their compensation.

Pursuant to the 2020 Equity Plan, concurrent with the pricing (in the case of options) and closing (in the case of restricted stock units) of the IPO, we granted 140,525 options in the aggregate and 12,772 restricted stock units in the aggregate to employees who are not Section 16 officers. The options have a per share exercise price equal to the initial public offering price.

Other Compensation

Retirement Benefits

We maintain a 401(k) plan, which is intended to be qualified under Section 401(a) of the Code, with the 401(k) plan’s related trust intended to be tax exempt under Section 501(a) of the Code. Our 401(k) plan provides eligible U.S. employees, including the Named Executive Officers, with an opportunity to save for retirement on a tax-advantaged basis. Under our 401(k) plan, eligible employees may defer eligible compensation subject to applicable annual contribution limits imposed by the Code. As a tax-qualified retirement plan, contributions to the 401(k) plan and earnings on those contributions are not taxable to the employees until distributed from the plan. Employees are immediately and fully vested in their contributions. Employees are eligible for employer matching on the anniversary of their hire date and the completion of 1,000 work hours. We match up to 6% of employee eligible compensation based on the employee’s deferrals, up to applicable IRS limits, per calendar year for each employee and such matching contributions are immediately and fully vested.

No Pension Benefits

Other than with respect to our 401(k) plan, our U.S. employees, including the Named Executive Officers, do not participate in any plan that provides for retirement payments and benefits, or payments and benefits that will be provided primarily following retirement.

No Nonqualified Deferred Compensation

During 2019, our employees, including the Named Executive Officers, did not contribute to, or earn any amounts with respect to, any defined contribution or other plan sponsored by us that provides for the deferral of compensation on a basis that is not tax-qualified.

Health Benefits

We provide various employee benefit programs to our Named Executive Officers, including medical, vision, dental, life insurance, accidental death and dismemberment, long-term disability, short-term disability, health savings accounts and wellness programs. These benefit programs are generally available to all of our salaried full-time employees.

We design our employee benefits programs to be affordable and competitive in relation to the market, as well as compliant with applicable laws and practices. We adjust our employee benefits programs as needed based upon regular monitoring of applicable laws and practices and the competitive market.

Perquisites and Other Benefits

The benefits described below are provided to the Named Executive Officers to eliminate potential distractions from performing their regular job duties and to promote productivity, health and wellbeing. We believe the cost of these programs is counterbalanced by an increase in productivity by the Named Executive Officers receiving access to them. All of the perquisites and personal benefits described below have been approved by, and future practices with respect to perquisites or other personal benefits will be approved by, and all such perquisites and personal benefits shall be subject to periodic review by, the Compensation Committee.

General

In order to maintain competitiveness in the market as well as to maintain continuity of leadership by encouraging physical and financial well-being, the Compensation Committee approved reimbursement for annual physicals (up to an amount of $2,000, with a tax gross-up for Mr. Hicks to cover such reimbursement in the additional amount of $2,032) and a financial planning allowance (in the amount of $5,000 with no tax gross up) for each of the Named Executive Officers in 2019.

The Company partners with various athletic organizations for business purposes and these organizations may include tickets to their events as part of our partnership with them. Executive officers and employees may have the opportunity to use these tickets for personal use, only if they are not already being used for business purposes. There is no incremental cost to the Company for providing these individual tickets to employees.

Mr. Hicks

Pursuant to Mr. Hicks' employment agreement, he is entitled to certain perquisites. Specifically, during Mr. Hicks' employment:

(i) the Company shall pay directly or reimburse him for reasonable monthly rent and utilities costs (including electric, gas, water, alarm, cable, housekeeping, and internet but excluding meals and laundry) for a furnished rental apartment in the Katy, Texas area;

(ii) he shall have use of a company-owned vehicle when in Katy, Texas with satellite radio and all maintenance and insurance costs with respect to such vehicle; and

(iii) the Company shall pay directly or reimburse him on a monthly basis for reasonable and necessary expenses incurred by him in connection with commuting from his residence in California to Katy, Texas (including jet card payments for private air travel, cost of catering on the flights and transportation to and from airports).

In addition, Mr. Hicks is entitled to receive from the Company on a monthly basis an additional payment in an amount sufficient to indemnify him on a net after-tax basis for any income tax associated with the provision of any of the perquisites described above.

Mr. Johnson

In 2019, pursuant to his employment agreement, the Company provided Mr. Johnson reimbursement for relocation expenses, with a tax gross-up.

Mr. Attaway

In 2019, Mr. Attaway received tax preparation reimbursement regarding his Allstar Managers unit subscription, which was offered to all employees who subscribed for units at that time. This benefit will cease to apply in 2020 by mutual agreement of the Company and Mr. Attaway.

Severance and Change of Control Arrangements

Each Named Executive Officer is entitled to receive severance benefits under the terms of his employment agreement upon either termination by us without cause or a resignation by the Named Executive Officer for good reason. We provide these severance benefits in order to provide an overall compensation package that is competitive with that offered by the companies with whom we compete for executive talent. Severance benefits provide retention incentives and allow our executives to focus on our objectives without concern for their employment security in the event of a termination.

In addition, we have approved accelerated vesting provisions for Options and Restricted Units granted to Named Executive Officers in connection with a change of control, and limited acceleration in the cases of termination due to death or disability in the absence of a change of control. We believe these accelerated vesting provisions reflect current market practices, based on the collective knowledge and experiences of our Compensation Committee members and executive team for compensation, and allow us to attract and retain the highest level of talented and experienced executive officers. We also believe that these accelerated vesting provisions will encourage our executive officers to focus on continuing normal business operations, remain dedicated to innovating and exploring potential business combinations that may not be in their personal best interests, and maintain a balanced perspective in making overall business decisions during potentially uncertain periods. Please see "—Potential Payments Upon Termination or Change of Control" for additional information regarding accelerated vesting in connection with a change of control.

Tax and Accounting Implications

The Compensation Committee operates its compensation programs with the good faith intention of complying with Section 409A of the Code. We account for equity-based payments with respect to our long-term equity incentive award programs in accordance with the requirements of FASB Accounting Standards Codification Topic 718, Compensation—Stock Compensation, or FASB ASC Topic 718.

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SUMMARY COMPENSATION TABLE

The following table summarizes the total compensation earned by our Named Executive Officers in the fiscal year ended February 1, 2020 (or 2019). We have omitted from this table the columns for Change in Pension Value and Nonqualified Deferred Compensation Earnings, because no Named Executive Officer received such types of compensation during 2019.

Summary Compensation Table

Name and Principal Position	Year	Salary ($)(1)	Bonus ($)(2)	Stock Awards ($)(3)	Option Awards ($)(4)	Non Equity Incentive Plan Compensation ($)(5)	All Other Compensation ($)(6)	Total ($)
Ken C. Hicks Chairman, President, and Chief Executive Officer	2019	1,100,000	—	—	2,808,290	1,868,667	1,089,042	6,865,999
Michael P. Mullican EVP, Chief Financial Officer	2019	487,827	—	—	571,336	505,353	23,667	1,588,183
Steven P. Lawrence EVP, Chief Merchandising Officer(7)	2019	677,596	200,000	—	1,428,983	858,663	—	3,165,242
Samuel J. Johnson EVP, Retail Operations	2019	463,884	—	—	499,922	480,509	53,867	1,498,182
Kenneth D. Attaway EVP, Chief Operations Officer	2019	446,500	—	—	464,211	462,541	26,204	1,399,456

(1) The amounts reported in this column represent the Named Executive Officer's base salary earned during 2019.

(2) Pursuant to Mr. Lawrence's employment agreement, dated January 29, 2019, he received a sign-on bonus of $200,000, which was paid by the Company within the first 30 days of his commencement of employment. This sign-on bonus was subject to a pro-rata repayment obligation that expired on February 11, 2020, the first anniversary of Mr. Lawrence's employment with us.

(3) Pursuant to Mr. Lawrence's employment agreement, dated January 29, 2019, the Company granted 142,586 Restricted Units to Mr. Lawrence on March 7, 2019. However, as of February 1, 2020, the Company had not recognized equity-based compensation expense for any of the outstanding Restricted Units granted to employees, which are subject to both a service-based vesting condition and a liquidity event-based vesting condition. In the period in which the Company's liquidity event occurs (e.g., in connection with the IPO), the Company recorded a cumulative stock-based compensation expense for the then vested awards. Equity-based compensation related to remaining time-based service after the liquidity event will be recorded over the remaining requisite service period. The grant date fair value of the Restricted Units, assuming the achievement of the liquidity event-based vesting condition, would have been $750,002 for Mr. Lawrence (based on a grant date fair value per Restricted Unit of $5.26).

(4) The amounts reported in this column represent the grant date fair value of the Time Options and Performance Options granted to each of the Named Executive Officers in 2019 pursuant to an Option Agreement under the 2011 Equity Plan, computed in accordance with FASB Accounting Standards Codification Topic 718. The valuation assumptions used in determining such amounts are described in Note 10, *Equity and Unit-Based Compensation* to our audited consolidated financial statements included elsewhere in this prospectus. The grant date fair value of the Performance Options, which vest based on performance-vesting criteria, is based upon the probable outcome of the performance conditions at the date of grant and assumes the "target" level of performance is achieved, which is the highest level of performance condition achievable for the awards.

(5) The amounts reported in this column represent the annual incentive bonus amounts earned by each Named Executive Officer pursuant to the Executive Team Bonus Plan for 2019.

(6) For a description of our perquisites, see "Other Compensation—Perquisites and Other Benefits" in this Compensation Discussion and Analysis.

"All Other Compensation" for Mr. Hicks includes the following perquisites, pursuant to Mr. Hicks' employment agreement and which were approved by the Compensation Committee:

(i) $49,341 for monthly rent and utilities costs (including electric, gas, water, alarm, cable, housekeeping and internet but excluding meals and laundry) for a furnished rental apartment in the Katy, Texas area, which includes a $57,638 tax-gross up on these amounts;

(ii) $14,002 for use of a Company-owned vehicle when in Katy, Texas with satellite radio and all maintenance and insurance costs with respect to such vehicle (calculated as described below), which includes a $16,959 tax gross-up on the cost of the Company vehicle usage; and

(iii) $744,754 for expenses incurred in connection with commuting from his residence in California to Katy, Texas (including jet card payments for private air travel, cost of meals on the flights and $3,314 for transportation to and from airports), which includes a $54,545 tax-gross up on the cost of flights and a $3,954 tax-gross up on the cost of transportation to and from his flights to his home.

"All Other Compensation" for Mr. Hicks also includes: (i) $5,000 for financial planning services; (ii) $1,835 in connection with an executive physical and $2,032 in related tax gross-up; and (iii) $21,884 for the employer matching contribution by the Company under our 401(k) plan.

We calculated the incremental cost to us for Mr. Hicks' personal use of a Company vehicle (including commuting and business travel not considered directly and integrally related to the performance of his duties) based on the depreciation expense, cost of insurance, and operating costs, such as fuel and maintenance, related to such travel. The incremental costs of personal trips using other ground transportation arrangements, such as vehicle services, are valued at the actual cost to us.

"All Other Compensation" for Mr. Mullican includes: (i) $16,867 for the employer matching contribution by the Company under our 401(k) plan; (ii) $1,800 in connection with an executive physical; and (iii) $5,000 in connection with financial planning.

"All Other Compensation" for Mr. Johnson includes: (i) $20,390 in relocation-related benefits and $14,722 in related tax gross-ups; (ii) $1,800 in connection with an executive physical; and (iii) $16,955 for the employer matching contribution by the Company under our 401(k) plan.

"All Other Compensation" for Mr. Attaway includes: (i) $16,859 for the employer matching contribution by the Company under our 401(k) plan; (ii) $1,800 in connection with an executive physical; (iii) $5,000 in connection with financial planning; and (iv) $2,545 in connection with tax preparation assistance.

The Company partners with various athletic organizations for business purposes and these organizations may include tickets to their events as part of our partnership with them. Executive officers and employees may have the opportunity to use these tickets for personal use, only if they are not already being used for business purposes. There is no incremental cost to the Company for providing these individual tickets to employees. Accordingly, no amount is shown for this perquisite under the "All Other Compensation" column.

(7) Mr. Lawrence commenced employment with us on February 11, 2019, after the beginning of the 2019 fiscal year. He did not participate in the 401(k) plan in 2019.

Employment Agreements with Named Executive Officers

The Company entered into an employment agreement with each of our Named Executive Officers and certain other members of senior management to help ensure the retention of those executive officers critical to the future success of the Company. Each employment agreement sets forth standard terms summarizing annual base salary, bonus and benefits.

Each of Messrs. Hicks, Mullican, Lawrence, and Johnson are subject to the following restrictive covenants under their applicable employment agreements: (i) confidentiality during employment and perpetually upon termination, (ii) irrevocable assignment of all rights of any intellectual property created during employment to the Company, (iii) non-competition during employment and for 24 months following termination, and (iv) non-solicitation of employees, no hire, and non-solicitation of customers for 24 months following termination. Mr. Attaway is subject to the following restrictive covenants under his employment agreement: (i) confidentiality during employment and perpetually upon termination, (ii) non-competition during employment and for six months following termination (or, if applicable, during the 24 month period following a qualifying termination of employment where he is entitled to severance payments), and (iii) non-solicitation of employees and non-interference with the Company's business for six months following termination (or, if applicable, during the 24 month period following a qualifying termination of employment where he is entitled to severance payments).

In addition to the below, each of the employment agreements also provides for certain severance payments that may be due following termination of employment under certain circumstances, subject to execution of a release of claims and compliance with certain restrictive covenants, described under the heading "Potential Payments upon Termination of Employment or Change of Control."

Hicks Employment Agreement

Pursuant to Mr. Hicks' employment agreement, dated August 2, 2018, he serves as the President, Chief Executive Officer of the Company and Chairman of the Board, or the Hicks Employment Agreement. The following terms and events are provided by the Hicks Employment Agreement.

Employment Term

The Hicks Employment Agreement has no specified employment term and may be terminated by either the Company or Mr. Hicks with a written notice of termination.

Compensation and Benefits

Mr. Hicks is entitled to an initial base salary of $1,100,000 (unchanged in 2020), which may be increased at the discretion of the Board or Compensation Committee. In addition, he is eligible to participate in the Executive Team Bonus Plan, pursuant to which he has a target bonus opportunity equal to 150% (unchanged in 2020) of his annual base salary, with a threshold bonus equal to 50% of the annual target bonus opportunity, if he does not achieve annual target performance goals, but achieves threshold performance targets as established by the Board or Compensation Committee, and a maximum bonus equal to 300% of his annual target bonus opportunity, if he achieves superior performance targets as established by the Board or Compensation Committee.

In addition, Mr. Hicks is entitled to reimbursement for all reasonable business, entertainment and travel expenses incurred in performing services under the Hicks Employment Agreement in accordance with the Company's expense reimbursement policy, including all travel expenses while away from the Katy, Texas area on business or at the request of and in the service of the Company.

During Mr. Hicks' employment: (i) the Company shall pay directly or reimburse him for reasonable monthly rent and utilities costs (including electric, gas, water, alarm, cable, housekeeping and internet but excluding meals and laundry) for a furnished rental apartment in the Katy, Texas area, (ii) he shall have use of a company-owned vehicle when in Katy, Texas with satellite radio and all maintenance and insurance costs with respect to such vehicle, and (iii) the Company shall pay directly or reimburse him on a monthly basis for reasonable and necessary expenses incurred by Mr. Hicks in connection with commuting from his residence in California to Katy, Texas (including jet card payments for private air travel, cost of meals on the flights and transportation to and from airports). In addition, he is entitled to receive from the Company on a monthly basis an additional payment in an amount sufficient to indemnify him on a net after-tax basis for any income tax associated with the provision of any of the perquisites described above.

Mullican Employment Agreement

Pursuant to Mr. Mullican's employment agreement, dated January 6, 2017 and amended on December 11, 2017, he serves as Executive Vice President and Chief Financial Officer of the Company, or the Mullican Employment Agreement. The following terms and events are provided by the Mullican Employment Agreement.

Employment Term

The Mullican Employment Agreement provides that Mr. Mullican's employment period shall end on the first anniversary of the effective date of the employment agreement, and shall be automatically extended for an additional year on each anniversary of the effective date unless written notice of termination is given no later than 30 days prior to the end of the employment period (including any extension thereof) by either the Company or Mr. Mullican.

Compensation and Benefits

Mr. Mullican is entitled to an initial base salary of $475,000 ($508,000 in 2020), which may be increased at the discretion of the Board or Compensation Committee. In addition, he is eligible to participate in the Executive Team Bonus Plan, pursuant to which he has a target bonus opportunity equal to 100% of his annual base salary (unchanged in 2020), if he achieves pre-established performance targets, as determined by the Board or Compensation Committee.

In addition, Mr. Mullican is entitled to reimbursement for all reasonable business, entertainment and travel expenses incurred in performing services under the Mullican Employment Agreement in accordance with the Company's expense reimbursement policy, including all travel expenses while away from home on business or at the request of and in the service of the Company.

Lawrence Employment Agreement

Pursuant to Mr. Lawrence's employment agreement, dated January 29, 2019, he serves as Executive Vice President and Chief Merchandising Officer of the Company, or the Lawrence Employment Agreement. The following terms and events are provided by the Lawrence Employment Agreement.

Employment Term

The Lawrence Employment Agreement has no specified employment term and may be terminated by either the Company or Mr. Lawrence with a written notice of termination.

Compensation and Benefits

Mr. Lawrence is entitled to an initial base salary of $685,000 ($730,000 in 2020), which may be increased at the discretion of the Board or the Compensation Committee. In addition, he is eligible to participate in the Executive Team Bonus Plan, pursuant to which he has a target bonus opportunity equal to 120% of his annual base salary (unchanged in 2020), if he achieves pre-established performance targets, as determined by the Board or Compensation Committee.

Pursuant to the Lawrence Employment Agreement, Mr. Lawrence received a sign-on bonus of $200,000, which was paid by the Company within the first 30 days of his commencement of employment. Mr. Lawrence's employment agreement provides that if his employment had been terminated either by the Company for Cause or by Mr. Lawrence without Good Reason (as such terms are defined in the employment agreement), in either case, before February 11, 2020, he would have been required to repay to the Company a pro-rated portion of the gross amount of the sign-on bonus, calculated based on the number of whole months remaining in such 12 month period from the termination date.

In addition, Mr. Lawrence is entitled to reimbursement for all reasonable business, entertainment and travel expenses incurred in performing services under the Lawrence Employment Agreement in accordance with the Company's expense reimbursement policy, including all travel expenses while away from home on business or at the request of and in the service of the Company.

Johnson Employment Agreement

Pursuant to Mr. Johnson's employment agreement, dated April 17, 2017, he serves as Executive Vice President-Retail Operations of the Company, or the Johnson Employment Agreement. The following terms and events are provided by his employment agreement.

Employment Term

The Johnson Employment Agreement provides that Mr. Johnson's employment period shall end on the first anniversary of the effective date of the employment agreement, and shall be automatically extended for an additional year on each anniversary of the effective date unless written notice of termination is given no later than 30 days prior to the end of the employment period (including any extension thereof) by either the Company or Mr. Johnson.

Compensation and Benefits

Mr. Johnson is entitled to an initial base salary of $425,000 ($498,500 in 2020), which may be increased at the discretion of the Board or the Compensation Committee. In addition, he is eligible to participate in the Executive Team Bonus Plan, pursuant to which he has a target bonus opportunity equal to 100% (unchanged in 2020) of his annual base salary if he achieves pre-established performance targets, as determined by the Board or Compensation Committee.

In addition, Mr. Johnson is entitled to reimbursement for all reasonable business, entertainment and travel expenses incurred in performing services under the Johnson Employment Agreement in accordance with the Company's expense reimbursement policy, including all travel expenses while away from home on business or at the request of and in the service of the Company.

Attaway Employment Agreement

Pursuant to Mr. Attaway's employment agreement dated July 1, 2009, as amended and restated on August 30, 2011 and further amended on August 6, 2012, he served as Executive Vice President, Operations of the Company and since October 2013 serves as our Executive Vice President, Chief Operations Officer, or the Attaway Employment Agreement. The following terms and events are provided by his employment agreement.

Employment Term

The Attaway Employment Agreement provides that Mr. Attaway's employment period shall end on the first anniversary of the effective date of the employment agreement, and shall be automatically extended for an additional year on each anniversary of the effective date unless written notice of termination is given no later than 30 days prior to the end of the employment period (including any extension thereof) by either the Company or Mr. Attaway.

Compensation and Benefits

Mr. Attaway is entitled to an initial base salary of $325,000 ($465,500 in 2020), which may be increased at the discretion of the Board or the Compensation Committee. In addition, he is eligible to participate in the Executive Team Bonus Plan, pursuant to which he has a target bonus opportunity equal to 100% (unchanged in 2020) of his annual base salary if he achieves pre-established performance targets as determined by the Board or Compensation Committee.

In addition, Mr. Attaway is entitled to reimbursement for all reasonable business expenses incurred in performing services under the Attaway Employment Agreement in accordance with the Company's expense reimbursement policy, including all travel expenses while away from home on business or at the request of and in the service of the Company.

GRANTS OF PLAN BASED AWARDS IN 2019

The following table provides information with regard to each grant of plan-based awards made to a Named Executive Officer under any plan during the fiscal year ended February 1, 2020. For additional information regarding non-equity incentive plan awards, please see "—Executive Team Bonus Plan." For additional information regarding equity incentive plan awards, please see "Long-Term Equity Incentive Compensation—Equity Awards under 2011 Equity Plan."

Grants of Plan Based Awards Table

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)						
Name	Award Type	Grant Date(2)	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/ share)	Grant Date Fair Value of Stock and Option Awards ($)(4)(5)
Ken C. Hicks	Annual Bonus	—	825,000	1,650,000	4,950,000	—	—	—	—	—	—	—
	Time Options	3/7/2019	—	—	—	—	—	—	—	694,301	5.26	1,881,555
	Performance Options	3/7/2019	—	—	—	119,962	341,969	—	—	—	5.26	926,735
Michael P. Mullican	Annual Bonus	—	243,911	487,822	975,644	—	—	—	—	—	—	—
	Time Options	3/7/2019	—	—	—	—	—	—	—	138,861	5.26	383,256
	Performance Options	3/7/2019	—	—	—	23,992	68,393	—	—	—	5.26	188,080
Steve P. Lawrence	Annual Bonus	—	414,438	828,876	1,657,752	—	—	—	—	—	—	—
	Time Options	3/7/2019	—	—	—	—	—	—	—	411,270	5.26	1,135,105
	Performance Options	3/7/2019	—	—	—	37,488	106,865	—	—	—	5.26	293,878
	Restricted Units	3/7/2019	—	—	—	—	142,586	—	—	—	—	—
Sam J. Johnson	Annual Bonus	—	231,920	463,840	927,680	—	—	—	—	—	—	—
	Time Options	3/7/2019	—	—	—	—	—	—	—	121,504	5.26	335,351
	Performance Options	3/7/2019	—	—	—	20,993	59,844	—	—	—	5.26	164,571
Ken D. Attaway	Annual Bonus	—	223,247	446,495	892,990	—	—	—	—	—	—	—
	Time Options	3/7/2019	—	—	—				—	112,824	5.26	311,394
	Performance Options	3/7/2019	—	—	—	19,493	55,570	—	—	—	5.26	152,817

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(1) Amounts in the “Estimated Future Payouts Under Non-Equity Incentive Plan Awards” column relate to amounts payable to each Named Executive Officer in 2019 under our Executive Team Bonus Plan at threshold, target and maximum levels of performance, in each case calculated by multiplying each Named Executive Officer’s weighted average base salary for 2019 (assuming for this purpose the number of days determined by subtracting the last day of the fiscal year from the first day) by the applicable percentage at which the bonus would pay out based on the combined weighted achievement of the Company and individual performance metrics at each such level. The actual amounts paid to our Named Executive Officers are set forth in the “Summary Compensation Table” above and the calculation of the actual amounts paid is discussed more fully in “—Executive Team Bonus Plan” above.

(2) The vesting schedule applicable to each Time Option, Performance Option, and Restricted Unit award is set forth in the “—Outstanding Equity Awards at Fiscal Year End Table” table.

(3) The target level of achievement is the highest level of achievement possible under the equity incentive plan awards listed in this table.

(4) The amounts reported in this column do not reflect the actual economic value realized by the Named Executive Officer. The amounts reported in this column represent the grant date fair value of the Time Options and Performance Options granted to each of the Named Executive Officers in 2019 pursuant to an Option Agreement under the 2011 Equity Plan, computed in accordance with FASB Accounting Standards Codification Topic 718. The valuation assumptions used in determining such amounts are described in Note 10, *Equity and Unit-Based Compensation* to our audited consolidated financial statements incorporated by reference in this prospectus. The grant date fair value of the Performance Options, which vest based on performance-vesting criteria, is based upon the probable outcome of the performance conditions at the date of grant and assumes the “target” level of performance is achieved, which is the highest level of performance condition achievable for the awards.

(5) Pursuant to Mr. Lawrence’s employment agreement, dated January 29, 2019, the Company granted 142,586 Restricted Units to Mr. Lawrence on March 7, 2019. However, as of February 1, 2020, the Company had not recognized equity-based compensation expense for any of the outstanding Restricted Units granted to employees, which are subject to both a service-based vesting condition and a liquidity event-based vesting condition. In the period in which the Company’s liquidity event occurs (e.g., in connection with the IPO), the Company recorded a cumulative stock-based compensation expense for the then vested awards. Equity-based compensation related to remaining time-based service after the liquidity event will be recorded over the remaining requisite service period. The grant date fair value of the Restricted Units, assuming the achievement of the liquidity event-based vesting condition, would have been $750,002 for Mr. Lawrence (based on a grant date fair value per Restricted Unit of $5.26).

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OUTSTANDING EQUITY AWARDS AT 2019 FISCAL YEAR END

The following table provides information with regard to each outstanding equity award held by the Named Executive Officers on February 1, 2020.

Outstanding Equity Awards at Fiscal Year End Table

		Option Awards					Stock Awards			
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable (#)(1)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)(2)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)(3)**	**Option Exercise Price ($)**	**Option Expiration Date(4)**	**Number of Shares or Units of Stock that Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)(5)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(6)**
Ken C. Hicks	9/16/2018	—	—	—	—	—	—	—	735,295	4,036,769
	9/16/2018(7)	226,674	291,461	—	5.44	9/16/2028	—	—	—	—
	9/16/2018(8)	—	—	259,068	5.44	9/16/2028	—	—	—	—
	3/7/2019(9)	144,640	549,661	—	5.26	3/7/2029	—	—	—	—
	3/7/2019(10)	—	—	341,969	5.26	3/7/2029	—	—	—	—
Michael P. Mullican	3/23/2017(11)	49,261	49,262	—	5.30	3/23/2027	—	—	—	—
	3/23/2017(12)	13,916	13,916	21,429	5.30	3/23/2027	—	—	—	—
	4/5/2018(13)	32,206	96,619	—	5.23	4/5/2028	—	—	—	—
	4/5/2018(14)	—	—	64,412	5.23	4/5/2028	—	—	—	—
	6/22/2018	—	—	—	—	—	—	—	377,359	2,071,700
	3/7/2019(15)	—	138,861	—	5.26	3/7/2029	—	—	—	—
	3/7/2019(16)	—	—	68,393	5.26	3/7/2029	—	—	—	—
Steve P. Lawrence	3/7/2019	—	—	—	—	—	—	—	142,586	782,797
	3/7/2019(17)	—	411,270	—	5.26	3/7/2029	—	—	—	—
	3/7/2019(18)	—	—	106,865	5.26	3/7/2029	—	—	—	—
Sam J. Johnson	6/6/2017(19)	36,946	36,946	—	5.30	6/6/2027	—	—	—	—
	6/6/2017(20)	10,436	10,438	16,072	5.30	6/6/2027	—	—	—	—
	4/5/2018(21)	26,167	78,503	—	5.23	4/5/2028	—	—	—	—
	4/5/2018(22)	—	—	52,335	5.23	4/5/2028	—	—	—	—
	6/22/2018	—	—	—	—	—	—	—	235,850	1,294,816
	3/7/2019(23)	—	121,504	—	5.26	3/7/2029	—	—	—	—
	3/7/2019(24)	—	—	59,844	5.26	3/7/2029	—	—	—	—
Ken D. Attaway	7/2/2015(25)	650,000	—	—	1.66	8/30/2021	—	—	—	—
	7/2/2015(26)	650,000	—	—	1.66	8/30/2021	—	—	—	—
	3/27/2016(27)	88,752	29,585	—	5.30	3/27/2026	—	—	—	—
	3/23/2017(28)	61,576	61,578	—	5.30	3/23/2027	—	—	—	—
	3/23/2017(29)	17,394	17,396	26,786	5.30	3/23/2027	—	—	—	—
	4/5/2018(30)	28,180	84,542	—	5.23	4/5/2028	—	—	—	—
	4/5/2018(31)	—	—	56,361	5.23	4/5/2028	—	—	—	—
	6/22/2018	—	—	—	—	—	—	—	141,510	776,889
	3/7/2019(32)	—	112,824	—	5.26	3/7/2029	—	—	—	—
	3/7/2019(33)	—	—	55,570	5.26	3/7/2029	—	—	—	—

(1) The numbers in this column represent vested Time Options and vested Performance Options as of February 1, 2020.

(2) The numbers in this column represent (i) unvested Time Options as of February 1, 2020, or (ii) Performance Options which became Earned and are subject to time vesting.
(3) The numbers in this column represent unvested Performance Options that are not Earned as of February 1, 2020.
(4) The expiration date for each of the Options is the date that is ten years after the initial grant date.
(5) All of the Restricted Units granted to each Named Executive Officer are reported in this column because they are subject to a liquidity event-based vesting condition, which were satisfied upon the closing of the IPO, in addition to any other vesting conditions that continue to apply. The service-based vesting condition and liquidity event-based vesting condition and, if applicable, other performance-based vesting conditions, for each award of Restricted Units is described in "Long-Term Equity Incentive Compensation—Equity Awards under 2011 Equity Plan—Restricted Units."
(6) The market value of our Membership Units as of February 1, 2020, as approved by the Board on March 5, 2020, is based on the most recently completed independent third party valuation of the Membership Units (as of January 4, 2020). The market value of the Membership Units as of February 1, 2020 is equal to $5.49 per Membership Unit, or the Market Value Per Membership Unit.
(7) The Time Options granted to Mr. Hicks under the 2018 CEO Option Agreement vest as follows: 1/48th of the Time Options become vested and exercisable on each monthly anniversary of the vesting commencement date (April 5, 2018), subject to continued employment through the applicable vesting date.
(8) As of the 2019 fiscal year end, the Performance Options granted to Mr. Hicks under the 2018 CEO Option Agreement have not been Earned because the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "low performance target." Pursuant to the 2018 CEO Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.
(9) The Time Options granted to Mr. Hicks under the 2019 CEO Option Agreement vest as follows: 1/48th of the Time Options become vested and exercisable on each monthly anniversary of the grant date, subject to continued employment through the applicable vesting date.
(10) The Performance Options granted to Mr. Hicks under the 2019 CEO Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year "high performance target" of $317.3 million in 2019 by achieving an actual Adjusted EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 CEO Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 CEO Option Agreement.
(11) The Time Options granted to Mr. Mullican under the 2017 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.
(12) The Performance Options granted to Mr. Mullican under the 2017 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. For 2017, the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "high performance target" but greater than the "low performance target." Accordingly, a specified percentage (56.5%) of the Performance Options granted under the 2017 Executive Option Agreement were Earned and vest pursuant to the applicable time vesting provisions for Performance Options in the 2017 Executive Option Agreement, with the remaining portion of the Performance Options not being Earned. Pursuant to the 2017 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the

specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.

(13) The Time Options granted to Mr. Mullican under the 2018 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(14) As of the 2019 fiscal year end, the Performance Options granted to Mr. Mullican under the 2018 Executive Option Agreement have not been Earned because the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "low performance target." Pursuant to the 2018 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.

(15) The Time Options granted to Mr. Mullican under the 2019 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(16) The Performance Options granted to Mr. Mullican under the 2019 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year "high performance target" of $317.3 million in 2019 by achieving an actual Adjusted EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 Executive Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 Executive Option Agreement.

(17) The Time Options granted to Mr. Lawrence under the 2019 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(18) The Performance Options granted to Mr. Lawrence under the 2019 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year "high performance target" of $317.3 million in 2019 by achieving an actual Adjusted EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 Executive Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 Executive Option Agreement.

(19) The Time Options granted to Mr. Johnson under the 2017 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(20) The Performance Options granted to Mr. Johnson under the 2017 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. For 2017, the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "high performance target" but greater than the "low performance target." Accordingly, a specified percentage (56.5%) of the Performance Options granted under the 2017 Executive Option Agreement were Earned and vest pursuant to the applicable time vesting provisions for Performance Options in the 2017 Executive Option Agreement, with the remaining portion of the Performance Options not being Earned. Pursuant to the 2017 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the

specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.

(21) The Time Options granted to Mr. Johnson under the 2018 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(22) As of the 2019 fiscal year end, the Performance Options granted to Mr. Johnson under the 2018 Executive Option Agreement have not been Earned because the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "low performance target." Pursuant to the 2018 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.

(23) The Time Options granted to Mr. Johnson under the 2019 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(24) The Performance Options granted to Mr. Johnson under the 2019 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year "high performance target" of $317.3 million in 2019 by achieving an actual Adjusted EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 Executive Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 Executive Option Agreement.

(25) On August 30, 2011, the Company granted 650,000 Time Options with an exercise price of $5.00 to Mr. Attaway pursuant to an Option Agreement under the 2011 Equity Plan. Effective July 2, 2015, the exercise price was repriced down to $1.66, and all other terms with respect to the Time Options remained the same. This award was fully vested as of February 1, 2020.

(26) On August 30, 2011, the Company granted 650,000 Performance Options with an exercise price of $5.00 to Mr. Attaway pursuant to an Option Agreement under the 2011 Equity Plan. Effective July 2, 2015, the exercise price was repriced down to $1.66, and all other terms with respect to the Performance Options remained the same. This award was fully vested as of February 1, 2020.

(27) The Time Options granted to Mr. Attaway under the 2016 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(28) The Time Options granted to Mr. Attaway under the 2017 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(29) The Performance Options granted to Mr. Attaway under the 2017 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. For 2017, the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "high performance target" but greater than the "low performance target." Accordingly, a specified percentage (56.5%) of the Performance Options granted under the 2017 Executive Option Agreement were Earned and vest pursuant to the applicable time vesting provisions for Performance Options in the 2017 Executive Option Agreement, with the remaining portion of the Performance Options not being Earned. Pursuant to the 2017 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the

specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.

(30) The Time Options granted to Mr. Attaway under the 2018 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(31) As of the 2019 fiscal year end, the Performance Options granted to Mr. Attaway under the 2018 Executive Option Agreement have not been Earned because the Compensation Committee determined that the Company's actual consolidated Adjusted EBITDA for the Option Grant Year was less than the "low performance target." Pursuant to the 2018 Executive Option Agreement, if the Compensation Committee determines that the fair market value of a Membership Unit of the Company as of the specified measurement date equals or exceeds the specified target Membership Unit price, then 100% of the Performance Options that have not been Earned as of such date shall become vested and exercisable immediately upon such determination, subject to continued employment.

(32) The Time Options granted to Mr. Attaway under the 2019 Executive Option Agreement vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date.

(33) The Performance Options granted to Mr. Attaway under the 2019 Executive Option Agreement are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurred. The Compensation Committee determined that as of March 5, 2020, the Company met the Option Grant Year "high performance target" of $317.3 million in 2019 by achieving an actual Adjusted EBITDA dollar amount of $323.2 million. Accordingly, 100% of the Performance Options granted under the 2019 Executive Option Agreement were Earned and will vest pursuant to the applicable time vesting provisions for Performance Options in the 2019 Executive Option Agreement.

OPTION EXERCISES AND RESTRICTED UNITS VESTED

The following table provides information on Restricted Unit awards that vested, including the number of Membership Units acquired upon vesting and the value realized, determined as described below during the fiscal year ended February 1, 2020. None of the Named Executive Officers exercised any Options during 2019. No Restricted Units held by the Named Executive Officers vested during 2019 except for the Restricted Units held by Mr. Hicks pursuant to the 2018 Independent Non-Employee Director Restricted Unit Agreement, which vested in full on March 6, 2019.

Fiscal 2019 Restricted Units Vested Table

	Stock Awards	
Name	Number of Units Acquired on Vesting (#)(1)	Value Realized on Vesting ($)(2)
Ken C. Hicks	19,121	100,576

(1) On March 6, 2018, the Company granted 19,121 Restricted Units to Mr. Hicks pursuant to the 2018 Independent Non-Employee Director Restricted Unit Agreement under the 2011 Equity Plan, which vested in full on March 6, 2019.

(2) The value realized on vesting is based on the number of Membership Units underlying the Restricted Unit award that vested multiplied by the market value per Membership Unit on the vesting date ($5.26), which was based on an independent third party valuation approved by the Board.

EQUITY COMPENSATION PLANS

2011 Equity Plan

Purpose

The 2011 Equity Plan was designed to (i) promote the long term financial interests and growth of the Company and its subsidiaries and affiliates by attracting and retaining management and other personnel with the training, experience and ability to enable them to make a substantial contribution to the success of the Company; (ii) motivate management personnel by means of growth-related incentives to achieve long range goals; and (iii) further the alignment of interests of participants with those of the direct and indirect members of the Company through opportunities for increased equity, or equity-based ownership, in the Company.

Administration

The 2011 Equity Plan is administered by the Compensation Committee. The Compensation Committee has full power and authority to administer and interpret the 2011 Equity Plan, awards granted under the 2011 Equity Plan and each award agreement, including, without limitation, the power to (i) exercise all of the powers granted to it under the 2011 Equity Plan, (ii) construe, interpret and implement the 2011 Equity Plan and any award agreement, (iii) prescribe, amend and rescind rules and regulations relating to the 2011 Equity Plan, including rules governing its own operations, (iv) make all determinations necessary or advisable in administering the 2011 Equity Plan, awards and any award agreements, (v) correct any defect, supply any omission and reconcile any inconsistency in the 2011 Equity Plan, awards or any award agreement, (vi) amend the 2011 Equity Plan, awards and any award agreement to reflect changes in applicable law or, without the consent of the participants, make any other amendment not adverse to the participants, (vii) determine from among those persons determined to be eligible for the 2011 Equity Plan, the particular persons who will be participants, (viii) grant awards under the 2011 Equity Plan and determine the terms and conditions of such awards, consistent with the express limitations of the 2011 Equity Plan, (ix) delegate such powers and authority to such persons as it deems appropriate, so long as any such delegation is consistent with applicable law and any guidelines as may be established by the Board from time to time and (x) waive any conditions under any awards.

Awards Subject to 2011 Equity Plan

The 2011 Equity Plan provided for the grant of units and unit-based compensation to any employee, director or member, consultant or other service provider of the Company or any of its affiliates who is selected by the Board or the Compensation Committee to participate in the 2011 Equity Plan.

Prior to the IPO, an award could have been made by the Compensation Committee under the 2011 Equity Plan in the form of Options, in which case the grantee would enter into an award agreement evidencing such award which would include the option exercise period (which period may be no more than 10 years following the date of grant) and the option exercise price (which could not be less than 100% of the fair market value of a Membership Unit on the date the Option was granted) and such other terms, conditions or restrictions on the grant or exercise of the Option as the Compensation Committee deemed appropriate.

Prior to the IPO, an award could have been made by the Compensation Committee under the 2011 Equity Plan in the form of Restricted Units, phantom Membership Units, warrants or other securities that are convertible, exercisable or exchangeable for or into Membership Units, or based on the fair market value of Membership Units in which case the award agreement evidencing such award would include such terms, conditions or restrictions, as the Compensation Committee deemed appropriate.

As a condition to the exercise, settlement, conversion or exchange of an award into Membership Units, or the grant of an award of Membership Units (including restricted Membership Units), each participant is required to become a party to the Amended and Restated Limited Liability Company Agreement of the New Academy

Holding Company LLC dated as of August 26, 2011, as amended, modified or supplemented from time to time, or the LLC Agreement, and execute such other documents and instruments as are reasonably and customarily required by the Company to evidence compliance with applicable federal and state securities and "blue sky" laws, and the Membership Units acquired were held subject to, and in compliance with, the terms and conditions of the LLC Agreement.

Nontransferability and Distributions of Awards

Pursuant to the terms of the 2011 Equity Plan, awards are not transferable or assignable by the participant other than by will or by the laws of descent and distribution. An award exercisable after the death of a participant may be exercised by his legatees, personal representative, or distributees.

Amendment and Termination

The 2011 Equity Plan provides that the Compensation Committee has the authority to make such amendments to any outstanding awards as are consistent with the 2011 Equity Plan, but no such action may modify any award in a manner adverse in any material respect to a participant without the participant's consent except as such modification is provided for or contemplated in the terms of the award or the 2011 Equity Plan. Other than as specifically provided in any award agreement, the Board may amend, suspend or terminate the 2011 Equity Plan except that no such action may be taken which would, without Member approval, increase the aggregate number of Membership Units available for awards under the 2011 Equity Plan, decrease the price of outstanding awards, change the requirements relating to the Compensation Committee as set forth in the 2011 Equity Plan, or extend the term of the 2011 Equity Plan.

Effect of Certain Events on 2011 Equity Plan and Awards

The 2011 Equity Plan provides that in the event of any equity split, spin off, equity distribution or dividend (other than regular cash dividends or distributions), equity combination, reclassification, recapitalization, liquidation, dissolution, reorganization, merger, or similar event, the Compensation Committee shall adjust appropriately (i) the number and kind of Membership Units subject to the 2011 Equity Plan, and available for or covered by awards and (ii) the exercise prices of Options and Membership Unit prices related to outstanding awards, and make such other revisions or substitutions to outstanding awards, in each case, as it deems, in good faith, to be equitable or required.

Treatment of Awards upon Change of Control

In the event of a Change of Control (as defined in the 2011 Equity Plan), the Compensation Committee may, in its sole discretion, provide for one or more of the following: (i) adjust all awards, (ii) accelerate the vesting and/or exercisability of awards, subject to the consummation of such Change of Control, (iii) cancel awards for fair value (as determined in the sole reasonable discretion of the Compensation Committee) which, in the case of Options will not be less than the excess, if any, of the value of the consideration to be paid in the Change of Control transaction to holders of the same number of Membership Units subject to such Option (or, if no consideration is paid in any such transaction, the fair market value of the Membership Units subject to such Option) over the aggregate option price of such Option; (iv) provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted thereunder or (v) provide that for a period of at least 20 days prior to the Change of Control and following written notice to any affected participants, the Options will be exercisable as to all Membership Units subject thereto (whether vested or unvested) and that upon the occurrence of the Change of Control, to the extent not theretofore exercised by the participant, such Option will terminate and be of no further force and effect.

Pursuant to the 2011 Equity Plan, "Change of Control" is generally defined as (a) the sale of all or substantially all of the assets of the Company or Allstar LLC, or the Managing Member, to any "Person," as such term is used for purposes of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended (or group of Persons acting in concert), other than to (A) the Managing Member or its affiliates or (B) any employee benefit plan (or trust forming a part thereof) maintained by the Company or its affiliates or other Person of which a majority of its voting power or other equity securities is owned, directly or indirectly, by the Company; (b) a merger, recapitalization or other sale by the Company, or the Managing Member or any of its respective affiliates, to a Person (or group of Persons acting in concert) of equity interests that results in any Person (or group of Persons acting in concert) (other than (A) the Managing Member or its affiliates or (B) any employee benefit plan (or trust forming a part thereof) maintained by the Company or its affiliates or other Person of which a majority of its voting power or other equity securities is owned, directly or indirectly, by the Company) owning more than 50% of the equity interests or voting power of the Managing Member or the Company (or any resulting company after a merger) or Academy, Ltd.; or (c) any event which results in the KKR 2006 Fund L.P. and its affiliates ceasing to hold the ability to elect a majority of the Board; provided, however, that with respect to any award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code and that, pursuant to its terms, would vest and/or become settled upon a Change of Control, the foregoing definition shall apply for purposes of vesting of such award, but settlement of each such award in connection with such Change of Control shall not occur until the earliest of (i) a Change of Control if such Change of Control constitutes a "change in the ownership of the corporation," a "change in effective control of the corporation" or a "change in the ownership of a substantial portion of the assets of the corporation," within the meaning of Section 409A(a)(2)(A)(v) of the Code; (ii) the date such award would otherwise have been settled pursuant to the terms of the award agreement; and (iii) the participant's "separation of service" within the meaning of Section 409A.

2020 Equity Plan

The Compensation Committee adopted and our equityholders approved the 2020 Equity Plan. Equity awards under the 2020 Equity Plan are designed to reward our Named Executive Officers for long-term equityholder value creation. The following summary is qualified in its entirety by reference to the 2020 Equity Plan that has been adopted by the Board.

Purpose

The purpose of the 2020 Equity Plan is to provide a means through which to attract and retain key personnel and to provide a means whereby our directors, officers, employees, consultants and advisors can acquire and maintain an equity interest in us, or be paid incentive compensation, including incentive compensation measured by reference to the value of our common stock, thereby strengthening their commitment to our welfare and aligning their interests with those of our equityholders.

Administration

The 2020 Equity Plan is administered by the Compensation Committee. The Compensation Committee is authorized to interpret, administer, reconcile any inconsistency in, correct any defect in and/or supply any omission in the 2020 Equity Plan and any instrument or agreement relating to, or any award granted under, the 2020 Equity Plan; establish, amend, suspend, or waive any rules and regulations and appoint such agents as the Compensation Committee deems appropriate for the proper administration of the 2020 Equity Plan; adopt sub-plans; and to make any other determination and take any other action that the Compensation Committee deems necessary or desirable for the administration of the 2020 Equity Plan. Except to the extent prohibited by applicable law or the applicable rules and regulations of any securities exchange or inter-dealer quotation system on which our securities are listed or traded, the Compensation Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any part of its responsibilities and powers to any person or persons selected by it in accordance with the terms of the 2020 Equity Plan. Unless otherwise expressly provided in the 2020 Equity Plan, all designations, determinations, interpretations, and other decisions under or with respect to the 2020 Equity Plan or any award or any documents evidencing awards granted pursuant to the 2020 Equity Plan are within the sole discretion of the Compensation Committee, may be made at any time and are final, conclusive and binding upon all persons or entities, including, without limitation, us, any participant, any holder or beneficiary of any award, and any of our equityholders. The Compensation Committee may make grants of awards to eligible persons pursuant to terms and conditions set forth in the applicable award agreement, including subjecting such awards to performance criteria listed in the 2020 Equity Plan.

Awards Subject to 2020 Equity Plan

The 2020 Equity Plan provides that the total number of shares of common stock that may be issued under the 2020 Equity Plan is 5,150,000, or the Absolute Share Limit. No more than the number of shares of common stock equal to the Absolute Share Limit may be issued in the aggregate pursuant to the exercise of incentive stock options. The maximum number of shares of common stock granted during a single fiscal year to any non-employee director, taken together with any cash fees paid to such non-employee director during the fiscal year, may not exceed $500,000 in total value. Except for substitute awards (as described below), in the event any award expires or is cancelled, forfeited or terminated without issuance to the participant of the full number of shares to which the award related, the unissued shares of common stock may be granted again under the 2020 Equity Plan. Awards may, in the sole discretion of the Compensation Committee, be granted in assumption of, or in substitution for, outstanding awards previously granted by an entity directly or indirectly acquired by us or with which we combine, referred to as substitute awards, and such substitute awards will not be counted against the Absolute Share Limit, except that substitute awards intended to qualify as "incentive stock options" will count against the limit on incentive stock options described above. No award may be granted under the 2020 Equity Plan after the 10th anniversary of the effective date (as defined therein), but awards granted before then may extend beyond that date.

Options

The Compensation Committee may grant non-qualified stock options and incentive stock options, under the 2020 Equity Plan, with terms and conditions determined by the Compensation Committee that are not inconsistent with the 2020 Equity Plan. All stock options granted under the 2020 Equity Plan are required to have a per share exercise price that is not less than 100% of the fair market value of our common stock underlying such stock options on the date such stock options are granted (other than in the case of options that are substitute awards). All stock options that are intended to qualify as incentive stock options must be granted pursuant to an award agreement expressly stating that the options are intended to qualify as incentive stock options and will be subject to the terms and conditions that comply with the rules as may be prescribed by Section 422 of the Code. The maximum term for stock options granted under the 2020 Equity Plan is 10 years from the initial date of grant, or with respect to any stock options intended to qualify as incentive stock options, such shorter period as prescribed by Section 422 of the Code. However, if a non-qualified stock option would expire at a time when trading of shares of our common stock is prohibited by our insider trading policy, or blackout period imposed by us, the term will automatically be extended to the 30th day following the end of such period. The purchase price for the shares as to which a stock option is exercised may be paid to us, to the extent permitted by law, (i) in cash or its equivalent at the time the stock option is exercised; (ii) in shares having a fair market value equal to the aggregate exercise price for the shares being purchased and satisfying any requirements that may be imposed by the Compensation Committee (so long as such shares have been held by the participant for at least six months or such other period established by the Compensation Committee to avoid adverse accounting treatment); or (iii) by such other method as the Compensation Committee may permit in its sole discretion, including, without limitation, (A) in other property having a fair market value on the date of exercise equal to the purchase price, (B) if there is a public market for the shares at such time, through the delivery of irrevocable instructions to a broker to sell the shares being acquired upon the exercise of the stock option and to deliver to us the amount of the proceeds of such sale equal to the aggregate exercise price for the shares being purchased or (C) through a "net exercise" procedure effected by withholding the minimum number of shares needed to pay the exercise price. Any fractional shares of common stock will be settled in cash.

Stock Appreciation Rights

The Compensation Committee may grant stock appreciation rights under the 2020 Equity Plan, with terms and conditions determined by the Compensation Committee that are not inconsistent with the 2020 Equity Plan. The Compensation Committee may award stock appreciation rights in tandem with options or independent of any option. Generally, each stock appreciation right will entitle the participant upon exercise to an amount (in cash, shares or a combination of cash and shares, as determined by the Compensation Committee) equal to the product of (i) the excess of (A) the fair market value on the exercise date of one share of common stock, over (B) the strike price per share, times (ii) the number of shares of common stock covered by the stock appreciation right. The strike price per share of a stock appreciation right will be determined by the Compensation Committee at the time of grant but in no event may such amount be less than 100% of the fair market value of a share of common stock on the date the stock appreciation right is granted (other than in the case of stock appreciation rights granted in substitution of previously granted awards).

Restricted Shares and Restricted Stock Units

The Compensation Committee may grant restricted shares of our common stock or restricted stock units, representing the right to receive, upon vesting and the expiration of any applicable restricted period, one share of common stock for each restricted stock unit, or, in the sole discretion of the Compensation Committee, the cash value thereof (or any combination thereof). As to restricted shares of our common stock, subject to the other provisions of the 2020 Equity Plan, the holder will generally have the rights and privileges of an equityholder as to such restricted shares of common stock, including, without limitation, the right to vote such restricted shares of common stock. Participants have no rights or privileges as an equityholder with respect to restricted stock units.

Other Equity-Based Awards and Cash-Based Awards

The Compensation Committee may grant other equity-based or cash-based awards under the 2020 Equity Plan, with terms and conditions determined by the Compensation Committee that are not inconsistent with the 2020 Equity Plan.

Effect of Certain Events on 2020 Equity Plan and Awards

In the event of (i) any dividend (other than regular cash dividends) or other distribution (whether in the form of cash, shares of common stock, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, split-off, spin-off, combination, repurchase or exchange of shares of common stock or other securities, issuance of warrants or other rights to acquire shares of common stock or other securities, or other similar corporate transaction or event that affects the shares of common stock (including a change of control, as defined in the 2020 Equity Plan), or (ii) unusual or nonrecurring events affecting the Company, including changes in applicable rules, rulings, regulations or other requirements, that the Compensation Committee determines, in its sole discretion, could result in substantial dilution or enlargement of the rights intended to be granted to, or available for, participants (any event in (i) or (ii), being referred to as an Adjustment Event), the Compensation Committee will, in respect of any such Adjustment Event, make such proportionate substitution or adjustment, if any, as it deems equitable, to any or all of: (A) the Absolute Share Limit, or any other limit applicable under the 2020 Equity Plan with respect to the number of awards which may be granted thereunder, (B) the number and class of shares of common stock or other securities of the Company (or number and kind of other securities or other property) which may be issued in respect of awards or with respect to which awards may be granted under the 2020 Equity Plan or any sub-plan and (C) the terms of any outstanding award, including, without limitation, (1) the number and class of shares of common stock or other securities of the Company (or number and kind of other securities or other property) subject to outstanding awards or to which outstanding awards relate, (2) the exercise price or strike price with respect to any award, or (3) any applicable performance measures; it being understood that, in the case of any "equity restructuring," the Compensation Committee will make an equitable or proportionate adjustment to outstanding awards to reflect such equity restructuring.

In connection with any change of control, the Compensation Committee may, in its sole discretion, provide for any one or more of the following: (i) a substitution or assumption of awards, or to the extent the surviving entity does not substitute or assume the awards, full acceleration of vesting of, exercisability of, or lapse of restrictions on, as applicable, any awards, provided that (unless the applicable award agreement provides for different treatment upon a change of control) with respect to any performance-vested awards, any such acceleration shall be based on (A) the target level of performance if the applicable performance period has not ended prior to the date of such change in control and (B) the actual level of performance attained during the performance period of the applicable performance period has ended prior to the date of such change in control; and (ii) cancellation of any one or more outstanding awards and payment to the holders of such awards that are vested as of such cancellation (including any awards that would vest as a result of the occurrence of such event but for such cancellation) the value of such awards, if any, as determined by the Compensation Committee (which value, if applicable, may be based upon the price per share of common stock received or to be received by other holders of our common stock in such event), including, in the case of stock options and stock appreciation rights, a cash payment equal to the excess, if any, of the fair market value of the shares of common stock subject to the option or stock appreciation right over the aggregate exercise price or strike price thereof.

Nontransferability of Awards

Each award is not transferable or assignable by a participant other than by will or by the laws of descent and distribution and any such purported assignment, alienation, pledge, attachment, sale, transfer or encumbrance will be void and unenforceable against us or any of our subsidiaries. However, the Compensation Committee may, in its sole discretion, permit awards (other than incentive stock options) to be transferred, including transfers to a participant's family members, any trust established solely for the benefit of a participant or such participant's family members, any partnership or limited liability company of which a participant, or such participant and such participant's family members, are the sole member(s), and a beneficiary to whom donations are eligible to be treated as "charitable contributions" for tax purposes.

Amendment and Termination

The Compensation Committee may amend, alter, suspend, discontinue, or terminate the 2020 Equity Plan or any portion thereof at any time; but no such amendment, alteration, suspension, discontinuance or termination may be made without equityholder approval if (i) such approval is necessary to comply with any regulatory requirement applicable to the 2020 Equity Plan or for changes in U.S. GAAP to new accounting standards; (ii) it would materially increase the number of securities which may be issued under the 2020 Equity Plan (except for adjustments in connection with certain corporate events); or (iii) it would materially modify the requirements for participation in the 2020 Equity Plan; and any such amendment, alteration, suspension, discontinuance or termination that would materially and adversely affect the rights of any participant or any holder or beneficiary of any award will not to that extent be effective without such individual's consent.

The Compensation Committee may, to the extent consistent with the terms of any applicable award agreement, waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, any award granted or the associated award agreement, prospectively or retroactively (including after a participant's termination). However, except as otherwise permitted in the 2020 Equity Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancellation or termination that would materially and adversely affect the rights of any participant with respect to such award will not to that extent be effective without such individual's consent. In addition, without equityholder approval, except as otherwise permitted in the 2020 Equity Plan, (i) no amendment or modification may reduce the exercise price of any option or the strike price of any stock appreciation right; (ii) the Compensation Committee may not cancel any outstanding option or stock appreciation right and replace it with a new option or stock appreciation right (with a lower exercise price or strike price, as the case may be) or other award or cash payment that is greater than the value of the cancelled option or stock appreciation right; and (3) the Compensation Committee may not take any other action which is considered a "repricing" for purposes of the equityholder approval rules of any securities exchange or inter-dealer quotation system on which our securities are listed or quoted.

Dividends and Dividend Equivalents

The Compensation Committee in its sole discretion may provide part of an award with dividends or dividend equivalents, on such terms and conditions as may be determined by the Compensation Committee in its sole discretion. Unless otherwise provided in the award agreement, any dividend payable in respect of any share of restricted stock that remains subject to vesting conditions at the time of payment of such dividend will be retained by the Company and remain subject to the same vesting conditions as the share of restricted stock to which the dividend relates.

Clawback/Repayment

All awards are subject to reduction, cancellation, forfeiture or recoupment to the extent necessary to comply with (i) any clawback, forfeiture or other similar policy adopted by the Compensation Committee and as in effect from time to time and (ii) applicable law. To the extent that a participant receives any amount in excess of the amount that the participant should otherwise have received under the terms of the award for any reason (including, without limitation, by reason of a financial restatement, mistake in calculations or other administrative error), the participant will be required to repay any such excess amount to the Company.

2020 Employee Stock Purchase Plan

The Board adopted and our equityholders approved the ESPP. The following summary is qualified in its entirety by reference to the ESPP that has been adopted by the Board.

Purpose

The ESPP is intended to give eligible employees an opportunity to acquire shares of our common stock and promote our best interests and enhance our long-term performance. We believe that allowing our employees to participate in the ESPP provides them with a further incentive towards ensuring our success and accomplishing our corporate goals. The ESPP is intended to qualify as an “employee stock purchase plan” under Section 423 of the Code. We may authorize offerings under the ESPP that are not intended to comply with Section 423 of the Code, which offerings will be made pursuant to any rules, procedures or sub-plans adopted by the committee for such purpose.

Authorized Shares

The aggregate number of shares of our common stock that may be issued under the ESPP may not exceed 1,000,000 shares, which number will be automatically increased on the first day of each fiscal year beginning in 2021 in an amount equal to the least of (i) 1,000,000 shares of our common stock, (ii) 2% of the total number of shares of our common stock outstanding on the last day of the immediately preceding fiscal year, and (iii) a lower number of shares as determined by our Board, subject to adjustment in accordance with the terms of the ESPP. If a purchase right expires or is terminated, surrendered or canceled without being exercised, in whole or in part, the number of shares subject to the purchase right will again be available for issuance and will not reduce the aggregate number of shares available under the ESPP.

Administration

The ESPP is administered by the Compensation Committee, or such other committee as may be designated by the Board, or the Board (such administering body, the “Administrator”). The Administrator has full authority to make, administer and interpret such terms, rules and regulations regarding administration of the ESPP as it may deem advisable, and such decisions are final and binding.

Term

The ESPP has a term of ten years unless earlier terminated (i) on the date on which all the shares of common stock available for issuance under the ESPP have been issued or (ii) by the Administrator in accordance with the terms of the ESPP.

Eligible Employees

Subject to the Administrator's ability to exclude certain groups of employees on a uniform and nondiscriminatory basis, including Section 16 officers and/or non-U.S. employees, generally, all of our employees are eligible to participate if they are employed by us or any participating subsidiary or affiliate for more than 12 consecutive months, or any lesser number of hours per week and/or number of days established by the Administrator. In no event will an employee who is deemed to own 5% or more of the total combined voting power or value of all classes of our capital stock or the capital stock of any parent or subsidiary be eligible to participate in the ESPP, and no participant in the ESPP may purchase shares of our common stock under any employee stock purchase plans of our Company to the extent the option to purchase shares accrue at a rate that exceeds $25,000 of the fair market value of such shares of our common stock, determined as of the first day of the offering period, for each calendar year in which such option is outstanding.

Offering Periods and Purchase Periods

Offering periods under the ESPP are 6 months long. The first offering period under the ESPP shall commence on the date determined by the Administrator and shall end on the last trading day on or immediately preceding the earlier to occur of June 30 or December 31 of the year in which the first offering period commences. Unless the Administrator determines otherwise, following the completion of the first offering period, a new offering period shall commence on the first trading day on or following January 1 and July 1 of each calendar year and end on or following the last trading day on or immediately preceding June 30 and December 31, respectively, approximately six months later. The Administrator may choose to start a new offering period as it may determine from time to time as appropriate and offering periods may overlap or be consecutive. During each offering period, there will be one 6 month purchase period, which will have the same duration and coincide with the length of the offering period.

Purchase Price

Eligible employees who participate will receive an option to purchase shares of our common stock at a purchase price equal to the lower of 85% of (i) the closing price per share of our common stock on the date of purchase or (ii) the closing price per share of our common stock on the first day of the applicable offering period (or, in the case of the first offering period, the price per share at which shares of our common stock are first sold to the public in connection with the IPO). Eligible employees participate by authorizing payroll deductions before the beginning of an offering period, which deduction may not exceed 15% of such employee's cash compensation.

Contributions and Grants

Eligible employees participate by authorizing payroll deductions before the beginning of an offering period, which deduction may not exceed 15% of such employee's cash compensation. In addition, the maximum number of shares of our common stock that may be purchased by any participant in any particular purchase period is limited to 1,500 shares (subject to adjustment as provided in the ESPP), and the maximum number of shares of our common stock that may be purchased by any participant during any one year period is limited to 3,000 shares. The Administrator may modify this limit from time to time by resolution or otherwise.

Cancellation of Election to Purchase

A participant may cancel his or her participation entirely at any time prior to the last 30 days of the applicable offering period by withdrawing all, but not less than all, of his or her contributions credited to his or her account and not yet used to exercise his or her option under the ESPP. Participation will end automatically upon termination of employment with us.

Effect of a Change in Control

In the event of a change in control (as defined under the ESPP), the Administrator may in its discretion provide, without limitation, that each outstanding option be assumed, or an equivalent option be substituted by the successor corporation or a parent or subsidiary of the successor corporation and, if not so assumed or substituted, the offering period for that option be shortened by setting a new exercise date on which the offering period will end; terminate outstanding options and refund accumulated contributions to participants; or continue outstanding options unchanged.

Rights as Stockholder

A participant has no rights as a stockholder with respect to the shares of our common stock that the participant has an option to purchase in any offering until those shares have been issued to the participant.

Options not Transferable

A participant's option under the ESPP is exercisable only by the participant and may not be sold, transferred, pledged or assigned in any manner other than by will or the laws of descent and distribution.

Amendment or Termination

The Administrator, in its sole discretion, may amend, alter, suspend or terminate the ESPP, or any option subject thereto, at any time and for any reason as long as such amendment or termination of an option does not materially adversely affect the rights of a participant with respect to the option without the written consent of such participant.

Registration Statements on Form S-8

We have filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our 2011 Equity Plan, our 2020 Equity Plan and the ESPP. Such Form S-8 registration statement automatically became effective upon filing. Accordingly, shares registered under such registration statements are available for sale in the open market. The initial registration statement on Form S-8 covered 15,983,311 shares of our common stock.

POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE OF CONTROL

Each Named Executive Officer is entitled to potential payments and benefits, including acceleration of Options and Restricted Units, in connection with a termination of employment or a change of control. The information below describes and estimates potential payments and benefits to which the Named Executive Officers would be entitled under existing arrangements if a qualifying termination of employment or change of control occurred on February 1, 2020, the last business day of our 2019 fiscal year. These benefits are in addition to benefits available generally to salaried employees. Due to the number of factors that affect the nature and amount of any benefits provided upon the events discussed below, any actual amounts paid or distributed may be different from those estimated below. Factors that could affect these amounts include the timing during the year of any such event and our valuation at that time. There can be no assurance that a termination or change of control would produce the same or similar results as those described below if any assumption used to prepare this information is not correct in fact.

We have calculated the acceleration value of Options and Restricted Units in the tables below using the Market Value Per Membership Unit.

Mr. Hicks

Employment Agreement

Any severance payments and benefits Mr. Hicks may be entitled to receive under the Hicks Employment Agreement, as described below, are subject to his timely execution, without revocation, of an effective release of claims in favor of the Company and its affiliates.

Mr. Hicks is not entitled to any severance payments or benefits if he is terminated for Cause or resigns without Good Reason.

Death or Disability

Pursuant to the Hicks Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Hicks or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus he would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365, payable in a lump sum on the date on which annual bonuses are paid to the Company's other senior executive officers with respect to such fiscal year.

Without Cause or for Good Reason

Pursuant to the Hicks Employment Agreement, if the Company terminates Mr. Hicks' employment without Cause or Mr. Hicks resigns for Good Reason, the Company shall pay:

(i) A cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary as in effect on the termination date and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs (or if the termination date occurs during the Company's 2019 fiscal year, then the annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him for the Company's 2018 fiscal year). The Company shall make such payment in equal installments ratably over 24 months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death. Notwithstanding the foregoing, because Mr. Hicks refused his 2018 bonus, if the termination occurs in 2019 or 2020, we expect that the Compensation Committee would determine that the calculation of the bonus portion of Mr. Hicks' severance amount will be based solely on the annual bonus earned by him for 2019;

(ii) An amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the termination date occurs, multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year of the Company in which the termination date occurs and the termination date, and the denominator of which is equal to 365. Such payment is in lieu of the annual bonus that would have otherwise been due to him under the Executive Team Bonus Plan for the performance period in which the termination date occurs. The Company shall make such payment in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death. Notwithstanding the foregoing, because Mr. Hicks refused his 2018 bonus, if the termination had occurred in 2019, the Compensation Committee would have determined that Mr. Hicks' pro rata bonus be based on the annual bonus earned by him for 2019; and

(iii) An amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date and (y) 24 months, to be paid in a lump sum in cash on the first payroll date following the effective date of the release.

Definitions

Under the Hicks Employment Agreement, the Company may terminate Mr. Hicks' employment for "Cause" if he: (i) commits gross negligence or willful misconduct, an act of fraud, embezzlement, theft or other criminal act in connection with his duties or in the course of his employment with the Company; (ii) commits an act leading to a conviction of a felony or a misdemeanor involving moral turpitude; (iii) commits a material breach of any provision of his employment agreement; or (iv) fails to perform any and all covenants contained in his employment agreement (including his fiduciary duties and other employment obligations) for any reason other than death, disability, or following Mr. Hicks' notice of termination for "Good Reason." Pursuant to the terms of his employment agreement, Mr. Hicks will have 30 days after receiving notice of a termination for Cause to cure or remedy any breach pursuant to items (iii) or (iv) of the preceding sentence.

Under the Hicks Employment Agreement, Mr. Hicks may terminate his employment for "Good Reason" if, without his prior written consent any if any of the following occur that constitute a material negative change to Mr. Hicks: (i) he is assigned any position, authority duties or responsibilities that are materially inconsistent with his position, authority, duties, or other responsibilities as contemplated by his employment agreement; (ii) there is a reduction to his base salary and annual target bonus opportunity in the aggregate; or (iii) there is a material breach by the Company of any provision of his employment agreement. The Company will have 30 days after receiving notice of a termination for Good Reason to cure or remedy any breach of the employment agreement by the Company. Mr. Hicks will not be treated as having terminated his employment for a Good Reason event if he incurs a separation from service more than one (1) year following the initial existence of the Good Reason condition, or if he has not given the Company written notice of the Good Reason condition within 90 days after the initial existence of the Good Reason condition, or if he waives in writing his right to claim Good Reason as a result of the event.

Option Agreements

On September 16, 2018, the Company granted 518,135 Time Options with an exercise price of $5.44 to Mr. Hicks pursuant to the 2018 CEO Option Agreement. The Time Options vest as follows: 1/48th of the Time Options become vested and exercisable on each monthly anniversary of the vesting commencement date (April 5, 2018), subject to continued employment through the applicable vesting date.

On March 7, 2019, the Company granted 694,301 Time Options and 341,969 Performance Options with an exercise price of $5.26 to Mr. Hicks pursuant to the 2019 CEO Option Agreement. The Time Options vest as follows: 1/48th of the Time Options become vested and exercisable on each monthly anniversary of the grant date, subject to continued employment through the applicable vesting date. The Performance Options are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs.

The Option Agreements provide for acceleration of vesting as follows:

- Time Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had Mr. Hicks remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
- Performance Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, to the extent Earned as of the date of such termination, the portion of the Performance Options that would have become vested and exercisable on the vesting date of the Performance Options immediately following the date of such termination, had he remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - If a Change of Control occurs during the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
    - If such Change of Control occurs following the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options that has been Earned as of immediately prior to such Change of Control shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control, and any portion of the Performance Options that has not been Earned as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

Restricted Unit Agreement

On September 16, 2018, the Company granted 735,295 Restricted Units to Mr. Hicks pursuant to the 2018 CEO Restricted Unit Agreement. The Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units.

Potential Payments to Mr. Hicks upon Termination or Change of Control

Benefit	Termination due to Death or Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	Change of Control ($)
Cash Severance Payment (Salary and Bonus)	—	5,937,334(4)	—
Pro Rata Bonus	1,703,900(1)	1,868,667(5)	—
Life Insurance Payment	—	238(6)	—
Accelerated Vesting of Time Options	3,865(2)	—	140,995(7)
Accelerated Vesting of Performance Options	— (3)	—	78,652(8)
Accelerated Vesting of Restricted Units	—	—	4,036,769(9)
Total:	**$1,707,765**	**$ 7,806,239**	**$4,256,416**

(1) Pursuant to the Hicks Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Hicks or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus Mr. Hicks would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals) (154.9% of $1,100,000), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date (assumed to be the entire 2019 fiscal year), and the denominator of which is equal to 365.

(2) The amount above represents the value associated with the accelerated vesting of the Time Options upon termination due to death or disability, which is the sum of: (i) $539, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.44), and (B) 10,794 Time Options (the portion under the 2018 CEO Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Hicks remained employed); and (ii) $3,326, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 14,465 Time Options (the portion under the 2019 CEO Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Hicks remained employed).

(3) None of Mr. Hicks' Performance Options under the 2019 CEO Option Agreement were Earned as of February 1, 2020 and therefore would not be eligible to vest in connection with a termination due to death or disability on such date.

(4) Pursuant to the Hicks Employment Agreement, if the Company terminates Mr. Hicks' employment without Cause or Mr. Hicks resigns for Good Reason, the Company shall pay a cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary ($1,100,000 for 2019) and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs (or if the termination date occurs during the Company's 2019 fiscal year, then the annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him for the Company's 2018 fiscal year). Because Mr. Hicks refused his 2018 bonus, the Compensation Committee would have determined that the calculation of the bonus portion of Mr. Hicks' severance amount be based solely on the annual bonus earned by him for 2019 ($1,868,667) and the severance amount in the table above has been calculated accordingly.

(5) Pursuant to the Hicks Employment Agreement, if the Company terminates Mr. Hicks' employment without Cause or Mr. Hicks resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year immediately

preceding the fiscal year in which the termination date occurs, multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365 (assumed to be the entire 2019 fiscal year). Because Mr. Hicks refused his 2018 bonus, if the termination had occurred in 2019, the Compensation Committee would have determined that Mr. Hicks' pro rata bonus be based on the annual bonus earned by him for 2019 ($1,868,667) and accordingly, this is the amount shown in the table above.

(6) Pursuant to the Hicks Employment Agreement, if the Company terminates Mr. Hicks' employment without Cause or Mr. Hicks resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date ($9.94 per month) and (y) 24 months.

(7) The amount above represents the value associated with the accelerated vesting of the Time Options upon a Change of Control, which is the sum of: (i) $14,573, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.44), and (B) 291,461 Time Options (the unvested portion under the 2018 CEO Option Agreement immediately prior to February 1, 2020); and (ii) $126,422, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 549,661 Time Options (the unvested portion under the 2019 CEO Option Agreement immediately prior to February 1, 2020).

(8) The amount of $78,652 above represents the value associated with the accelerated vesting of the Performance Options upon a Change of Control, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 341,969 Performance Options (the unvested portion under the 2019 CEO Option Agreement immediately prior to February 1, 2020, which is the entire grant because the Change of Control occurs during the Option Grant Year).

(9) Under the 2018 CEO Restricted Unit Agreement, the Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units. The amount above is the product of 735,295 Restricted Units (under the 2018 CEO Restricted Unit Agreement) and the Market Value Per Membership Unit.

Mr. Mullican

Employment Agreement

Any severance payments and benefits Mr. Mullican may be entitled to receive under the Mullican Employment Agreement, as described below, are subject to his timely execution, without revocation, of an effective release of claims in favor of the Company and its affiliates.

Mr. Mullican is not entitled to any severance payments or benefits if he is terminated for Cause or resigns without Good Reason.

Death or Disability

Pursuant to the Mullican Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Mullican or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus he would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365, payable in a lump sum on the date on which annual bonuses are paid to the Company's other senior executive officers with respect to such fiscal year.

Without Cause or for Good Reason

If the Company terminates Mr. Mullican's employment without Cause or Mr. Mullican resigns for Good Reason, the Company shall pay:

(i) A cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary as in effect on the termination date and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs. The Company shall make such payment in equal installments ratably over 24 months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(ii) An amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the termination date occurs, multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year of the Company in which the termination date occurs and the termination date, and the denominator of which is equal to 365. Such payment is in lieu of the annual bonus that would have otherwise been due to him under the Executive Team Bonus Plan for the performance period in which the termination date occurs. The Company shall make such payment in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(iii) During the 24 month period following the termination date, the Company shall provide Mr. Mullican and his covered dependents medical insurance benefits, contingent on Mr. Mullican electing continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended, or COBRA, no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Mullican each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Mullican's portion of such premiums as if Mr. Mullican was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period. Notwithstanding the foregoing, the payments provided under this clause shall cease at such time as Mr. Mullican commences to receive such benefits from a subsequent employer of Mr. Mullican during the 24 month period following the termination date; and

(iv) An amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date and (y) 24 months, to be paid in a lump sum in cash on the first payroll date following the effective date of the release.

Definitions

The Mullican Employment Agreement contains the same definition of "Cause" provided in the Hicks Employment Agreement.

The Mullican Employment Agreement contains the same definition of "Good Reason" provided in the Hicks Employment Agreement, except that Mr. Mullican's definition also includes the relocation of the principal place of employment to a location more than 35 miles from the principal place of employment provided in his employment agreement, if a move to such other location materially increases his commute.

The Mullican Employment Agreement provides that in the event Mr. Mullican elects not to extend the employment agreement, such nonrenewal shall be deemed a termination by Mr. Mullican without Good Reason, and in the event the Company elects not to extend the employment period, such nonrenewal shall be deemed a termination by the Company of Mr. Mullican's employment without Cause.

Option Agreement

On March 23, 2017, the Company granted 98,523 Time Options and 49,261 Performance Options with an exercise price of $5.30 to Mr. Mullican pursuant to the 2017 Executive Option Agreement. On April 5, 2018, the Company granted 128,825 Time Options with an exercise price of $5.23 to Mr. Mullican pursuant to the 2018 Executive Option Agreement. On March 7, 2019, the Company granted 138,861 Time Options and 68,393 Performance Options with an exercise price of $5.26 to Mr. Mullican pursuant to the 2019 Executive Option Agreement. The Time Options vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date. The Performance Options are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs.

The Option Agreements provide for acceleration of vesting as follows:

- Time Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had Mr. Mullican remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
- Performance Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, to the extent Earned as of the date of such termination, the portion of the Performance Options that would have become vested and exercisable on the vesting date of the Performance Options immediately following the date of such termination, had he remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - If a Change of Control occurs during the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
    - If such Change of Control occurs following the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options that has been Earned as of immediately prior to such Change of Control shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such

Change of Control, and any portion of the Performance Options that has not been Earned as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

Restricted Unit Agreement

On June 22, 2018, the Company granted 377,359 Restricted Units to Mr. Mullican pursuant to the 2018 Executive Restricted Unit Agreement. The Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units.

Potential Payments to Mr. Mullican upon Termination or Change of Control

Benefit	Termination due to Death or Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	Change of Control ($)
Cash Severance Payment (Salary and Bonus)	—	1,327,936(4)	—
Pro Rata Bonus	456,570(1)	92,908(5)	—
COBRA Payment	—	21,888(6)	—
Life Insurance Payment	—	360(7)	—
Accelerated Vesting of Time Options	21,037(2)	—	66,418(8)
Accelerated Vesting of Performance Options	1,322(3)	—	18,374(9)
Accelerated Vesting of Restricted Units	—	—	2,071,700(10)
Total:	**$ 478,929**	**$ 1,443,092**	**$2,156,492**

(1) Pursuant to the Mullican Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Mullican or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus Mr. Mullican would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals) (93.6% of $487,822, which is the percentage of salary earned for the achievement of the combined Company performance goals), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date (assumed to be the entire 2019 fiscal year), and the denominator of which is equal to 365.

(2) The amount above represents the value associated with the accelerated vesting of the Time Options upon termination due to death or disability, which is the sum of: (i) $4,679, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 24,631 Time Options (the portion under the 2017 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Mullican remained employed); (ii) $8,373, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.23), and (B) 32,206 Time Options (the portion under the 2018 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Mullican remained employed); and (iii) $7,984, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 34,715 Time Options (the

portion under the 2019 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Mullican remained employed).

(3) The amount of $1,322 above represents the value associated with the accelerated vesting of the Performance Options upon termination due to death or disability, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 6,958 Performance Options (the Earned portion under the 2017 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Mullican remained employed). None of Mr. Mullican's Performance Options under the 2019 Executive Option Agreement were Earned as of February 1, 2020 and therefore would not be eligible to vest in connection with a termination due to death or disability on such date.

(4) Pursuant to the Mullican Employment Agreement, if the Company terminates Mr. Mullican's employment without Cause or Mr. Mullican resigns for Good Reason, the Company shall pay a cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary ($489,500 for 2019) and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs ($256,028 for 2017 and $92,908 for 2018).

(5) Pursuant to the Mullican Employment Agreement, if the Company terminates Mr. Mullican's employment without Cause or Mr. Mullican resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year immediately preceding the fiscal year in which the termination date occurs ($92,908 for 2018), multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date (assumed to be the entire 2019 fiscal year), and the denominator of which is equal to 365.

(6) Pursuant to the Mullican Employment Agreement, if the Company terminates Mr. Mullican's employment without Cause or Mr. Mullican resigns for Good Reason, then during the 24 month period following the termination date, the Company shall provide Mr. Mullican and his covered dependents medical insurance benefits no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Mullican each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Mullican's portion of such premiums as if Mr. Mullican was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period ($912 per month).

(7) Pursuant to the Mullican Employment Agreement, if the Company terminates Mr. Mullican's employment without Cause or Mr. Mullican resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date ($15 per month), and (y) 24 months.

(8) The amount above represents the value associated with the accelerated vesting of the Time Options upon a Change of Control, which is the sum of: (i) $9,358, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 49,262 Time Options (the unvested portion under the 2017 Executive Option Agreement immediately prior to February 1, 2020); (ii) $25,120, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.23), and (B) 96,619 Time Options (the unvested portion under the 2018 Executive Option Agreement immediately prior to February 1, 2020); and (iii) $31,938, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 138,861 Time Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant).

(9) The amount above represents the value associated with the accelerated vesting of the Performance Options upon a Change of Control, which is the sum of: (i) $2,644, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 13,916 Performance Options (the unvested and Earned portion under the 2017 Executive Option Agreement

immediately prior to February 1, 2020); and (ii) $15,730, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 68,393 Performance Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant because the Change of Control occurs during the Option Grant Year).

(10) Under the 2018 Executive Restricted Unit Agreement, the Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units. The amount above is the product of 377,359 Restricted Units (under the 2018 Executive Restricted Unit Agreement) and the Market Value Per Membership Unit.

Mr. Lawrence

Employment Agreement

Any severance payments and benefits Mr. Lawrence may be entitled to receive under the Lawrence Employment Agreement, as described below, are subject to his timely execution, without revocation, of an effective release of claims in favor of the Company and its affiliates.

Mr. Lawrence is not entitled to any severance payments or benefits if he is terminated for Cause or resigns without Good Reason.

Death or Disability

Pursuant to the Lawrence Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Lawrence or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus he would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs (or his commencement date of February 11, 2019 if the termination occurs in the 2019 fiscal year) and the termination date, and the denominator of which is equal to 365, payable in a lump sum on the date on which annual bonuses are paid to the Company’s other senior executive officers with respect to such fiscal year.

Without Cause or for Good Reason

If the Company terminates Mr. Lawrence’s employment without Cause or Mr. Lawrence resigns for Good Reason, the Company shall pay:

(i) A cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary as in effect on the termination date and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs. The Company shall make such payment in equal installments ratably over 24 months following the termination date in accordance with the Company’s normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(ii) An amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the termination date occurs, multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year of the Company in which the termination date occurs and the termination date, and the denominator of which is equal to 365. Such payment is in lieu of the annual bonus that would have otherwise been due to him under the Executive Team Bonus Plan for the performance period in which the termination date occurs. The Company shall make such payment in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(iii) During the 24 month period following the termination date, the Company shall provide Mr. Lawrence and his covered dependents medical insurance benefits, contingent on Mr. Lawrence electing continuation coverage under COBRA, no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Lawrence each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Lawrence's portion of such premiums as if Mr. Lawrence was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period. Notwithstanding the foregoing, the payments provided under this clause shall cease at such time as Mr. Lawrence commences to receive such benefits from a subsequent employer of Mr. Lawrence during the 24 month period following the termination date; and

(iv) An amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date and (y) 24 months, to be paid in a lump sum in cash on the first payroll date following the effective date of the release.

Definitions

The Lawrence Employment Agreement contains the same definition of "Cause" provided in the Hicks Employment Agreement.

The Lawrence Employment Agreement contains the same definition of "Good Reason" provided in the Hicks Employment Agreement, except that Mr. Lawrence's definition does not include clause (i) from Mr. Hicks' definition, and Mr. Lawrence's definition also includes the relocation of the principal place of employment to a location more than 50 miles from the principal place of employment provided in his employment agreement, if a move to such other location materially increases his commute. In addition, Mr. Lawrence's definition provides that he will not be treated as having terminated his employment for a Good Reason event if he incurs a separation from service more than six months (rather than one year) following the initial existence of the Good Reason condition, or if he has not given the Company written notice of the Good Reason condition within 90 days after the initial existence of the Good Reason condition, or if he waives in writing his right to claim Good Reason as a result of the event.

Option Agreement

On March 7, 2019, the Company granted 411,270 Time Options and 106,865 Performance Options with an exercise price of $5.26 to Mr. Lawrence pursuant to the 2019 Executive Option Agreement. The Time Options vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date. The Performance Options are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs.

The Option Agreement provides for acceleration of vesting as follows:

- Time Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had Mr. Lawrence remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
- Performance Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, to the extent Earned as of the date of such termination, the portion of the Performance Options that would have become vested and exercisable on the vesting date of the Performance Options immediately following the date of such termination, had he remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - If a Change of Control occurs during the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
    - If such Change of Control occurs following the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options that has been Earned as of immediately prior to such Change of Control shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control, and any portion of the Performance Options that has not been Earned as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

Restricted Unit Agreement

On March 7, 2019, the Company granted 142,586 Restricted Units to Mr. Lawrence pursuant to the 2019 Executive Restricted Unit Agreement. The Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units.

Potential Payments to Mr. Lawrence upon Termination or Change of Control

Benefit	Termination due to Death or Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	Change of Control ($)
Cash Severance Payment (Salary and Bonus)	—	1,410,000(4)	—
Pro Rata Bonus	756,646(1)	0(5)	—
COBRA Payment	—	21,888(6)	—
Life Insurance Payment	—	360(7)	—
Accelerated Vesting of Time Options	23,647(2)	—	94,592(8)
Accelerated Vesting of Performance Options	0(3)	—	24,578(9)
Accelerated Vesting of Restricted Units	—	—	782,797(10)
Total:	**$ 780,293**	**$ 1,432,248**	**$901,967**

(1) Pursuant to the Lawrence Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Lawrence or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus Mr. Lawrence would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals) (112.3% of $690,730), and (y) a fraction, the numerator of which is equal to the number of days between and including his commencement date of February 11, 2019 and the termination date (356 days), and the denominator of which is equal to 365.

(2) The amount of $23,647 above represents the value associated with the accelerated vesting of the Time Options upon termination due to death or disability, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 102,818 Time Options (the portion under the 2019 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Lawrence remained employed).

(3) None of Mr. Lawrence's Performance Options under the 2019 Executive Option Agreement were Earned as of February 1, 2020 and therefore would not be eligible to vest in connection with a termination due to death or disability on such date.

(4) Pursuant to the Lawrence Employment Agreement, if the Company terminates Mr. Lawrence's employment without Cause or Mr. Lawrence resigns for Good Reason, the Company shall pay a cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary ($705,000 for 2019) and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs ($0 for 2017 and $0 for 2018).

(5) Pursuant to the Lawrence Employment Agreement, if the Company terminates Mr. Lawrence's employment without Cause or Mr. Lawrence resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year immediately preceding the fiscal year in which the termination date occurs ($0 for 2018), multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365 (assumed to be the entire 2019 fiscal year).

(6) Pursuant to the Lawrence Employment Agreement, if the Company terminates Mr. Lawrence's employment without Cause or Mr. Lawrence resigns for Good Reason, then during the 24 month period following the termination date, the Company shall provide Mr. Lawrence and his covered dependents medical insurance benefits no less favorable than those provided to active senior executives of the Company and their

dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Lawrence each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Lawrence's portion of such premiums as if Mr. Lawrence was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period ($912 per month).

(7) Pursuant to the Lawrence Employment Agreement, if the Company terminates Mr. Lawrence's employment without Cause or Mr. Lawrence resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date ($15 per month), and (y) 24 months.

(8) The amount of $94,592 above represents the value associated with the accelerated vesting of the Time Options upon a Change of Control, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 411,270 Time Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant).

(9) The amount of $24,578 above represents the value associated with the accelerated vesting of the Performance Options upon a Change of Control, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 106,865 Performance Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant).

(10) Under the 2019 Executive Restricted Unit Agreement, the Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units. The amount above is the product of 142,586 Restricted Units (under the 2019 Executive Restricted Unit Agreement) and the Market Value Per Membership Unit.

Mr. Johnson

Employment Agreement

Any severance payments and benefits Mr. Johnson may be entitled to receive under the Johnson Employment Agreement, as described below, are subject to his timely execution, without revocation, of an effective release of claims in favor of the Company and its affiliates.

Mr. Johnson is not entitled to any severance payments or benefits if he is terminated for Cause or resigns without Good Reason.

Death or Disability

Pursuant to the Johnson Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Johnson or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus he would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365, payable in a lump sum on the date on which annual bonuses are paid to the Company's other senior executive officers with respect to such fiscal year.

Without Cause or for Good Reason

If the Company terminates Mr. Johnson's employment without Cause or Mr. Johnson resigns for Good Reason, the Company shall pay:

(i) A cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary as in effect on the termination date and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs. The Company shall make such payment in equal installments ratably over 24 months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(ii) An amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the termination date occurs, multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year of the Company in which the termination date occurs and the termination date, and the denominator of which is equal to 365. Such payment is in lieu of the annual bonus that would have otherwise been due to him under the Executive Team Bonus Plan for the performance period in which the termination date occurs. The Company shall make such payment in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(iii) During the 24 month period following the termination date, the Company shall provide Mr. Johnson and his covered dependents medical insurance benefits, contingent on Mr. Johnson electing continuation coverage under COBRA, no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Johnson each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Johnson's portion of such premiums as if Mr. Johnson was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period. Notwithstanding the foregoing, the payments provided under this clause shall cease at such time as Mr. Johnson commences to receive such benefits from a subsequent employer of Mr. Johnson during the 24 month period following the termination date; and

(iv) An amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date and (y) 24 months, to be paid in a lump sum in cash on the first payroll date following the effective date of the release.

Definitions

The Johnson Employment Agreement contains the same definition of "Cause" provided in the Hicks Employment Agreement.

The Johnson Employment Agreement contains the same definition of "Good Reason" provided in the Hicks Employment Agreement, except that Mr. Johnson's definition does not include clause (i) from Mr. Hicks' definition and instead includes a material diminution of Mr. Johnson's position, authority duties or other responsibilities from those as contemplated in his employment agreement. In addition, Mr. Johnson's definition includes the relocation of the principal place of employment to a location more than 50 miles from the principal place of employment provided in his employment agreement, if a move to such other location materially increases his commute. In addition, Mr. Johnson's definition provides that he will not be treated as having terminated his employment for a Good Reason event if he incurs a separation from service more than six months (rather than one year) following the initial existence of the Good Reason condition, or if he has not given the Company written notice of the Good Reason condition within 90 days after the initial existence of the Good Reason condition, or if he waives in writing his right to claim Good Reason as a result of the event.

The Johnson Employment Agreement provides that in the event Mr. Johnson elects not to extend the employment agreement, such nonrenewal shall be deemed a termination by Mr. Johnson without Good Reason, and in the event the Company elects not to extend the employment period, such nonrenewal shall be deemed a termination by the Company of Mr. Johnson's employment without Cause.

Option Agreement

On June 6, 2017, the Company granted 73,892 Time Options and 36,946 Performance Options with an exercise price of $5.30 to Mr. Johnson pursuant to the 2017 Executive Option Agreement. On April 5, 2018, the Company granted 104,670 Time Options with an exercise price of $5.23 to Mr. Johnson pursuant to the 2018 Executive Option Agreement. On March 7, 2019, the Company granted 21,504 Time Options and 59,844 Performance Options with an exercise price of $5.26 to Mr. Johnson pursuant to the 2019 Executive Option Agreement. The Time Options vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date. The Performance Options are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs.

The Option Agreements provide for acceleration of vesting as follows:

- Time Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had Mr. Johnson remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
- Performance Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, to the extent Earned as of the date of such termination, the portion of the Performance Options that would have become vested and exercisable on the vesting date of the Performance Options immediately following the date of such termination, had he remained employed through such vesting date, will become vested and exercisable as of such termination.

- *Change of Control*
  - If a Change of Control occurs during the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
  - If such Change of Control occurs following the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options that has been Earned as of immediately prior to such Change of Control shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control, and any portion of the Performance Options that has not been Earned as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

Restricted Unit Agreement

On June 22, 2018, the Company granted 235,850 Restricted Units to Mr. Johnson pursuant to the 2018 Executive Restricted Unit Agreement. The Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units.

Potential Payments to Mr. Johnson upon Termination or Change of Control

Benefit	Termination due to Death or Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	Change of Control ($)
Cash Severance Payment (Salary and Bonus)	—	1,316,378(4)	—
Pro Rata Bonus	434,125(1)	87,284(5)	—
COBRA Payment	—	21,888(6)	—
Life Insurance Payment	—	360(7)	—
Accelerated Vesting of Time Options	17,299(2)	—	55,376(8)
Accelerated Vesting of Performance Options	991(3)	—	15,747(9)
Accelerated Vesting of Restricted Units	—	—	1,294,816(10)
Total:	**$ 452,415**	**$ 1,425,910**	**$1,365,939**

(1) Pursuant to the Johnson Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Johnson or his designated beneficiary or legal representative (if applicable) a pro rata portion of the annual bonus under the Executive Team Bonus Plan for the partial fiscal year in which the termination date occurs in an amount equal to the product of (x) the annual bonus Mr. Johnson would otherwise have been entitled to had he remained employed on the date such annual bonus is paid (but with the amount of the annual bonus payable calculated based solely on the level of achievement of the applicable Company financial performance metrics for such fiscal year and not on any personal performance goals) (93.6% of $463,840, which is the percentage of salary earned for the achievement of the combined Company performance goals), and (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date (assumed to be the entire 2019 fiscal year), and the denominator of which is equal to 365.

(2) The amount above represents the value associated with the accelerated vesting of the Time Options upon termination due to death or disability, which is the sum of: (i) $3,509, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 18,473 Time Options (the portion under the 2017 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Johnson remained employed); (ii) $6,803, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.23), and (B) 26,167 Time Options (the portion under the 2018 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Johnson remained employed); and (iii) $6,986, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 30,376 Time Options (the portion under the 2019 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Johnson remained employed).

(3) The amount above represents the value associated with the accelerated vesting of the Performance Options upon termination due to death or disability, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 5,219 Performance Options (the Earned portion under the 2017 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Johnson remained employed). None of Mr. Johnson's Performance Options under the 2019 Executive Option Agreement were Earned as of February 1, 2020 and therefore would not be eligible to vest in connection with a termination due to death or disability on such date.

(4) Pursuant to the Johnson Employment Agreement, if the Company terminates Mr. Johnson's employment without Cause or Mr. Johnson resigns for Good Reason, the Company shall pay a cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary ($480,000 for 2019) and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs ($269,094 for 2017 and $87,284 for 2018).

(5) Pursuant to the Johnson Employment Agreement, if the Company terminates Mr. Johnson's employment without Cause or Mr. Johnson resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year immediately preceding the fiscal year in which the termination date occurs ($87,284 for 2018), multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365 (assumed to be the entire fiscal year).

(6) Pursuant to the Johnson Employment Agreement, if the Company terminates Mr. Johnson's employment without Cause or Mr. Johnson resigns for Good Reason, then during the 24 month period following the termination date, the Company shall provide Mr. Johnson and his covered dependents medical insurance benefits no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Johnson each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Johnson's portion of such premiums as if Mr. Johnson was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period ($912 per month).

(7) Pursuant to the Johnson Employment Agreement, if the Company terminates Mr. Johnson's employment without Cause or Mr. Johnson resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date ($15 per month) and (y) 24 months.

(8) The amount above represents the value associated with the accelerated vesting of the Time Options upon a Change of Control, which is the sum of: (i) $7,019, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 36,946 Time Options (the unvested portion under the 2017 Executive Option Agreement immediately prior to February 1, 2020);

(ii) $20,410, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.23), and (B) 78,503 Time Options (the unvested portion under the 2018 Executive Option Agreement immediately prior to February 1, 2020); and (iii) $27,945, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 121,504 Time Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant).

(9) The amount above represents the value associated with the accelerated vesting of the Performance Options upon a Change of Control, which is the sum of: (i) $1,983, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 10,438 Performance Options (the unvested and Earned portion under the 2017 Executive Option Agreement immediately prior to February 1, 2020); and (ii) $13,764, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 59,844 Performance Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant because the Change of Control occurs during the Option Grant Year).

(10) Under the 2018 Executive Restricted Unit Agreement, the Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units. The amount above is the product of 235,850 Restricted Units (under the 2018 Executive Restricted Unit Agreement) and the Market Value Per Membership Unit.

Mr. Attaway

Employment Agreement

Any severance payments and benefits Mr. Attaway may be entitled to receive under the Attaway Employment Agreement, as described below, are subject to his timely execution, without revocation, of an effective release of claims in favor of the Company and its affiliates.

Mr. Attaway is not entitled to any severance payments or benefits if he is terminated for Cause or resigns without Good Reason.

Death or Disability

Pursuant to the Attaway Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Attaway or his designated beneficiary or legal representative (if applicable):

(i) An amount equal to one times his base salary as in effect on the termination date, payable in equal installments ratably over twelve months following the termination date in accordance with the Company’s normal payroll cycle and procedures; provided, however, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death; and

(ii) An amount equal to the bonus earned by him under the Executive Team Bonus Plan for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the termination date occurs, payable in equal installments ratably over twelve months following the termination date in accordance with the Company’s normal payroll cycle and procedures; provided, however, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death. Such payment is in lieu of the bonus that would have otherwise been due to him under the Executive Team Bonus Plan for the fiscal year in which the termination date occurs.

Without Cause or for Good Reason

If the Company terminates Mr. Attaway's employment without Cause or Mr. Attaway resigns for Good Reason, the Company shall pay:

(i) A cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary (at the rate in effect as of the last day of the year immediately preceding the termination date) and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs. The Company shall make such payment in equal installments ratably over 24 months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(ii) An amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the termination date occurs, multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year of the Company in which the termination date occurs and the termination date, and the denominator of which is equal to 365. Such payment is in lieu of the annual bonus that would have otherwise been due to him under the Executive Team Bonus Plan for the performance period in which the termination date occurs. The Company shall make such payment in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures, with the first installment to be paid on the first payroll date following the effective date of a release; provided, that if his death occurs subsequent to the termination date, any unpaid installments shall be paid to his estate or beneficiaries in a lump sum payment within 30 days following the date of death;

(iii) During the 24 month period following the termination date, the Company shall provide Mr. Attaway and his covered dependents medical insurance benefits, contingent on Mr. Attaway electing continuation coverage under COBRA, no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Attaway each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Attaway's portion of such premiums as if Mr. Attaway was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period. Notwithstanding the foregoing, the payments provided under this clause shall cease at such time as Mr. Attaway commences to receive such benefits from a subsequent employer of Mr. Attaway during the 24 month period following the termination date; and

(iv) An amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date and (y) 24 months, to be paid in a lump sum in cash on the first payroll date following the effective date of the release.

Definitions

The Attaway Employment Agreement contains the same definition of "Cause" provided in the Hicks Employment Agreement.

The Attaway Employment Agreement contains the same definition of "Good Reason" provided in the Hicks Employment Agreement, except that clause (i) of Mr. Attaway's definition also includes any material diminution of his title, authority, duties or reporting lines and clause (ii) is a reduction in base salary and target bonus opportunity, in the aggregate, from Mr. Attaway's base salary and target bonus opportunity, in the aggregate, for the Company's 2012 fiscal year, or if greater, from Mr. Attaway's base salary and target bonus opportunity, in the aggregate, as set by the Board from time to time following the date of Attaway Employment Agreement. In addition, Mr. Attaway's definition also includes the relocation of the principal place of employment to a location more than thirty-five (35) miles from the principal place of employment provided in his employment agreement, if a move to such other location materially increases his commute.

The Attaway Employment Agreement provides that in the event the Company elects not to extend the employment period, such nonrenewal shall be deemed a termination by the Company of Mr. Attaway's employment without Cause.

Option Agreement

On March 27, 2016, the Company granted 118,337 Time Options with an exercise price of $5.30 to Mr. Attaway pursuant to the 2016 Executive Option Agreement. On March 23, 2017, the Company granted 123,154 Time Options and 61,576 Performance Options with an exercise price of $5.30 to Mr. Attaway pursuant to the 2017 Executive Option Agreement. On April 5, 2018, the Company granted 112,722 Time Options with an exercise price of $5.23 to Mr. Attaway pursuant to the 2018 Executive Option Agreement. On March 7, 2019, the Company granted 112,824 Time Options and 55,570 Performance Options with an exercise price of $5.26 to Mr. Attaway pursuant to the 2019 Executive Option Agreement. The Time Options vest as follows: 25% of the Time Options become vested and exercisable on each anniversary of the grant date, subject to continued employment through the applicable vesting date. The Performance Options are eligible to become vested and exercisable with respect to a percentage of Membership Units that are subject to the Performance Options based on the Company's level of achievement of consolidated Adjusted EBITDA for the fiscal year in which the grant date occurs.

The Option Agreements each provide for acceleration of vesting as follows:

- Time Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, that portion of the Time Option that would have become vested and exercisable on the vesting date of the Time Option immediately following the date of such termination, had Mr. Attaway remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - In connection with any Change of Control, any then-outstanding and unvested portion of the Time Option will become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.
- Performance Options
  - *Death or Disability*
    - Upon a termination of employment at any time by reason of death or disability, to the extent Earned as of the date of such termination, the portion of the Performance Options that would have become vested and exercisable on the vesting date of the Performance Options immediately following the date of such termination, had he remained employed through such vesting date, will become vested and exercisable as of such termination.
  - *Change of Control*
    - If a Change of Control occurs during the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options shall become vested and exercisable as to 100%

of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control.

- If such Change of Control occurs following the Option Grant Year, then any then-outstanding and unvested portion of the Performance Options that has been Earned as of immediately prior to such Change of Control shall become vested and exercisable as to 100% of the Membership Units that are subject to such unvested portion, immediately prior to such Change of Control, and any portion of the Performance Options that has not been Earned as of immediately prior to such Change of Control shall be automatically forfeited upon the consummation of such Change of Control.

Restricted Unit Agreement

On June 22, 2018, the Company granted 141,510 Restricted Units to Mr. Attaway pursuant to the 2018 Executive Restricted Unit Agreement. The Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units.

Potential Payments to Mr. Attaway upon Termination or Change of Control

Benefit	Termination due to Death or Disability ($)	Termination Without Cause or Resignation for Good Reason ($)	Change of Control ($)
Cash Severance Payment (Salary and Bonus)	531,677(1)	1,244,520(4)	—
Pro Rata Bonus	—	83,677(5)	—
COBRA Payment	—	20,856(6)	—
Life Insurance Payment	—	360(7)	—
Accelerated Vesting of Time Options	25,285(2)	—	65,251(8)
Accelerated Vesting of Performance Options	1,652(3)	—	16,086(9)
Accelerated Vesting of Restricted Units	—	—	776,889(10)
Total:	**$ 558,614**	**$ 1,349,413**	**$858,226**

(1) Pursuant to the Attaway Employment Agreement, if his employment is terminated due to death or disability, the Company will pay to Mr. Attaway or his designated beneficiary or legal representative (if applicable) (i) an amount equal to one times his base salary as in effect on the termination date, payable in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures ($448,000 for 2019); and (ii) an amount equal to the bonus earned by him under the Executive Team Bonus Plan for the fiscal year immediately preceding the fiscal year in which the termination date occurs, payable in equal installments ratably over twelve months following the termination date in accordance with the Company's normal payroll cycle and procedures ($83,677 for 2018).

(2) The amount above represents the value associated with the accelerated vesting of the Time Options upon termination due to death or disability, which is the sum of: (i) $5,621, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 29,585 Time Options (the portion under the 2016 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Attaway remained employed); (ii) $5,849, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 30,789 Time Options (the portion under the 2017 Executive Option Agreement that would have become vested on the vesting date immediately following termination had

Mr. Attaway remained employed); (iii) $7,326, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.23), and (B) 28,180 Time Options (the portion under the 2018 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Attaway remained employed); and (iv) $6,487, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 28,206 Time Options (the portion under the 2019 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Attaway remained employed).

(3) The amount of $1,652 above represents the value associated with the accelerated vesting of the Performance Options upon termination due to death or disability, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 8,698 Performance Options (the Earned portion under the 2017 Executive Option Agreement that would have become vested on the vesting date immediately following termination had Mr. Attaway remained employed). None of Mr. Attaway's Performance Options under the 2019 Executive Option Agreement were Earned as of February 1, 2020 and therefore would not be eligible to vest in connection with a termination due to death or disability on such date.

(4) Pursuant to the Attaway Employment Agreement, if the Company terminates Mr. Attaway's employment without Cause or Mr. Attaway resigns for Good Reason, the Company shall pay a cash severance payment in an amount equal to the product of (x) two multiplied by (y) the sum of (A) his base salary at the rate in effect as of the last day of the year immediately preceding the termination date ($448,000 as of the last day of 2018) and (B) the average annual bonus paid to (or earned by, to the extent not yet paid as of the termination date) him under the Executive Team Bonus Plan for the two fiscal years of the Company immediately preceding the fiscal year in which the termination date occurs ($264,844 for 2017 and $83,677 for 2018).

(5) Pursuant to the Attaway Employment Agreement, if the Company terminates Mr. Attaway's employment without Cause or Mr. Attaway resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the annual bonus he has earned under the Executive Team Bonus Plan for the fiscal year immediately preceding the fiscal year in which the termination date occurs ($83,677 for 2018), multiplied by (y) a fraction, the numerator of which is equal to the number of days between and including the first day of the fiscal year in which the termination date occurs and the termination date, and the denominator of which is equal to 365 (assumed to be the entire 2019 fiscal year).

(6) Pursuant to the Attaway Employment Agreement, if the Company terminates Mr. Attaway's employment without Cause or Mr. Attaway resigns for Good Reason, then during the 24 month period following the termination date, the Company shall provide Mr. Attaway and his covered dependents medical insurance benefits no less favorable than those provided to active senior executives of the Company and their dependents at a price equal to the COBRA rate while eligible for COBRA and thereafter at the cost of coverage, and the Company shall pay to Mr. Attaway each month during the 24 month period following the termination date an amount equal to the excess, if any, of the monthly premium under the Company's benefit plans under which such medical insurance benefits are provided, as in effect from time to time, over the amount of Mr. Attaway's portion of such premiums as if Mr. Attaway was an active employee, which payment shall be paid in advance on the first payroll day of each month during the such 24-month period ($869 per month).

(7) Pursuant to the Attaway Employment Agreement, if the Company terminates Mr. Attaway's employment without Cause or Mr. Attaway resigns for Good Reason, the Company shall pay an amount equal to the product of (x) the monthly basic life insurance premium applicable to his basic life insurance coverage immediately prior to the termination date ($15 per month), and (y) 24 months.

(8) The amount above represents the value associated with the accelerated vesting of the Time Options upon a Change of Control, which is the sum of: (i) $5,621, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 29,585 Time Options (the unvested portion under the 2016 Executive Option Agreement immediately prior to February 1, 2020); (ii) $11,699, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 61,578 Time Options (the unvested portion under the 2017 Executive

Option Agreement immediately prior to February 1, 2020); (iii) $21,980, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.23), and (B) 84,542 Time Options (the unvested portion under the 2018 Executive Option Agreement immediately prior to February 1, 2020); and (iv) $25,949, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 112,824 Time Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant).

(9) The amount above represents the value associated with the accelerated vesting of the Performance Options upon a Change of Control, which is the sum of: (i) $3,305, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.30), and (B) 17,396 Performance Options (the unvested and Earned portion under the 2017 Executive Option Agreement immediately prior to February 1, 2020); and (ii) $12,781, which is the product of (A) the difference between the Market Value Per Membership Interest and the exercise price ($5.26), and (B) 55,570 Performance Options (the unvested portion under the 2019 Executive Option Agreement immediately prior to February 1, 2020, which is the entire grant because the Change of Control occurs during the Option Grant Year).

(10) Under the 2018 Executive Restricted Unit Agreement, the Restricted Units are subject to both a Time and Service Based Requirement and a Liquidity Event Requirement. Upon a Change of Control, subject to continued employment, both the Time and Service Based Requirement and Liquidity Event Requirement will be satisfied as to 100% of the Restricted Units. The amount above is the product of 141,510 Restricted Units (under the 2018 Executive Restricted Unit Agreement) and the Market Value Per Membership Unit.

DIRECTOR COMPENSATION

Under the 2019 Board compensation program, non-employee directors who are not employed by KKR were paid a retainer of $25,000 in cash per fiscal quarter completed. Such non-employee directors also received a grant of $100,000 in Restricted Units with a one (1) year vesting condition in the first quarter of 2019. Directors may request that the Company buy back Membership Units issued upon settlement of the Restricted Units, up to 37% of the fair market value of the Membership Units issued.

The following table contains information concerning the compensation of Messrs. Simon and Marley, our non-employee directors who are not employed by KKR, in 2019. Mr. Hicks did not receive any additional compensation for his service as Chairman of our Board in 2020 and none of the directors who are employed by KKR are compensated by the Company for their service on the Board.

Director Compensation Table for 2019

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)(3)	Total ($)
William F. Simon	100,000	100,000	200,000
Brian T. Marley	100,000	100,000	200,000

(1) Amounts reflect the aggregate amount of cash retainers paid during 2019.

(2) Amounts reflect the full grant-date fair value of Restricted Units granted during 2019 computed in accordance with ASC Topic 718, rather than the amounts paid to or realized by the named individual. See Note 10, *Equity and Unit-Based Compensation* to our consolidated financial statements included in this prospectus for the assumptions used in calculating these values.

(3) Each non-employee director has been granted Restricted Units pursuant to a Restricted Unit Agreement under the 2011 Equity Plan, which contains the following vesting terms: subject to the grantee's continued service on such date, 100% of the Restricted Units vest on the earliest of (i) the first anniversary of the grant date, (ii) the grantee's death or disability, or (iii) a Change of Control (as defined in the 2011 Equity Plan). As of the 2019 fiscal year end, each of Messrs. Marley and Simon held 19,012 Restricted Units granted on March 7, 2019 (which vested in full on March 7, 2020). In addition, on March 5, 2020, each of Messrs.

Marley and Simon was granted 18,215 Restricted Units, all of which vest on the earliest of (i) the first anniversary of the grant date, (ii) the grantee's death or disability or (iii) a Change of Control.

The Compensation Committee reviews and assesses non-employee director pay levels every year. This process involves a review of competitive market data, including an assessment of our director compensation policy against the director compensation programs of companies in our executive compensation peer group and an update on recent trends in director compensation.

In December 2020, we adopted the following annual compensation policy pursuant to which each of our non-employee directors who are not employed by KKR or any of its affiliates will be entitled to the following compensation:

- an annual cash retainer of $100,000, payable quarterly in arrears;
- an annual cash retainer of $30,000 for our lead director, payable quarterly in arrears;
- each non-employee director serving as chair of the following committees of our Board will receive the following additional annual retainers, each of which is also payable quarterly in arrears:
  - Audit Committee Chair: $25,000
  - Compensation Committee Chair: $25,000
  - Nominating and Governance Chair: $15,000; and
- an annual grant of restricted stock units having a grant date fair market value equal to $130,000 to be granted on the first business day following our annual meeting of stockholders and which will be converted into the number of restricted stock units to be granted based on the prior 30 calendar days' average closing price of our common stock on the grant date and vest 100% on the earliest of (i) the first anniversary of the date of grant, or, if earlier, the date which is the business day immediately preceding the date of the next annual meeting of stockholders, (ii) the director's termination due to death or disability or (iii) a Change in Control (as defined in the 2020 Equity Plan).

Non-employee directors (other than the directors employed by KKR and its affiliates) who commence, or terminate, service during the fiscal quarter will receive pro-rated cash retainers.

A restricted stock unit award having the terms described above will be granted to each new nonemployee director (other than the directors employed by KKR or its affiliates) on the date the new director is appointed to the Board having a grant date fair market value equal to $130,000 pro-rated based on the number of calendar days remaining before (a) the next annual stockholders meeting, if scheduled, or (b) the date of the first anniversary of the last annual stockholders meeting, if the next annual stockholders meeting is not scheduled. If the director is appointed 60 days or less prior to the annual stockholders meeting, no equity award grant will be made prior to such meeting to the new director.

Our directors will also be reimbursed for travel and lodging expenses associated with attendance at Board or committee meetings.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Stockholders Agreement

In connection with the IPO, we entered into a stockholders' agreement with the KKR Stockholders. The stockholders' agreement grants the KKR Stockholders the right to nominate to our board of directors a number of designees equal to: (i) at least a majority of the total number of directors comprising our board of directors at such time as long as the KKR Stockholders and their affiliates collectively beneficially own at least 50% of the outstanding shares of our common stock; (ii) at least 40% of the total number of directors comprising our board of directors at such time as long as the KKR Stockholders and their affiliates collectively beneficially own at least 40% but less than 50% of the outstanding shares of our common stock; (iii) at least 30% of the total number of directors comprising our board of directors at such time as long as the KKR Stockholders and their affiliates collectively beneficially own at least 30% but less than 40% of the outstanding shares of our common stock; (iv) at least 20% of the total number of directors comprising our board of directors at such time as long as the KKR Stockholders and their affiliates collectively beneficially own at least 20% but less 30% of the outstanding shares of our common stock; and (v) at least 10% of the total number of directors comprising our board of directors at such time as long as the KKR Stockholders and their affiliates collectively beneficially own at least 5% but less than 20% of the outstanding shares of our common stock. For purposes of calculating the number of directors that the KKR Stockholders are entitled to nominate pursuant to the formula outlined above, any fractional amounts are rounded up to the nearest whole number and the calculation is made on a pro forma basis, taking into account any increase in the size of our board of directors (e.g., one and one quarter ($1\frac{1}{4}$) directors shall equate to two directors). In addition, in the event a vacancy on the board of directors is created by the death, disability, retirement or resignation of a KKR Stockholders director designee, the KKR Stockholders shall, to the fullest extent permitted by law, have the right to have the vacancy filled by a new KKR Stockholders director-designee.

In addition, the stockholders' agreement grants the KKR Stockholders with special governance rights, for as long as the KKR Stockholders and their affiliates collectively maintain ownership of at least 25% of our outstanding common stock, including rights of approval over certain corporate and other transactions such as mergers or other transactions involving a change in control and certain rights regarding the appointment of our chief executive officer.

Registration Rights Agreement

In connection with the IPO, we amended and restated the registration rights agreement among New Academy Holding Company, LLC, Allstar LLC, Allstar Managers and the Gochman Investors to add Academy Sports and Outdoors, Inc. and other KKR Stockholders as parties and, under certain circumstances and subject to certain restrictions, to require Academy Sports and Outdoors, Inc. to file registration statements under the Securities Act covering resales of our common stock held by them and other stockholders party to the registration rights agreement or to piggyback on such registration statements in certain circumstances. Subject to certain conditions, the registration rights agreement provides KKR Stockholders with an unlimited number of "demand" registrations, and provides the Gochman Investors with three "demand" registrations following the IPO. Under the registration rights agreement, all holders of registrable securities party thereto are provided with customary "piggyback" registration rights following the IPO, with certain exceptions. The registration rights agreement also provides that we will pay certain expenses of these holders relating to such registrations and indemnify them against certain liabilities which may arise under the Securities Act.

Monitoring Agreement

On August 3, 2011, or the Effective Date, we entered into a monitoring agreement, or the Monitoring Agreement, with Kohlberg Kravis Roberts & Co. L.P., or the Adviser, pursuant to which the Adviser provided advisory, consulting and financial services to us. In accordance with the terms of the Monitoring Agreement, we paid an aggregate annual advisory fee which increased by 5.0% annually on each anniversary of the Effective Date. The Adviser could also charge us a customary fee for services rendered in connection with securing, structuring and negotiating equity and debt financings by us. Additionally, we were required to reimburse the Adviser for any out-of-pocket expenses in connection with these services.

Upon the completion of the IPO in the third quarter 2020, the Monitoring Agreement terminated automatically and we paid the final termination fee of $12.3 million. The termination fee was equal to the net present value of the advisory fees that would have been paid from the termination date through the twelfth anniversary of the Effective Date of the Monitoring Agreement. Pursuant to a separate agreement, the Adviser shared $1.6 million of such termination fee with the Gochman Investors. We recognized advisory fees related to the Monitoring Agreement, including reimbursement of expenses, of approximately $3.6 million, $3.5 million and $3.4 million in 2019, 2018, and 2017, respectively. We recognized advisory fees related to the Monitoring Agreement, including reimbursement of expenses and the termination fee, of approximately $14.8 million in the thirty-nine weeks ended October 31, 2020, and $2.7 million in the thirty-nine weeks ended November 2, 2019. These expenses are included in selling, general and administrative expenses in the statements of income.

Equity Purchases

For 2019, 2018 and 2017, executives and directors of the Company made cash purchases of contingently redeemable membership units, or Redeemable Membership Units, in Allstar Managers, which is 100% owned by certain current and former executives and directors of the Company and was formed to facilitate the purchase of the Redeemable Membership Units in the Company and which in turn also owns Membership Units in New Academy Holding Company, LLC on a one-for-one basis. The cash purchases were for approximately $0.1 million, $1.3 million and $1.2 million, respectively. The cash consideration paid for the Redeemable Membership Units was subsequently contributed to New Academy Holding Company, LLC by Allstar Managers in exchange for a number of New Academy Holding Company, LLC Membership Units equal to the number of Redeemable Membership Units purchased.

During 2019, Allstar Managers repurchased at fair market value approximately $0.5 million of Redeemable Membership Units from a director and an executive of the Company for cash. New Academy Holding Company, LLC concurrently repurchased from Allstar Managers for cash, at fair market value, a number of its membership units equal to the number for Redeemable Membership Units repurchased from the director and executive. In connection with the Reorganization Transactions, Allstar Managers, LLC contributed the membership units of New Academy Holding Company, LLC it held to Academy Sports and Outdoors, Inc. in exchange for shares of our common stock at a contribution ratio of 3.15 units of New Academy Holding Company, LLC for 1 share of Academy Sports and Outdoors, Inc.'s common stock and the outstanding Redeemable Membership Units in Allstar Managers, LLC were similarly adjusted on a one-for-one basis.

Relationship with KKR Capital Markets

KKR Capital Markets LLC acted as an underwriter for the IPO and received approximately $3.0 million in underwriting discounts and commissions (including in connection with the IPO Option Exercise). KKR Capital Markets LLC also acted as a book-running manager and an initial purchaser and as a joint lead arranger in connection with the Refinancing Transactions and received approximately $2.5 million in initial purchaser discounts and commissions and fees in connection with the Refinancing Transactions.

Relationship with KKR Capstone

We have utilized and may continue to utilize KKR Capstone Americas LLC and/or its affiliates, or KKR Capstone, a team of operating professionals who work exclusively with KKR's investments professionals and portfolio company management teams and have paid to KKR Capstone fees and expenses of $0.9 million and $0.3 million, respectively, during 2018 and 2017.

Note Receivable from Member

On April 10, 2019, the Company loaned $4.0 million with a note receivable issued to one of the Gochman Investors. The note receivable bore semi-annual compounding interest at 2.5% per annum with outstanding principal and interest due on April 10, 2022. On April 5, 2018, the Company loaned $4.1 million with a note receivable issued to one of the Gochman Investors. The note receivable bore semi-annual compounding interest at 2.1% per annum, with outstanding principal and interest due on April 5, 2021. These notes receivable have been recorded in other non-current assets in the consolidated balance sheets. All of the outstanding notes receivables owed by the Gochman Investors were offset against the special distribution on August 28, 2020 and are no longer outstanding.

Transactions with Officers

We have certain agreements with our officers which are described in the section entitled "Executive Compensation."

We have entered into indemnification agreements with our directors and executive officers. These agreements and our amended and restated bylaws require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. The indemnification provided under the indemnification agreements is not exclusive of any other indemnity rights. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors and executive officers, we have been informed that in the opinion of the SEC such indemnification is against public policy and is therefore unenforceable.

There is currently no pending material litigation or proceeding involving any of our directors or executive officers for which indemnification is sought.

Management Unitholders Agreement

In connection with the grant of awards under each Option Agreement and Restricted Unit Agreement, New Academy Holding Company, LLC and Allstar Managers entered into a Management Unitholders Agreement with our directors and each of our executive officers.

The Management Unitholders Agreement imposes significant restrictions on transfers of shares of our common stock and options to purchase shares of our common stock held by each director and executive officer party to the Management Unitholders Agreement that were issued, or in the case of shares subject to options or restricted units, that were granted during or after March 2016. Such shares of our common stock and the options are nontransferable by any means at any time prior to the earlier of (x) one year following an initial public offering and (y) a "Change of Control," or the Lapse Date, except (i) upon death or disability, to a director's or executive officer's estate or to their beneficiaries, (ii) to any executive trust, (iii) to any member of Allstar Managers, (iv) in accordance with the Amended and Restated Limited Liability Company Agreement of New Academy Holding Company, LLC and (v) in accordance with our registration rights agreement. These transfer restrictions are in addition to those imposed on options under the 2011 Equity Plan.

Prior to the Lapse Date, the Management Unitholders Agreement provides a put right upon the death or disability of a director or executive officer and provides for our ability to cause a director or executive officer to sell his or her shares of common stock or options back to the Company upon certain termination events.

Additionally, following the IPO, the directors and executive officers party to the Management Unitholders Agreement have limited "piggyback" registration rights with respect to their shares of common stock.

Special Distribution

On August 28, 2020, New Academy Holding Company, LLC paid a $257.0 million one-time special distribution to its unitholders of record as of August 25, 2020, of which $218.3 million was paid to Allstar LLC, an investment entity owned by KKR, $24.9 million was paid to the Gochman Investors and the remaining $4.8 million was paid to other unitholders. $248.0 million of such one-time special distribution was funded through cash on hand, with the remainder distributed through an offset of outstanding loans receivable from certain unitholders as well as state income tax withholdings made on behalf of our unitholders.

Statement of Policy Regarding Transactions with Related Persons

Our board of directors recognizes the fact that transactions with related persons present a heightened risk of conflicts of interests and/or improper valuation (or the perception thereof). Our board of directors adopted a written statement of policy regarding transactions with related persons, which we refer to as our "related person policy," that is in conformity with the requirements upon issuers having publicly-held common stock that is listed on Nasdaq.

Our related person policy requires that a "related person" (as defined as in paragraph (a) of Item 404 of Regulation S-K) must promptly disclose to our general counsel, or such other person designated by the board of directors, any "related person transaction" (defined as any transaction that we anticipate would be reportable by us under Item 404(a) of Regulation S-K in which we were or are to be a participant and the amount involved exceeds $120,000 and in which any related person had or will have a direct or indirect material interest) and all material facts with respect thereto. The general counsel, or such other person, will then promptly communicate that information to our board of directors. No related person transaction will be executed without the approval or ratification of our board of directors or a duly authorized committee of our board of directors. It is our policy that directors interested in a related person transaction will recuse themselves from any vote on a related person transaction in which they have an interest.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information regarding the beneficial ownership of our common stock by (1) the selling stockholders, (2) each person known to us to beneficially own more than 5% of our voting securities, (3) each of our directors and named executive officers, and (4) all directors and executive officers as a group.

The number of shares of common stock outstanding and percentages of beneficial ownership provided in the table below are based on the beneficial ownership as of January 2, 2021 and are based on 90,936,907 shares of our common stock, par value $0.01 per share, outstanding as of January 2, 2021. As of January 2, 2021, we had 33 holders of record of our common stock.

Beneficial ownership is determined in accordance with the rules of the SEC. In accordance with the rules of the SEC, beneficial ownership includes voting or investment power with respect to securities and includes shares issuable pursuant to exchange or conversion rights that are exercisable within 60 days of the date of this prospectus.

To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

			Shares to be Sold in this Offering		Shares Beneficially Owned After the Offering			
	Shares Beneficially Owned Prior to the Offering		Assuming No Exercise of the Underwriters' Option	Assuming Full Exercise of the Underwriters' Option	Assuming No Exercise of the Underwriters' Option		Assuming Full Exercise of the Underwriters' Option	
Name of Beneficial Owner(1)	Number	Percentage of Total Common Stock	Number	Number	Number	Percentage of Total Common Stock	Number	Percentage of Total Common Stock
Selling Stockholders:								
KKR Stockholders(2)	61,587,301	67.73%	10,388,747	11,947,059	51,198,554	56.30%	49,640,242	54.59%
MSI 2011 LLC (a Gochman Investor)(3)	5,929,249	6.52%	1,000,165	1,150,190	4,929,084	5.42%	4,779,059	5.26%
MG Family Limited Partnersip (a Gochman Investor)(4)	3,594,593	3.95%	606,348	697,300	2,988,245	3.29%	2,897,293	3.19%
Michelle Gloeckler	56,202	*	4,740	5,451	51,462	*	50,751	*
Named Executive Officers(5):								
Ken C. Hicks	583,987	*	—	—	583,987	*	583,987	*
Michael P. Mullican	153,980	*	—	—	153,980	*	153,980	*
Steven P. Lawrence	123,885	*	—	—	123,885	*	123,885	*
Samuel J. Johnson	121,449	*	—	—	121,449	*	121,449	*
Kenneth D. Attaway	655,728	*	—	—	655,728	*	655,728	*
Directors(5):								
Wendy A. Beck	—	—	—	—	—	—	—	—
Brian T. Marley	32,607	*	—	—	32,607	*	32,607	*
Vishal V. Patel	—	—	—	—	—	—	—	—
Allen I. Questrom	—	—	—	—	—	—	—	—
William S. Simon	36,789	*	—	—	36,789	*	36,789	*
Nathaniel H. Taylor	—	—	—	—	—	—	—	—
Jeffrey C. Tweedy	—	—	—	—	—	—	—	—
Aileen X. Yan	—	—	—	—	—	—	—	—
Directors and executive officers as a group(5) (seventeen persons)	2,497,769	2.75%	—	—	2,497,769	2.75%	2,497,769	2.75%

* Less than one percent.

(1) Unless otherwise indicated in the below, the address of each of the individuals named above is: c/o Academy Sports + Outdoors, Attention: General Counsel, 1800 North Mason Road, Katy, Texas 77449.

(2) (i) KKR 2006 Allstar Blocker L.P. holds 11,102,476 shares of our common stock; (ii) Allstar Co-Invest Blocker L.P. holds 22,031,746 shares of our common stock; and (iii) Allstar LLC holds 28,453,079 shares of our common stock.

Of the shares being offered by the KKR Stockholders: (i) 1,872,802 shares are being sold in this offering by KKR 2006 Allstar Blocker L.P., assuming the underwriters' option is not exercised, and 2,153,722 shares are being sold in this offering by KKR 2006 Allstar Blocker L.P., assuming the underwriters' option is exercised in full; (ii) 3,716,387 shares are being sold in this offering by Allstar Co-Invest Blocker L.P., assuming the underwriters' option is not exercised, 4,273,845 shares are being sold in this offering by Allstar Co-Invest Blocker L.P., assuming the underwriters' option is exercised in full; and (iii) 4,799,558 shares are being sold in this offering by Allstar LLC, assuming the underwriters' option is not exercised, 5,519,492 shares are being sold in this offering by Allstar LLC, assuming the underwriters' option is exercised in full.

Each of KKR 2006 Fund (Allstar) L.P. (as the managing member of Allstar LLC); KKR Associates 2006 AIV L.P. (as the general partner of KKR 2006 Fund (Allstar) L.P.); Allstar Co-Invest GP LLC (as the general partner of Allstar Co-Invest Blocker L.P.); KKR 2006 AIV GP LLC (as the general partner of each of KKR Associates 2006 AIV L.P. and KKR 2006 Allstar Blocker L.P. and as the sole member of Allstar Co-Invest GP LLC); KKR Group Partnership L.P. (as the sole member of KKR 2006 AIV GP LLC); KKR Group Holdings Corp. (as the general partner of KKR Group Partnership L.P.); KKR & Co. Inc. (as the sole shareholder of KKR Group Holdings Corp.); KKR Management LLP (as the Series I preferred stockholder of KKR & Co. Inc.); and Messrs. Henry R. Kravis and George R. Roberts (as the founding partners of KKR Management LLP) may also be deemed to be the beneficial owners having shared voting power and shared investment power over the securities described in this footnote. The principal business address of each of the entities and persons identified in this footnote, except Mr. Roberts, is c/o Kohlberg Kravis Roberts & Co. L.P., 30 Hudson Yards, New York, New York 10001. The principal business address for Mr. Roberts is c/o Kohlberg Kravis Roberts & Co. L.P., 2800 Sand Hill Road, Suite 200, Menlo Park, CA 94025.

(3) MSI 2011 LLC is an entity of which David Gochman is the sole investment manager. The economics of the entity are owned 100% by David Gochman and trusts for the benefit of his immediate family. The principal business address of MSI 2011 LLC and Mr. Gochman is c/o Inclenberg Investments Florida LLC, 350 Royal Palm Way, Suite 501, Palm Beach, Florida 33480.

(4) MG Family Limited Partnership is an entity of which MG Family GP, LLC is the general partner. Molly Gochman is the sole member of MG Family GP, LLC with sole power to make investment decisions. The principal business address of MG Family Limited Partnership is 2437 North Blvd, Houston, TX 77098.

(5) The number of shares reported includes shares covered by (i) options that are or will become exercisable and (ii) restricted stock unit awards that vest or will vest, in each case within 60 days as follows: Mr. Hicks, 74,191; Mr. Mullican, 50,051; Mr. Lawrence, 75,730; Mr. Johnson, 37,922; Mr. Attaway, 46,514; and all directors and executive officers as a group 405,841.

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of, and is qualified in its entirety by, our amended and restated certificate of incorporation and amended and restated bylaws, each as in effect as of the date of this prospectus, copies of which are filed as exhibits to the registration statement of which this prospectus is a part.

Our purpose is to engage in any lawful act or activity for which corporations may now or hereafter be organized under the DGCL. Our authorized capital stock consists of 300 million shares of common stock, par value $0.01 per share, and 50 million shares of preferred stock.

Common Stock

Holders of shares of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. The holders of our common stock vote to elect our directors by a plurality of the votes cast. On all other matters other than those specified in our amended and restated certificate of incorporation and amended and restated by-laws, where a 66$^{2}/_{3}$% vote of the then outstanding shares of our common stock is required, the affirmative vote of a majority in voting power of shares present at a meeting of the holders of our common stock is required.

Holders of shares of our common stock are entitled to receive dividends when and if declared by our board of directors out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock.

Upon our dissolution or liquidation or the sale of all or substantially all of our assets, after payment in full of all amounts required to be paid to creditors and to the holders of preferred stock having liquidation preferences, if any, the holders of shares of our common stock will be entitled to receive our remaining assets available for distribution.

Holders of shares of our common stock do not have preemptive, subscription or conversion rights. There are no redemption or sinking fund provisions applicable to our common stock.

Preferred Stock

We do not currently have any preferred stock outstanding. However, our amended and restated certificate of incorporation authorizes our board of directors to establish one or more series of preferred stock (including convertible preferred stock). Unless required by law or by Nasdaq, the authorized shares of preferred stock are available for issuance without further action by you. Our board of directors will be able to determine, with respect to any series of preferred stock, the terms and rights of that series, including:

1) the designation of the series;

2) the number of shares of the series, which our board of directors may, except where otherwise provided in the preferred stock designation, increase (but not above the total number of authorized shares of the class) or decrease (but not below the number of shares then outstanding);

3) whether dividends, if any, will be cumulative or non-cumulative and the dividend rate of the series;

4) the dates at which dividends, if any, will be payable;

5) the redemption rights and price or prices, if any, for shares of the series;

6) the terms and amounts of any sinking fund provided for the purchase or redemption of shares of the series;

7) the amounts payable on shares of the series in the event of any voluntary or involuntary liquidation, dissolution or winding-up of the affairs of the Company;

8) whether the shares of the series will be convertible into shares of any other class or series, or any other security, of the Company or any other corporation and, if so, the specification of the other class or series or other security, the conversion price or prices or rate or rates, any rate adjustments, the date or dates as of which the shares will be convertible and all other terms and conditions upon which the conversion may be made;

9) restrictions on the issuance of shares of the same series or of any other class or series; and

10) the voting rights, if any, of the holders of the series.

We could issue a series of preferred stock that could, depending on the terms of the series, impede or discourage an acquisition attempt or other transaction that some, or a majority, of the holders of our common stock might believe to be in their best interests or in which the holders of our common stock might receive a premium for their common stock over the market price of the common stock. In addition, the issuance of preferred stock may adversely affect the holders of our common stock by restricting dividends on the common stock, diluting the voting power of the common stock or subordinating the liquidation rights of the common stock. As a result of these or other factors, the issuance of preferred stock may have an adverse impact on the market price of our common stock.

Dividends

The DGCL permits a corporation to declare and pay dividends out of “surplus” or, if there is no “surplus,” out of its net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. “Surplus” is defined as the excess of the net assets of the corporation over the amount determined to be the capital of the corporation by the board of directors. The capital of the corporation is typically calculated to be (and cannot be less than) the aggregate par value of all issued shares of capital stock. Net assets equal the fair value of the total assets minus total liabilities. The DGCL also provides that dividends may not be paid out of net profits if, after the payment of the dividend, capital is less than the capital represented by the outstanding stock of all classes having a preference upon the distribution of assets.

Declaration and payment of any dividend will be subject to the discretion of our board of directors. The time and amount of dividends will be dependent upon our financial condition, operations, cash requirements and availability, debt repayment obligations, capital expenditure needs and restrictions in our debt instruments, industry trends, the provisions of Delaware law affecting the payment of dividends to stockholders and any other factors our board of directors may consider relevant.

Anti-Takeover Effects of Our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Certain Provisions of Delaware Law

Our amended and restated certificate of incorporation, amended and restated bylaws and the DGCL, which are summarized in the following paragraphs, contain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our board of directors. These provisions are intended to avoid costly takeover battles, reduce our vulnerability to a hostile change of control and enhance the ability of our board of directors to maximize stockholder value in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of the Company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider is in its best interest, including those attempts that might result in a premium over the prevailing market price for the shares of common stock held by stockholders.

Authorized but Unissued Capital Stock

Delaware law does not require stockholder approval for any issuance of authorized shares. However, the listing requirements of Nasdaq, which would apply if and so long as our common stock remains listed on Nasdaq, require stockholder approval of certain issuances equal to or exceeding 20% of the then-outstanding voting power or then-outstanding number of shares of common stock. These additional shares may be used for a variety of corporate purposes, including future public offerings to raise additional capital or to facilitate acquisitions.

Our board of directors may issue shares of preferred stock on terms calculated to discourage, delay or prevent a change of control of the Company or the removal of our management. Moreover, our authorized but unissued shares of preferred stock will be available for future issuances without stockholder approval and could be utilized for a variety of corporate purposes, including future offerings to raise additional capital, acquisitions or employee benefit plans.

One of the effects of the existence of unissued and unreserved common stock or preferred stock may be to enable our board of directors to issue shares to persons friendly to current management, which issuance could render more difficult or discourage an attempt to obtain control of the Company by means of a merger, tender offer, proxy contest or otherwise, and thereby protect the continuity of our management and possibly deprive our stockholders of opportunities to sell their shares of common stock at prices higher than prevailing market prices.

Classified Board of Directors

Our amended and restated certificate of incorporation provides that our board of directors be divided into three classes of directors, with the classes to be as nearly equal in number as possible, and with the directors serving three-year terms. As a result, approximately one-third of our board of directors is elected each year. The classification of directors has the effect of making it more difficult for stockholders to change the composition of our board of directors. Our amended and restated certificate of incorporation and amended and restated bylaws provide that, subject to any rights of holders of preferred stock to elect additional directors under specified circumstances, the number of directors will be fixed from time to time exclusively pursuant to a resolution adopted by the board of directors.

Business Combinations

We have opted out of Section 203 of the DGCL; however, our amended and restated certificate of incorporation contains similar provisions providing that we may not engage in certain “business combinations” with any “interested stockholder” for a three-year period following the time that the stockholder became an interested stockholder, unless:

- prior to such time, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of our voting stock outstanding at the time the transaction commenced, excluding certain shares; or
- at or subsequent to that time, the business combination is approved by our board of directors and by the affirmative vote of holders of at least $66\frac{2}{3}$% of the outstanding voting stock that is not owned by the interested stockholder.

Generally, a “business combination” includes a merger, asset or stock sale or other transaction resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an “interested stockholder” is a person who, together with that person’s affiliates and associates, owns, or within the previous three years owned, 15% or more of our voting stock. For purposes of this section only, “voting stock” has the meaning given to it in Section 203 of the DGCL.

Under certain circumstances, this provision makes it more difficult for a person who would be an "interested stockholder" to effect various business combinations with a corporation for a three-year period. This provision may encourage companies interested in acquiring the Company to negotiate in advance with our board of directors because the stockholder approval requirement would be avoided if our board of directors approves either the business combination or the transaction which results in the stockholder becoming an interested stockholder. These provisions also may have the effect of preventing changes in our board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

Our amended and restated certificate of incorporation provides that any of KKR Stockholders and their affiliates and any of their respective direct or indirect transferees and any group as to which such persons are a party do not constitute "interested stockholders" for purposes of this provision.

Removal of Directors; Vacancies

Under the DGCL, unless otherwise provided in our amended and restated certificate of incorporation, directors serving on a classified board may be removed by the stockholders only for cause. Our amended and restated certificate of incorporation and amended and restated bylaws provides that directors may be removed with or without cause upon the affirmative vote of a majority in voting power of all outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class; *provided*, *however*, at any time when KKR Stockholders and their affiliates beneficially own, in the aggregate, less than 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, directors may only be removed for cause and only by the affirmative vote of holders of at least 66$^{2}/_{3}$% in voting power of all the then-outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class. In addition, our amended and restated certificate of incorporation and our amended and restated bylaws also provide that, subject to the rights granted to one or more series of preferred stock then outstanding or the rights granted to KKR Stockholders under the stockholders agreement, any vacancies on our board of directors will be filled only by the affirmative vote of a majority of the remaining directors, even if less than a quorum, by a sole remaining director or by the stockholders; *provided*, *however*, at any time when KKR Stockholders and their affiliates beneficially own, in the aggregate, less than 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, any newly created directorship on the board of directors that results from an increase in the number of directors and any vacancy occurring on the board of directors may only be filled by a majority of the directors then in office, even if less than a quorum, or by a sole remaining director (and not by the stockholders).

No Cumulative Voting

Under Delaware law, the right to vote cumulatively does not exist unless the certificate of incorporation specifically authorizes cumulative voting. Our amended and restated certificate of incorporation does not authorize cumulative voting. Therefore, stockholders holding a majority in voting power of the shares of our stock entitled to vote generally in the election of directors are able to elect all our directors.

Special Stockholder Meetings

Our amended and restated certificate of incorporation provides that special meetings of our stockholders may be called at any time only by or at the direction of the board of directors or the chairman of the board of directors; *provided*, *however*, that KKR Stockholders and their affiliates are permitted to call special meetings of our stockholders for so long as they hold, in the aggregate, at least 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors. Our amended and restated bylaws will prohibit the conduct of any business at a special meeting other than as specified in the notice for such meeting. These provisions may have the effect of deferring, delaying or discouraging hostile takeovers, or changes in control or management of the Company.

Requirements for Advance Notification of Director Nominations and Stockholder Proposals

Our amended and restated bylaws establishes advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors. In order for any matter to be "properly brought" before a meeting, a stockholder has to comply with advance notice requirements and provide us with certain information. Generally, to be timely, a stockholder's notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting of stockholders. Our amended and restated bylaws also specifies requirements as to the form and content of a stockholder's notice. Our amended and restated bylaws allows the chairman of the meeting at a meeting of the stockholders to adopt rules and regulations for the conduct of meetings which may have the effect of precluding the conduct of certain business at a meeting if the rules and regulations are not followed. These notice requirements do not apply to KKR Stockholders and their affiliates for as long as the stockholders agreement remains in effect. These provisions may defer, delay or discourage a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to influence or obtain control of the Company.

Stockholder Action by Written Consent

Pursuant to Section 228 of the DGCL, any action required to be taken at any annual or special meeting of the stockholders may be taken without a meeting, without prior notice and without a vote if a consent or consents in writing, setting forth the action so taken, is signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares of our stock entitled to vote thereon were present and voted, unless our amended and restated certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation precludes stockholder action by written consent once KKR Stockholders and their affiliates beneficially own, in the aggregate, less than 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors.

Supermajority Provisions

Our amended and restated certificate of incorporation and amended and restated bylaws provide that the board of directors is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, our amended and restated bylaws without a stockholder vote in any matter not inconsistent with the laws of the State of Delaware or our amended and restated certificate of incorporation. For as long as KKR Stockholders and their affiliates beneficially own, in the aggregate, at least 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, any amendment, alteration, change, addition, rescission or repeal of our amended and restated bylaws by our stockholders will require the affirmative vote of a majority in voting power of the outstanding shares of our stock present in person or represented by proxy at the meeting of stockholders and entitled to vote on such amendment, alteration, change, addition, rescission or repeal. At any time when KKR Stockholders and their affiliates beneficially own, in the aggregate, less than 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, any amendment, alteration, change, addition, rescission or repeal of our amended and restated bylaws by our stockholders will require the affirmative vote of the holders of at least 66$^2/_3$% in voting power of all the then-outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class.

The DGCL provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote thereon, voting together as a single class, is required to amend a corporation's certificate of incorporation, unless the certificate of incorporation requires a greater percentage.

Our amended and restated certificate of incorporation provides that once KKR Stockholders and their affiliates beneficially own, in the aggregate, less than 40% of the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, the following provisions in our amended and restated certificate of incorporation may be amended, altered, repealed or rescinded only by the affirmative vote of the holders of at least 66$^2/_3$% in the voting power of all outstanding shares of stock entitled to vote generally in the election of directors, voting together as a single class:

- the provision requiring a 66$^2/_3$% supermajority vote for stockholders to amend our amended and restated bylaws;
- the provisions providing for a classified board of directors (the election and term of our directors);
- the provisions regarding resignation and removal of directors;
- the provisions regarding competition and corporate opportunities;
- the provisions regarding entering into business combinations with interested stockholders;
- the provisions regarding stockholder action by written consent;
- the provisions regarding calling special meetings of stockholders;
- the provisions regarding filling vacancies on our board of directors and newly created directorships;
- the provisions eliminating monetary damages for breaches of fiduciary duty by a director; and
- the amendment provision requiring that the above provisions be amended only with a 66$^2/_3$% supermajority vote.

The combination of the classification of our board of directors, the lack of cumulative voting and the supermajority voting requirements makes it more difficult for our existing stockholders to replace our board of directors as well as for another party to obtain control of us by replacing our board of directors. Because our board of directors has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management.

These supermajority provisions may have the effect of deterring hostile takeovers, delaying or preventing changes in control of our management or the Company, such as a merger, reorganization or tender offer. These supermajority provisions are intended to enhance the likelihood of continued stability in the composition of our board of directors and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of the Company. These supermajority provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The supermajority provisions are also intended to discourage certain tactics that may be used in proxy fights. However, such supermajority provisions could have the effect of discouraging others from making tender offers for our shares and, as a consequence, they also may inhibit fluctuations in the market price of our shares that could result from actual or rumored takeover attempts. Such supermajority provisions may also have the effect of preventing changes in management.

Dissenters' Rights of Appraisal and Payment

Under the DGCL, with certain exceptions, our stockholders have appraisal rights in connection with a merger or consolidation of us. Pursuant to the DGCL, stockholders who properly request and perfect appraisal rights in connection with such merger or consolidation have the right to receive payment of the fair value of their shares as determined by the Delaware Court of Chancery.

Stockholders' Derivative Actions

Under the DGCL, any of our stockholders may bring an action in our name to procure a judgment in our favor, also known as a derivative action, provided that the stockholder bringing the action is a holder of our shares at the time of the transaction to which the action relates or such stockholder's stock thereafter devolved by operation of law.

Exclusive Forum

Our amended and restated certificate of incorporation provides, subject to limited exceptions, that unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware will, to the fullest extent permitted by law, be the sole and exclusive forum for any (i) derivative action or proceeding brought on behalf of the Company, (ii) action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of the Company to the Company or our stockholders, creditors or other constituents, (iii) action asserting a claim against the Company or any director or officer of the Company arising pursuant to any provision of the DGCL or our amended and restated certificate of incorporation or our amended and restated bylaws or as to which the DGCL confers jurisdiction on the Court of Chancery of the State of Delaware, or (iv) action asserting a claim against the Company or any director or officer of the Company governed by the internal affairs doctrine; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act, which already provides that such claims must be brought exclusively in the federal courts. Our amended and restated certificate of incorporation also provides that, unless we consent in writing to the selection of an alternative forum, the U.S. federal district courts will be the exclusive forum for the resolution of any actions or proceedings asserting claims arising under the Securities Act. While the Delaware Supreme Court has upheld the validity of similar provisions under the DGCL, there is uncertainty as to whether a court in another state would enforce such a forum selection provision. Our exclusive forum provision will not relieve us of our duties to comply with the federal securities laws and the rules and regulations thereunder, and our stockholders will not be deemed to have waived our compliance with these laws, rules and regulations. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Company will be deemed to have notice of and consented to the forum provisions in our amended and restated certificate of incorporation.

Conflicts of Interest

Delaware law permits corporations to adopt provisions renouncing any interest or expectancy in certain opportunities that are presented to the corporation or its officers, directors or stockholders. Our amended and restated certificate of incorporation, to the maximum extent permitted from time to time by Delaware law, renounces any interest or expectancy that we have in, or right to be offered an opportunity to participate in, specified business opportunities that are from time to time presented to our officers, directors or stockholders or their respective affiliates, other than those officers, directors, stockholders or affiliates who are our or our subsidiaries' employees. Our amended and restated certificate of incorporation provides that, to the fullest extent permitted by law, any of KKR Stockholders or any of their affiliates or any director who is not employed by us (including any non-employee director who serves as one of our officers in both his or her director and officer capacities) or his or her affiliates will not have any duty to refrain from (1) engaging in a corporate opportunity in the same or similar lines of business in which we or our affiliates now engage or propose to engage or (2) otherwise competing with us or our affiliates. In addition, to the fullest extent permitted by law, in the event that any of KKR Stockholders or any of their affiliates or any non-employee director acquires knowledge of a potential transaction or other business opportunity which may be a corporate opportunity for itself or himself or its or his affiliates or for us or our affiliates, such person will have no duty to communicate or offer such transaction or business opportunity to us or any of our affiliates and they may take any such opportunity for themselves or offer it to another person or entity. Our amended and restated certificate of incorporation does not renounce our interest in any business opportunity that is expressly offered to a non-employee director solely in his or her capacity as a director or officer of the Company. To the fullest extent permitted by law, no business opportunity will be deemed to be a potential corporate opportunity for us unless we would be permitted to undertake the opportunity under our amended and restated certificate of incorporation, we have sufficient financial resources to undertake the opportunity and the opportunity would be in line with our business.

Limitations on Liability and Indemnification of Officers and Directors

The DGCL authorizes corporations to limit or eliminate the personal liability of directors to corporations and their stockholders for monetary damages for breaches of directors' fiduciary duties, subject to certain exceptions. Our amended and restated certificate of incorporation includes a provision that eliminates the personal liability of directors for monetary damages for any breach of fiduciary duty as a director, except to the extent such exemption from liability or limitation thereof is not permitted under the DGCL. The effect of these provisions will be to eliminate the rights of us and our stockholders, through stockholders' derivative suits on our behalf, to recover monetary damages from a director for breach of fiduciary duty as a director, including breaches resulting from grossly negligent behavior. However, exculpation will not apply to any director if the director has acted in bad faith, knowingly or intentionally violated the law, authorized illegal dividends or redemptions or derived an improper benefit from his or her actions as a director.

Our amended and restated bylaws provides that we must generally indemnify, and advance expenses to, our directors and officers to the fullest extent authorized by the DGCL. We also are expressly authorized to carry directors' and officers' liability insurance providing indemnification for our directors, officers and certain employees for some liabilities. We have entered into indemnification agreements with our directors, which agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified. We believe that these indemnification and advancement provisions and insurance will be useful to attract and retain qualified directors and officers.

The limitation of liability, indemnification and advancement provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duty. These provisions also may have the effect of reducing the likelihood of derivative litigation against directors and officers, even though such an action, if successful, might otherwise benefit us and our stockholders. In addition, your investment may be adversely affected to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

There is currently no pending material litigation or proceeding involving any of our directors, officers or employees for which indemnification is sought.

Transfer Agent and Registrar

The transfer agent and registrar for our common stock is Broadridge Corporate Issuer Solutions, Inc.

Listing

Our common stock is listed on Nasdaq under the symbol "ASO."

DESCRIPTION OF CERTAIN INDEBTEDNESS

ABL Facility

On July 2, 2015, Academy, Ltd. entered into a five-year $650 million secured asset-based revolving credit facility, or the 2015 ABL Facility, with JPMorgan Chase Bank, N.A., as administrative agent, and other lenders. On May 22, 2018, Academy, Ltd. amended the agreement governing the 2015 ABL Facility to increase the commitments under the facility from $650 million to $1 billion. On November 6, 2020, as part of the Refinancing Transactions, Academy, Ltd. entered into an amendment to the 2015 ABL Facility, or as amended, the ABL Facility, which, among other things, extended the maturity of the ABL Facility to November 6, 2025. Academy, Ltd. has the option to increase the commitments under the ABL Facility by $250 million, subject to the satisfaction of certain conditions under the credit agreement governing the ABL Facility.

Availability under the ABL Facility is subject to a borrowing base calculation. The borrowing base consists of 90% of the face amount of our eligible credit card receivables on a consolidated basis, *plus* 90% of the net orderly liquidation value percentage of our eligible inventory on a consolidated basis, *minus* the then applicable amount of all reserves.

As of October 31, 2020, we had outstanding letters of credit of approximately $30.8 million, of which $21.1 million were issued under the ABL Facility, and no borrowings outstanding under the ABL Facility, leaving the available borrowing capacity under the ABL Facility of $844.7 million (which is subject to customary borrowing conditions, including a borrowing base).

Borrowings under the ABL Facility bear interest, at our election, at either of (1) LIBOR plus a margin of 1.25% to 1.75%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) JPMorgan Chase Bank, N.A.’s “prime rate,” or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 0.25% to 0.75%. The ABL Facility also provides a fee applicable to the unused commitments of 0.25%. The terms and conditions of the ABL Facility also require that we prepay outstanding loans under the ABL Facility under certain circumstances. As of October 31, 2020, no future prepayments of outstanding loans have been triggered under the terms and conditions of the ABL Facility.

Term Loan Facility

On July 2, 2015, Academy, Ltd. entered into a seven-year $1.8 billion senior secured term loan facility, or the 2015 Term Loan Facility, with Morgan Stanley Senior Funding, Inc., as the administrative and collateral agent, and other lenders. On November 6, 2020, as part of the Refinancing Transactions, Academy, Ltd. entered into an amendment and restatement of the 2015 Term Loan Facility, providing for a new $400.0 million first lien term loan facility, or the Term Loan Facility, with Credit Suisse AG, Cayman Island Branch, as the administrative agent and collateral agent, the several lenders from time to time parties thereto and the several other parties named therein. The Company used the net proceeds from the 2027 Notes and the net proceeds from the Term Loan Facility, together with cash on hand, to repay in full $1,431.4 million outstanding borrowings under the 2015 Term Loan Facility.

The Term Loan Facility will mature on November 6, 2027. The Term Loan Facility bears interest, at our election, at either (1) LIBOR rate with a floor of 0.75%, plus a margin of 5.00%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Credit Suisse’s “prime rate”, or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 4.00%. Quarterly principal payments of approximately $1.0 million are required through September 30, 2027, with the balance due in full on the maturity date of November 6, 2027. The terms and conditions of the Term Loan Facility also require that outstanding loans under the Term Loan Facility are prepaid under certain circumstances.

2027 Notes

On November 6, 2020, Academy, Ltd. issued $400.0 million of 6.00% Senior Secured Notes due 2027 pursuant to the indenture, or the Indenture, by and among Academy, Ltd., the guarantors party thereto and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent. The 2027 Notes will mature on November 15, 2027. The 2027 Notes will pay interest semi-annually in arrears in cash on May 15 and November 15 of each year at a rate of 6.00% per year, commencing on May 15, 2021.

On or after November 15, 2023, Academy, Ltd. may, at its option and on one or more occasions, redeem all or a part of the 2027 Notes at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. At any time prior to November 15, 2023, Academy, Ltd. may, at its option and on one or more occasions, redeem all or part of the 2027 Notes at a redemption price equal to 100% of the principal amount of the 2027 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, plus a "make-whole" premium as described in the Indenture. In addition, at any time prior to November 15, 2023, Academy, Ltd. may, at its option and on one or more occasions, redeem up to 40% of the aggregate principal amount of the 2027 Notes at a redemption price equal to 106.000% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds from one or more equity offerings to the extent such net cash proceeds are received by or contributed to Academy, Ltd., plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

Upon the occurrence of certain events constituting a Change of Control (as defined in the Indenture), Academy, Ltd. will be required to make an offer to repurchase all of the 2027 Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

Liens and Guarantees

The ABL Facility has a first priority lien on all Academy, Ltd.'s cash, accounts receivable, inventory, deposit and securities accounts and proceeds therefrom, or the ABL Collateral. Additionally, the ABL Facility has a second priority lien on all other collateral securing the Term Loan Facility and the 2027 Notes. All obligations under the Term Loan Facility and the 2027 Notes and the guarantees of those obligations are secured by:

- a second-priority security interest in the ABL Collateral;
- a first-priority security interest in, and mortgages on, substantially all present and after acquired tangible and intangible assets of Academy, Ltd.; and
- a first-priority pledge of 100% of the capital stock of Academy, Ltd.'s domestic subsidiaries and 66% of the voting capital stock of each of Academy, Ltd.'s foreign subsidiaries, if any, that are directly owned by Academy, Ltd. or a future U.S. guarantor, if any.

The ABL Facility, the Term Loan Facility and the 2027 Notes are each guaranteed on a senior secured basis by New Academy Holding Company, LLC and all of its subsidiaries, except for Academy, Ltd. and Academy International Limited, a Hong Kong limited liability company and subsidiary of Academy, Ltd.

Covenants

The credit agreements governing the ABL Facility and the Term Loan Facility and the Indenture contain covenants, including, among other things, covenants that restrict Academy, Ltd.'s and its restricted subsidiaries' ability to incur or guarantee certain additional indebtedness, create or permit liens on assets, engage in mergers or consolidations, pay dividends, make other restricted payments, make loans or advances, engage in transactions with affiliates or, in the case of the credit agreements, amend material documents. Additionally, at certain times, the ABL Facility is subject to a certain minimum adjusted fixed charge coverage ratio. These covenants are subject to certain qualifications and limitations. We were in compliance with these covenants as of October 31, 2020.

Events of Default

The credit agreements governing the ABL Facility and the Term Loan Facility and the Indenture contain customary events of default including, but not limited to, as applicable, failure to pay principal or interest, breaches of representations and warranties, violations of affirmative or negative covenants, cross-defaults to other material indebtedness, a bankruptcy or similar proceeding being instituted by or against us, rendering of certain monetary judgments against us, invalidity of collateral documents and changes of control.

SHARES ELIGIBLE FOR FUTURE SALE

Sales of substantial amounts of our common stock in the public market or the perception that such sales might occur may adversely affect market prices of our common stock prevailing from time to time and could impair our future ability to raise capital through the sale of our equity or equity-related securities at a time and price that we deem appropriate. Furthermore, there may be sales of substantial amounts of our common stock in the public market after the existing legal and contractual restrictions lapse. This may adversely affect the prevailing market price and our ability to raise equity capital in the future. See “Risk Factors—Risks Related to this Offering and Ownership of Our Common Stock—Future sales, or the perception of future sales, by us or our existing stockholders in the public market following this offering could cause the market price of our common stock to decline.”

Upon the completion of this offering, we will have a total of 90,936,907 shares of our common stock outstanding. Of the outstanding shares, the 29,432,495 shares sold in the IPO and this offering (or 31,232,495 shares if the underwriters exercise in full their option to purchase additional shares) will be freely tradable without restriction or further registration under the Securities Act, except that any shares held by our affiliates, as that term is defined under Rule 144, including our directors, executive officers and other affiliates (including our existing stockholders), may be sold only in compliance with the limitations described below.

The remaining outstanding 61,504,412 shares of common stock held by our existing stockholders after this offering (or approximately 59,704,412 shares if the underwriters exercise in full their option to purchase additional shares), representing approximately 68% of the total outstanding shares of our common stock following this offering (or approximately 66% if the underwriters exercise in full their option to purchase additional shares), will be “restricted securities” within the meaning of Rule 144 and subject to certain restrictions on resale. Restricted securities may be sold in the public market only if they are registered under the Securities Act or are sold pursuant to an exemption from registration such as Rule 144, as described below.

Lock-up Agreements

In connection with this offering, we, our executive officers, directors and the selling stockholders will agree, subject to certain exceptions, not to sell, dispose of or hedge any shares of our common stock or securities convertible into or exchangeable for shares of our common stock, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC, for a period of 90 days (or in the case of the executive officers other than our chief executive officer and our chief financial officer, 60 days) after the date of this prospectus. See “Underwriting (Conflicts of Interest).” In addition, holders of all of our common stock outstanding prior to the IPO agreed to not transfer shares of their common stock, except in certain circumstances, until the date that is 180 days from the date of the final prospectus for the IPO. The representatives of the underwriters of the IPO have waived certain of such IPO lock-up agreements to permit the filing of this registration statement and are expected to waive certain of the IPO lock-up agreements to permit the sale of our common stock in this offering by the selling stockholders.

Rule 144

In general, under Rule 144, as currently in effect, a person (or persons whose shares are aggregated) who is not deemed to be or have been one of our affiliates for purposes of the Securities Act at any time during 90 days preceding a sale and who has beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than an affiliate, is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of a prior owner other than an affiliate, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144.

In general, under Rule 144, as currently in effect, our affiliates or persons selling shares of our common stock on behalf of our affiliates, who have met the six month holding period for beneficial ownership of “restricted shares” of our common stock, are entitled to sell upon the expiration of the lock-up agreements described above, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the number of shares of our common stock then outstanding, which will equal approximately 909,369 shares immediately after this offering; or
- the average reported weekly trading volume of our common stock on Nasdaq during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. The sale of these shares, or the perception that sales will be made, could adversely affect the price of our common stock after this offering because a great supply of shares would be, or would be perceived to be, available for sale in the public market.

We are unable to estimate the number of shares that will be sold under Rule 144 since this will depend on the market price for our common stock, the personal circumstances of the stockholder and other factors.

Rule 701

In general, under Rule 701 as currently in effect, any of our employees, directors, officers, consultants or advisors who received shares of our common stock from us in connection with a compensatory stock or option plan or other written agreement before the effective date of the registration statement on form S-1 for the IPO are entitled to sell such shares 90 days after the effective date of the registration statement on form S-1 for the IPO in reliance on Rule 144, in the case of affiliates, without having to comply with the holding period requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, holding period, volume limitation or notice filing requirements of Rule 144.

Registration Statements on Form S-8

We have filed a registration statement on Form S-8 under the Securities Act to register shares of our common stock or securities convertible into or exchangeable for shares of our common stock issued pursuant to our 2011 Equity Plan, our 2020 Equity Plan and the ESPP. Such Form S-8 registration statements automatically became effective upon filing. Accordingly, shares registered under such registration statement are available for sale in the open market. The initial registration statement on Form S-8 covered 15,983,311 shares of our common stock.

Registration Rights

For a description of rights some holders of common stock have to require us to register the shares of common stock they own, see “Certain Relationships and Related Party Transactions—Registration Rights Agreement.” Registration of these shares under the Securities Act would result in these shares becoming freely tradable immediately upon effectiveness of such registration.

Following completion of this offering, the shares of our common stock covered by registration rights would represent approximately 67% of our outstanding common stock (or approximately 65%, if the underwriters exercise in full their option to purchase additional shares). These shares of common stock also may be sold under Rule 144, depending on their holding period and subject to restrictions in the case of shares held by persons deemed to be our affiliates.

MATERIAL U.S. FEDERAL INCOME AND ESTATE TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following is a summary of certain U.S. federal income and estate tax consequences to a non-U.S. holder (as defined below) of the purchase, ownership and disposition of our common stock as of the date hereof. Except where noted, this summary deals only with common stock that is held as a capital asset.

A "non-U.S. holder" means a beneficial owner of our common stock (other than an entity treated as a partnership for U.S. federal income tax purposes) that is not, for U.S. federal income tax purposes, any of the following:

- an individual citizen or resident of the United States;
- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary is based upon provisions of the Internal Revenue Code of 1986, as amended, or the Code, and the Treasury Regulations promulgated thereunder, rulings and judicial decisions as of the date hereof. Those authorities may be changed, perhaps retroactively, so as to result in U.S. federal income and estate tax consequences different from those summarized below. We cannot assure you that such a change in law will not alter significantly the tax considerations we describe in this summary. This summary does not address all aspects of U.S. federal income and estate taxes and does not deal with foreign, state, local or other tax considerations that may be relevant to non-U.S. holders in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income and estate tax consequences applicable to you if you are subject to special treatment under the U.S. federal income tax laws (including if you are a U.S. expatriate, foreign pension fund, financial institution, insurance company, tax-exempt organization, trader, broker or dealer in securities "controlled foreign corporation," "passive foreign investment company," a partnership or other pass-through entity for U.S. federal income tax purposes (or an investor in such a pass-through entity), a person who acquired shares of our common stock as compensation or otherwise in connection with the performance of services, or a person who has acquired shares of our common stock as part of a straddle, hedge, conversion transaction or other integrated investment).

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds our common stock, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our common stock, you should consult your tax advisors.

If you are considering the purchase of our common stock, you should consult your own tax advisors concerning the particular U.S. federal income and estate tax consequences to you of the purchase, ownership and disposition of our common stock, as well as the consequences to you arising under other U.S. federal tax laws and the laws of any other taxing jurisdiction.

Distributions

As discussed above under "Dividend Policy," we do not currently anticipate paying cash dividends on shares of our common stock in the foreseeable future. If we make distributions of cash or other property (other than certain pro rata distributions of our stock) in respect of our common stock, the distribution will generally be treated as a dividend for U.S. federal income tax purposes to the extent it is paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Any portion of a distribution that exceeds our current and accumulated earnings and profits generally will be treated first as a tax-free return of capital to the extent of the non-U.S. holder's adjusted tax basis in our common stock, causing a reduction in the adjusted tax basis of a non-U.S. holder's common stock, but not below zero. To the extent the amount of the distribution exceeds a non-U.S. holder's adjusted basis in our common stock, the excess will be treated as described below under "—Gain on Disposition of Common Stock."

Dividends paid to a non-U.S. holder of our common stock generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty. However, dividends that are effectively connected with the conduct of a trade or business by the non-U.S. holder within the United States (and, if required by an applicable income tax treaty, are attributable to a U.S. permanent establishment of the non-U.S. holder) are not subject to such withholding tax, provided certain certification and disclosure requirements are satisfied. Instead, such dividends are subject to U.S. federal income tax on a net income basis in the same manner as if the non-U.S. holder were a U.S. person as defined under the Code. Any such effectively connected dividends received by a foreign corporation may be subject to an additional "branch profits tax" at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

A non-U.S. holder of our common stock who wishes to claim the benefit of an applicable treaty rate and avoid backup withholding, as discussed below, for dividends will be required (a) to provide the applicable withholding agent with a properly executed Internal Revenue Service Form W-8BEN or Form W-8BEN-E (or other applicable form) certifying under penalty of perjury that such holder is not a U.S. person as defined under the Code and is eligible for treaty benefits or (b) if our common stock is held through certain foreign intermediaries, to satisfy the relevant certification requirements of applicable U.S. Treasury regulations. Special certification and other requirements apply to certain non-U.S. holders that are pass-through entities rather than corporations or individuals.

A non-U.S. holder of our common stock eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the Internal Revenue Service. Non-U.S. holders are urged to consult their own tax advisors regarding their entitlement to the benefits under any applicable income tax treaty.

Gain on Disposition of Common Stock

Subject to the discussion of backup withholding below, any gain realized by a non-U.S. holder on the sale or other taxable disposition of our common stock generally will not be subject to U.S. federal income tax unless:

- the gain is effectively connected with a trade or business of the non-U.S. holder in the United States (and, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment of the non-U.S. holder);
- the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition, and certain other conditions are met; or
- we are or have been a "U.S. real property holding corporation" for U.S. federal income tax purposes and certain other conditions are met.

A non-U.S. holder described in the first bullet point immediately above will be subject to tax on the gain derived from the sale under regular graduated U.S. federal income tax rates. In addition, if any non-U.S. holder described in the first bullet point immediately above is a foreign corporation, the gain realized by such non-U.S. holder may be subject to the branch profits at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty). An individual non-U.S. holder described in the second bullet point immediately above will be subject to a tax equal to 30% (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the sale, which may be offset by U.S. source capital losses, even though the individual is not considered a resident of the United States, provided that the individual has timely filed U.S. federal income tax returns with respect to such losses.

We believe we are not and do not anticipate becoming a "U.S. real property holding corporation" for U.S. federal income tax purposes.

Federal Estate Tax

Common stock held by an individual non-U.S. holder at the time of death will be included in such holder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Information Reporting and Backup Withholding

We must report annually to the Internal Revenue Service and to each non-U.S. holder the amount of distributions paid to such holder and the tax withheld with respect to such distributions, regardless of whether withholding was required. Copies of the information returns reporting such distributions and any withholding may also be made available to the tax authorities in the country in which the non-U.S. holder resides under the provisions of an applicable income tax treaty.

A non-U.S. holder will not be subject to backup withholding on dividends received if such holder certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that such holder is a U.S. person as defined under the Code), or such holder otherwise establishes an exemption.

Information reporting and, depending on the circumstances, backup withholding will apply to the proceeds of a sale or other disposition of our common stock made within the United States or conducted through certain U.S.-related financial intermediaries, unless the beneficial owner certifies under penalty of perjury that it is a non-U.S. holder (and the payor does not have actual knowledge or reason to know that the beneficial owner is a U.S. person as defined under the Code), or such owner otherwise establishes an exemption.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a non-U.S. holder's U.S. federal income tax liability provided the required information is timely furnished to the Internal Revenue Service.

Additional Withholding Requirements

Under Sections 1471 through 1474 of the Code (such Sections commonly referred to as "FATCA"), a 30% U.S. federal withholding tax may apply to any dividends paid on our common stock to (i) a "foreign financial institution" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) its compliance (or deemed compliance) with FATCA (which may alternatively be in the form of compliance with an intergovernmental agreement with the United States) in a manner which avoids withholding, or (ii) a "non-financial foreign entity" (as specifically defined in the Code) which does not provide sufficient documentation, typically on IRS Form W-8BEN-E, evidencing either (x) an exemption from FATCA, or (y) adequate information regarding certain substantial U.S. beneficial owners of such entity (if any). If a dividend payment is both subject to withholding under FATCA and subject to the withholding tax discussed above under "—Distributions," the withholding under FATCA may be credited against, and therefore reduce, such other withholding tax. You should consult your own tax advisors regarding these requirements and whether they may be relevant to your ownership and disposition of our common stock.

UNDERWRITING (CONFLICTS OF INTEREST)

Under the terms and subject to the conditions contained in an underwriting agreement, dated January , 2021, the selling stockholders have agreed to sell to the underwriters named below, for whom Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC are acting as representatives, the following respective numbers of shares of common stock:

Underwriter	Number of Shares
Credit Suisse Securities (USA) LLC	
J.P. Morgan Securities LLC	
KKR Capital Markets LLC	
BofA Securities, Inc.	
Total	12,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased, other than those shares covered by the underwriters' option to purchase additional shares described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We and the selling stockholders have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have a 30-day option to purchase on a pro rata basis up to 1,800,000 additional shares at the public offering price less the underwriting discounts and commissions from the selling stockholders.

The underwriters propose to offer the shares of common stock initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of up to $ per share. After the public offering, the representatives may change the public offering price and concession.

The following table shows the public offering price, underwriting discounts and commissions and proceeds to the selling stockholders.

	Price to Public	Underwriting Discounts and Commissions	Proceeds to the Selling Stockholders
Per Share	$	$	$
Total	$	$	$

The expenses of the offering, not including the underwriting discounts and commissions for which the selling stockholders are responsible, are estimated at $910,000 and are payable by us. We have also agreed to reimburse the underwriters for up to $35,000.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC for a period of 90 days after the date of this prospectus.

Our executive officers, directors and the selling stockholders have agreed that they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our common stock, whether any of these transactions are to be settled by delivery of our common stock or other securities, in cash or otherwise, or publicly disclose the intention to make any such offer, sale, pledge or disposition, or to enter into any such transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC for a period of 90 days (or in the case of the executive officers other than our chief executive officer and our chief financial officer, 60 days) after the date of this prospectus, subject to certain exceptions.

Our common stock is listed on Nasdaq, under the symbol “ASO.”

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions and penalty bids in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.
- Over-allotment involves sales by the underwriters of shares in excess of the number of shares the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of shares over-allotted by the underwriters is not greater than the number of shares that they may purchase in their option to purchase additional shares. In a naked short position, the number of shares involved is greater than the number of shares in their option to purchase additional shares. The underwriters may close out any covered short position by either exercising their option to purchase additional shares and/or purchasing shares in the open market.
- Syndicate covering transactions involve purchases of the common stock in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of shares to close out the short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through their option. If the underwriters sell more shares than could be covered by their option to purchase additional shares, a naked short position, the position can only be closed out by buying shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing transaction or a syndicate covering transaction to cover syndicate short positions.
- In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our common stock until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of the common stock. As a result the price of our common stock may be higher than the price that might otherwise exist in the open market. These transactions may be effected on Nasdaq or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

Conflicts of Interest

Affiliates of KKR beneficially own in excess of 10% of our issued and outstanding common stock. Because KKR Capital Markets LLC, an affiliate of KKR, is an underwriter in this offering and its affiliates own in excess of 10% of our issued and outstanding common stock, KKR Capital Markets LLC is deemed to have a “conflict of interest” under FINRA Rule 5121. Accordingly, this offering is being made in compliance with the requirements of FINRA Rule 5121. Pursuant to that rule, the appointment of a “qualified independent underwriter” is not required in connection with this offering, because a bona fide public market exists in the shares, as that term is defined in Rule 5121. KKR Capital Markets LLC will not confirm any sales to any account over which it exercises discretionary authority without the specific written approval of the account holder.

Selling Restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area, each a Member State, no securities have been offered or will be offered to the public in that Member State prior to the publication of a prospectus in relation to the securities which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of securities may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under the Prospectus Regulation), subject to obtaining the prior consent of the representatives for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of securities shall require the Issuer or any Manager to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase or subscribe for any securities, and the expression “Prospectus Regulation” means Regulation (EU) 2017/1129.

Notice to Prospective Investors in the United Kingdom

Each of the underwriters severally represents, warrants and agrees as follows:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000, or FSMA) received by it in connection with the issue or sale of the securities in circumstances in which Section 21 of the FSMA does not apply to us; and

(b) it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

Notice to Prospective Investors in Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to Prospective Investors in Japan

The securities have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and accordingly, will not be offered or sold, directly or indirectly, in Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

Notice to Prospective Investors in Switzerland

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, or FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes, or CISA. The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of shares.

Notice to Prospective Investors in Hong Kong

The securities may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the depositary securities may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to depositary securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to Prospective Investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of securities may not be circulated or distributed, nor may the securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

(i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or SFA,

(ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or

(iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the securities pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Notice to Prospective Investors in Australia

This prospectus is not a formal disclosure document and has not been, nor will be, lodged with the Australian Securities and Investments Commission. It does not purport to contain all information that an investor or their professional advisers would expect to find in a prospectus or other disclosure document (as defined in the Corporations Act 2001 (Cth)) for the purposes of Part 6D.2 of the Corporations Act 2001 (Cth) or in a product disclosure statement for the purposes of Part 7.9 of the Corporations Act 2001 (Cth), in either case, in relation to the securities. The securities are not being offered in Australia to "retail clients" as defined in sections 761G and 761GA of the Corporations Act 2001 (Cth). This offering is being made in Australia solely to "wholesale clients" for the purposes of section 761G of the Corporations Act 2001 (Cth) and, as such, no prospectus, product disclosure statement or other disclosure document in relation to the securities has been, or will be, prepared.

This prospectus does not constitute an offer in Australia other than to persons who do not require disclosure under Part 6D.2 of the Corporations Act 2001 (Cth) and who are wholesale clients for the purposes of section 761G of the Corporations Act 2001 (Cth). By submitting an application for the securities, you represent and warrant to us that you are a person who does not require disclosure under Part 6D.2 and who is a wholesale client for the purposes of section 761G of the Corporations Act 2001 (Cth). If any recipient of this prospectus is not a wholesale client, no offer of, or invitation to apply for, the securities shall be deemed to be made to such recipient and no applications for such securities will be accepted from such recipient. Any offer to a recipient in Australia, and any agreement arising from acceptance of such offer, is personal and may only be accepted by the recipient. In addition, by applying for the securities you undertake to us that, for a period of twelve months from the date of issue of the securities, you will not transfer any interest in the securities to any person in Australia other than to a person who does not require disclosure under Part 6D.2 and who is a wholesale client.

LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Simpson Thacher & Bartlett LLP, New York, New York. Certain legal matters relating to this offering will be passed upon for the underwriters by Latham & Watkins LLP, New York, New York.

EXPERTS

The balance sheet of Academy Sports and Outdoors, Inc. as of June 30, 2020 included in this prospectus has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such balance sheet is included in reliance on the report of such firm given upon their authority as experts in accounting and auditing.

The financial statements of New Academy Holding Company, LLC as of February 1, 2020 and February 2, 2019, and for each of the three fiscal years in the period ended February 1, 2020, included in this prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein which report expresses an unqualified opinion on the financial statements and includes an explanatory paragraph referring to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), using the modified retrospective approach. Such financial statements are included in reliance on the report of such firm given upon their authority as experts in accounting and auditing.

WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-1 under the Securities Act with respect to the common stock offered by this prospectus with the SEC. This prospectus is a part of the registration statement and does not contain all of the information set forth in the registration statement and its exhibits and schedules, portions of which have been omitted as permitted by the rules and regulations of the SEC. For further information about us and our common stock, you should refer to the registration statement and its exhibits and schedules. Statements contained in this prospectus regarding the contents of any contract or other document referred to in those documents are not necessarily complete, and in each instance we refer you to the copy of the contract or other document filed as an exhibit to the registration statement or other document. Each of these statements is qualified in all respects by this reference.

We are subject to the informational reporting requirements of the Exchange Act and, in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements and other information with the SEC. Our filings with the SEC are available to the public on the SEC's website at http://www.sec.gov. Those filings are available to the public on, or accessible through, our website (www.academy.com) under the heading "Investor Relations." The information we file with the SEC or contained on or accessible through our corporate website or any other website that we may maintain is not part of this prospectus or the registration statement of which this prospectus is a part.

INDEX TO FINANCIAL STATEMENTS

New Academy Holding Company, LLC:

Audited Consolidated Financial Statements:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Partners and the Board of Managers of New Academy Holding Company, LLC

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of New Academy Holding Company, LLC and subsidiaries (the "Company") as of February 1, 2020 and February 2, 2019, the related consolidated statements of income (loss), comprehensive income (loss), partners' equity, and cash flows, for each of the three years in the period ended February 1, 2020, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the three years in the period ended February 1, 2020, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 2 and 14 to the financial statements, the Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*, using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas
July 10, 2020

We have served as the Company's auditor since 1996.

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NEW ACADEMY HOLDING COMPANY, LLC
CONSOLIDATED BALANCE SHEETS
(Dollar amounts in thousands)

	February 1, 2020	February 2, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	**$ 149,385**	$ 75,691
Accounts receivable - less allowance for doubtful accounts of $3,275 and $3,008, respectively	**13,999**	15,725
Merchandise inventories, net	**1,099,749**	1,134,156
Prepaid expenses and other current assets	**24,548**	39,937
Assets held for sale	**1,763**	1,763
Total current assets	**1,289,444**	1,267,272
PROPERTY AND EQUIPMENT, NET	**441,407**	496,153
RIGHT-OF-USE ASSETS	**1,145,705**	—
TRADE NAME AND OTHER INTANGIBLE ASSETS, NET	**577,000**	592,067
GOODWILL	**861,920**	861,920
OTHER NONCURRENT ASSETS	**15,845**	21,545
Total assets	**$ 4,331,321**	$ 3,238,957
LIABILITIES AND PARTNERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	**$ 428,823**	$ 432,037
Accrued expenses and other current liabilities	**211,381**	184,141
Current lease liabilities	**76,329**	—
Current maturities of long-term debt	**34,116**	68,305
Total current liabilities	**750,649**	684,483
LONG-TERM DEBT, net of current maturities	**1,428,542**	1,556,755
LONG-TERM LEASE LIABILITIES	**1,141,896**	—
OTHER LONG-TERM LIABILITIES	**19,197**	122,795
Total liabilities	**3,340,284**	2,364,033
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
REDEEMABLE MEMBERSHIP UNITS	**2,818**	17,885
PARTNERS' EQUITY:		
Partners' equity, membership units authorized, issued and outstanding 228,274,749 and 228,289,163, respectively	**996,285**	848,591
Accumulated other comprehensive income (loss)	**(8,066)**	8,448
Partners' equity	**988,219**	857,039
Total liabilities and partners' equity	**$ 4,331,321**	$ 3,238,957

The accompanying notes are an integral part of these consolidated financial statements.

NEW ACADEMY HOLDING COMPANY, LLC
CONSOLIDATED STATEMENTS OF INCOME
(Dollar amounts in thousands, except earnings per unit)

	Fiscal Year Ended		
	February 1, 2020	February 2, 2019	February 3, 2018
Net sales	**$ 4,829,897**	$ 4,783,893	$ 4,835,582
Cost of goods sold	**3,398,743**	3,415,941	3,436,618
Gross margin	**1,431,154**	1,367,952	1,398,964
Selling, general and administrative expenses	**1,251,733**	1,239,002	1,241,643
Operating income	**179,421**	128,950	157,321
Interest expense, net	**101,307**	108,652	104,857
Gain on early retirement of debt, net	**(42,265)**	—	(6,294)
Other (income), net	**(2,481)**	(3,095)	(2,524)
Income before income taxes	**122,860**	23,393	61,282
Income tax expense	**2,817**	1,951	2,781
Net income	**$ 120,043**	$ 21,442	$ 58,501
Earnings per unit			
Basic	**$ 0.53**	$ 0.09	$ 0.26
Diluted	**$ 0.51**	$ 0.09	$ 0.25
Weighted average units outstanding			
Basic	**228,303,750**	228,160,508	227,942,148
Diluted	**235,609,118**	236,873,973	236,804,721

Unaudited Pro Forma Financial Information (Note 2)	
Income before income taxes	**$ 122,860**
Pro forma income tax expense	**32,918**
Pro forma net income	**$ 89,942**
Pro forma earnings per share	
Basic	**$ 1.08**
Diluted	**$ 1.05**
Pro forma weighted average shares outstanding	
Basic	**83,012,535**
Diluted	**85,331,699**

The accompanying notes are an integral part of these consolidated financial statements.

NEW ACADEMY HOLDING COMPANY, LLC
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands)

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
COMPREHENSIVE INCOME:			
Net income	**$ 120,043**	$ 21,442	$ 58,501
Unrealized gain (loss) on interest rate swaps	**(16,096)**	(2,625)	5,876
Recognized interest expense (income) on interest rate swaps	**(418)**	1,106	7,497
Total comprehensive income	**$ 103,529**	$ 19,923	$ 71,874

The accompanying notes are an integral part of these consolidated financial statements.

NEW ACADEMY HOLDING COMPANY, LLC
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
(Dollar amounts in thousands)

	Redeemable Membership Units		Partners' Equity				Total Membership Units
			Partners' Equity		Accumulated Other Comprehensive Income (Loss)	Total Partners' Equity	
	Units	Amount	Units	Amount	Amount	Amount	Units
Balances as of January 28, 2017	**3,813,842**	**$ 15,231**	**224,000,107**	**$759,668**	**$ (3,406)**	**$756,262**	**227,813,949**
Net income	—	—	—	58,501	—	58,501	—
Equity compensation	—	—	—	4,580	—	4,580	—
Equity contributions from Managers	200,648	—	—	1,150	—	1,150	200,648
Adjustment to Redeemable Units for contributions from Managers and settlement of vested Restricted Units	8,238	1,200	—	(1,200)	—	(1,200)	8,238
Option Payment adjustment due to forfeitures	—	—	—	21	—	21	—
Unrealized gain on interest rate swaps	—	—	—	—	5,876	5,876	—
Recognized interest expense on interest rate swaps	—	—	—	—	7,497	7,497	—
Balances as of February 3, 2018	**4,022,728**	**$ 16,431**	**224,000,107**	**$822,720**	**$ 9,967**	**$832,687**	**228,022,835**
Net income	—	—	—	21,442	—	21,442	—
Equity compensation	—	—	—	4,633	—	4,633	—
Equity contributions from Managers	231,624	—	—	1,250	—	1,250	231,624
Adjustment to Redeemable Units for contributions from Managers and settlement of vested Restricted Units	34,704	1,454	—	(1,454)	—	(1,454)	34,704
Unrealized loss on interest rate swaps	—	—	—	—	(2,625)	(2,625)	—
Recognized interest expense on interest rate swaps	—	—	—	—	1,106	1,106	—
Balances as of February 2, 2019	**4,289,056**	**$ 17,885**	**224,000,107**	**$848,591**	**$ 8,448**	**$857,039**	**228,289,163**
Net income	—	—	—	120,043	—	120,043	—
Equity compensation	—	—	—	7,881	—	7,881	—
Equity contributions from Managers	19,231	—	—	100	—	100	19,231
Adjustment to Redeemable Units for contributions from Managers and settlement of vested Restricted Units	57,363	400	—	(400)	—	(400)	57,363
Adjustment to Redeemable Membership Units for repurchase of units from Managers	(91,008)	(538)	91,008	538	—	538	—
Repurchase of Redeemable Membership Units	—	—	(91,008)	(473)	—	(473)	(91,008)
Reclassification of membership units with lapsed put rights (Note 2)	(3,763,118)	(14,929)	3,763,118	14,930	—	14,930	—
Cumulative-effect adjustment related to the adoption of the New Lease Standard	—	—	—	5,075	—	5,075	—
Unrealized loss on interest rate swaps	—	—	—	—	(16,096)	(16,096)	—
Recognized interest income on interest rate swaps	—	—	—	—	(418)	(418)	—
Balances as of February 1, 2020	**511,524**	**$ 2,818**	**227,763,225**	**$996,285**	**$ (8,066)**	**$988,219**	**228,274,749**

The accompanying notes are an integral part of these consolidated financial statements.

NEW ACADEMY HOLDING COMPANY, LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	**$ 120,043**	$ 21,442	$ 58,501
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**117,254**	132,782	133,203
Non-cash lease expense	**3,965**	—	—
Equity compensation	**7,881**	4,633	4,580
Amortization of deferred loan and other costs	**3,717**	4,163	4,577
Deferred income taxes	**297**	(494)	147
Non-cash gain on early retirement of debt, net	**(42,265)**	—	(6,294)
Gain on disposal of property and equipment	**(23)**	(801)	(559)
Casualty loss	**569**	46	159
Impairment of long-lived assets	**—**	1,408	2,477
Changes in assets and liabilities:			
Accounts receivable, net	**4,476**	2,582	2,934
Merchandise inventories, net	**34,407**	89,284	(132,687)
Prepaid expenses and other current assets	**(3,732)**	2,187	(3,756)
Other noncurrent assets	**398**	274	1,590
Accounts payable	**(2,904)**	(70,029)	6,976
Accrued expenses and other current liabilities	**20,615**	(2,703)	990
Deferred rent/tenant improvement allowances	**—**	2,833	2,297
Other long-term liabilities	**(1,029)**	10,874	8,220
Net cash provided by operating activities	**263,669**	198,481	83,355
CASH FLOWS FROM INVESTING ACTIVITIES:			
Capital expenditures	**(62,818)**	(107,905)	(132,126)
Proceeds from insurance claims	**—**	2,593	233
Proceeds from the sale of property and equipment	**23**	10,429	15,992
Note receivable from member	**(3,988)**	(4,144)	—
Net cash used in investing activities	**(66,783)**	(99,027)	(115,901)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from revolving credit facility	**502,500**	526,812	851,400
Repayment of revolving credit facility	**(502,500)**	(561,812)	(816,400)
Repayment of term loan facility and capital lease obligations	**(122,819)**	(18,250)	(37,989)
Debt issuance fees	**—**	(2,808)	—
Construction allowance receipts	**—**	—	10,353
Equity contributions from Managers	**100**	1,250	1,150
Repurchase of Redeemable Membership Units	**(473)**	—	—
Net cash provided by (used in) financing activities	**(123,192)**	(54,808)	8,514
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**73,694**	44,646	(24,032)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**75,691**	31,045	55,077
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 149,385**	$ 75,691	$ 31,045
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest	**$ 93,556**	$ 108,208	$ 105,661
Cash paid for state and local income taxes	**$ 2,588**	$ 2,449	$ 2,848
NON-CASH INVESTING AND FINANCING ACTIVITIES:			
De-recognition of construction assets and liabilities, net	**$ —**	$ —	$ (6,600)
Change in capital expenditures in accounts payable and accrued liabilities	**$ 309**	$ 128	$ 7,412

The accompanying notes are an integral part of these consolidated financial statements.

NEW ACADEMY HOLDING COMPANY, LLC AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Operations

The Company

New Academy Holding Company, LLC, a Delaware limited liability company, or Holdco and, together with its direct and indirect subsidiaries, the Company, we, us or our, is a holding company that conducts its operations through its subsidiaries, including its indirect subsidiary Academy, Ltd., a Texas limited partnership doing business as “Academy Sports + Outdoors”, or Academy, Ltd. On August 3, 2011, an investment entity owned by investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P., or collectively, KKR, acquired a majority interest in the Company.

The Company is one of the leading full-line sporting goods and outdoor recreational products retailers in the United States in terms of net sales. As of February 1, 2020, we operated 259 “Academy Sports + Outdoors” retail locations in 16 states and three distribution centers located in Katy, Texas, Twiggs County, Georgia and Cookeville, Tennessee. Our distribution centers receive, store and ship merchandise to our stores and customers. We also sell merchandise to customers across most of the United States via our *academy.com* website.

Fiscal Year

The Company’s fiscal year represents the 52 or 53 weeks ending on the Saturday closest to January 31 each year. References herein to 2019 and 2018 relate to the 52-week fiscal years ended February 1, 2020 and February 2, 2019, respectively, and references herein to 2017 relate to the 53-week fiscal year ended February 3, 2018.

2. Summary of Significant Accounting Policies

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, or GAAP, requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Our management bases its estimates on historical experience and other assumptions it believes to be reasonable under the circumstances. Actual results could differ significantly from those estimates.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of Holdco, its wholly owned subsidiary New Academy Finance Company LLC, or Finco, and the accounts of Finco’s wholly owned subsidiaries Academy Managing Co., LLC, Associated Investors, LLC and New Academy Finance Corporation. Academy Managing Co., LLC and Associated Investors, LLC are holding companies and are the sole general partner and sole limited partner, respectively, of Academy, Ltd., the Company’s operating company. All intercompany balances and transactions have been eliminated in consolidation.

Unaudited Pro Forma Financial Information

In connection with the proposed initial public offering, or the IPO, of Academy Sports and Outdoors, Inc., a Delaware corporation, or an IPO issuer, we will undertake a series of reorganization transactions, or the Reorganization Transactions, that will result in, among other things, Holdco being contributed by its unitholders to the IPO issuer and becoming a wholly owned subsidiary of the IPO issuer.

The unaudited pro forma financial information provided on the consolidated statements of income provides the estimated impact to net income and earnings per unit based upon the anticipated conversion of the Company to a C corporation in connection with the IPO. We are currently treated as a flow through entity for U.S. federal income tax purposes, and thus no federal income tax expense has been recorded in our consolidated statements of income. After consummation of the IPO, we will become subject to U.S. federal income taxes and additional state income taxes and be taxed at the prevailing corporate rates. The pro forma tax expense assumed in the unaudited pro forma financial information is estimated to be 24.5% plus certain state taxes we currently include in income tax expense as a flow through entity. Our actual income tax rate, and our actual income tax liability, after the IPO may be different from our assumed rate, and such difference may be material.

On August 28, 2020, Holdco distributed a $257.0 million one-time special distribution (the “Distribution”) to existing unitholders of record as of August 25, 2020.

U.S. Securities and Exchange Commission Staff Accounting Bulletin 1.B.3 requires that certain distributions to owners prior to or concurrent with an initial public offering be considered as distributions in contemplation of that offering. The Company is required to present unaudited basic and diluted pro forma net income per share of common stock as a result of the Distribution, which is assumed to have been made in contemplation of the proposed IPO.

Unaudited basic and diluted pro forma net income per share data presented below assumed that (i) 72,477,381, basic, and 74,796,545, diluted, shares of common stock of the IPO issuer were issued and outstanding for 2019 in connection with the contribution of Holdco by its unitholders and related Reorganization Transactions and related cancellation of all outstanding partners’ equity at Holdco in connection with the IPO and (ii) an additional 10,535,154 shares of common stock of the IPO issuer were outstanding for 2019, which represents the number of shares of common stock that the Company would have been required to issue to fund the amount of the Distribution in excess of its net income for 2019. The number of shares of common stock that the Company would have been required to issue to pay the Distribution was calculated by dividing the portion of the total $257.0 million Distribution in excess of the Company’s net income for 2019 by an initial public offering price in the IPO of $13.00 per share.

The table below sets forth the computation of the Company’s unaudited basic and diluted pro forma net income per share for 2019:

PRO FORMA NET INCOME PER SHARE: **(In thousands, except for share and per share data)**	**Basic**	**Diluted**
Pro forma net income	$ 89,942	$ 89,942
Weighted average shares of common stock outstanding after giving effect to the Reorganization Transactions	72,477,381	74,796,545
Adjustment to weighted average shares of common stock outstanding related to the Distribution	10,535,154	10,535,154
Pro forma weighted average shares of common stock outstanding	83,012,535	85,331,699
Pro forma net income per share	$ 1.08	$ 1.05

Reclassifications

Certain reclassifications have been made in the 2018 and 2017 consolidated financial statements to conform to the current period presentation. Within the merchandise division sales table presented in Note 3, certain products and categories were recategorized amongst categories and divisions during 2019 to better align with our current merchandising strategy and view of the business. As a result, we have reclassified sales between divisions for 2018 and 2017 for comparability purposes. This reclassification is in presentation only and did not impact the overall net sales balances previously disclosed.

Redeemable Membership Units

Allstar Managers LLC, a Delaware limited liability company, or Managers, owns membership units in Holdco, or each a Holdco Membership Unit. Managers is 100% owned by certain current and former executives and directors of the Company and was formed to facilitate the purchase of indirect contingently redeemable ownership interests in the Company. Certain executives and directors may acquire contingently redeemable membership units in Managers, or the Redeemable Membership Units, either (1) by purchasing the Redeemable Membership Units with cash consideration, which is subsequently contributed to Holdco by Managers in exchange for a number of Holdco Membership Units equal to the number of Redeemable Membership Units purchased, or (2) by receiving the Redeemable Membership Units in settlement of vested restricted units awarded to the executive or director under the Company's 2011 Unit Incentive Plan (see Note 11). Each outstanding Redeemable Membership Unit in Managers corresponds to an outstanding Holdco Membership Unit, on a unit-for-unit basis. Holdco is the sole managing member of Managers with a controlling voting interest, but no economic interest, in Managers. As the sole managing member of Managers, Holdco operates and controls all business affairs of Managers.

The terms and conditions of the agreements governing the Redeemable Membership Units include provisions by which the holder, or its heirs, has the right to require Managers or the Company to purchase the holder's Redeemable Membership Units upon the holder's termination of employment due to death or disability for cash at fair value. The carrying value of the Redeemable Membership Units is classified as temporary equity, initially at fair value, as redemption is an event that is not solely within our control. If redemption becomes probable, we are required to re-measure the Redeemable Membership Units to fair value. Periodically, this right may lapse due to contractual expiration or a holder's termination of employment for reasons other than death or disability. Due to the lapse of this right for certain issuances, $14.9 million was reclassified from temporary equity to Partners' Equity during the third quarter 2019.

Cash and Cash Equivalents

We consider credit and debit card transactions, which typically settle within three business days, demand deposits with banks, and all other highly liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents.

Financial Instruments

Financial instruments are comprised of cash and cash equivalents, accounts receivable, accounts payable, certain accrued liabilities, derivatives and debt. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their fair values due to the short-term nature of those instruments. We enter into interest rate swaps to reduce the risk that our earnings and cash flows will be affected by changes in interest rates on our debt, and we do not hold any derivative financial instruments for trading or speculative purposes (see Note 4 and Note 5). The fair value of debt is influenced by fluctuations in market conditions for interest rates (see Note 6).

Accounts Receivable

Accounts receivable consists primarily of amounts due from vendors for vendor allowances and other accounts receivable. We provide an allowance for doubtful accounts based on both historical experience and a specific identification basis.

Concentration of Risk

Financial instruments which subject us to potential credit risk consist of cash and cash equivalents and derivative financial instruments. We have established guidelines to limit our exposure to credit risk on cash and cash equivalents by placing investments with high credit quality financial institutions. Deposits with these financial institutions may exceed the amount of insurance provided; however, these deposits typically are redeemable upon demand. We use high credit quality counterparties to transact our derivative transactions. Therefore, we believe that the financial risks associated with these financial instruments are minimal.

We purchase merchandise inventories from approximately 1,300 vendors. In 2019, 2018 and 2017, purchases from our largest vendor represented approximately 14%, 13% and 14% of our total inventory purchases, respectively. No other vendor in any of the aforementioned years exceeded 10% of our purchases. We typically do not enter into long-term inventory purchase commitments and there were none as of February 1, 2020 or February 2, 2019.

A significant portion of our inventory purchases are manufactured outside of the United States, primarily in Asia. While we are not dependent on any single manufacturer outside of the United States, we could be adversely affected by political, health (including pandemic), safety, security, economic, tariff, climate or other disruptions affecting the business or operations of third-party manufacturers located outside of the United States.

Merchandise Inventories, net

Merchandise inventories are valued at the lower of weighted average cost or net realizable value using the last-in first-out, or LIFO, method. Merchandise inventories include the direct cost of merchandise and capitalized costs related to procurement, warehousing and distribution and are reflected net of shrinkage, vendor allowances and other valuation accounts. We regularly review inventories and record a valuation adjustment when necessary such as for inventory that has a carrying value in excess of the net realizable value or for slow moving or obsolete inventory. As of February 1, 2020 and February 2, 2019, merchandise inventories valued at LIFO, including necessary valuation adjustments, approximated the cost of such inventories using the weighted average inventory method. The application of the LIFO inventory method did not result in any LIFO charges or credits affecting cost of sales in 2019, 2018 or 2017.

Property and Equipment

Property and equipment are recorded at cost less accumulated depreciation and amortization. Cost includes interest capitalized on borrowings used to finance the construction of stores and other significant capital projects while under construction. Depreciation and amortization is computed using the straight-line method over the asset’s useful life, which is generally determined by asset category as follows:

Leasehold improvements	Lesser of asset useful life or lease term
Software and computer equipment	2–5 years
Other equipment	5–10 years
Furniture and fixtures	7–10 years

When assets are retired or sold, the cost and accumulated depreciation are removed from our accounts, and the resulting gain or loss is reflected in the consolidated statements of income. Repair and maintenance costs are charged to expense as incurred and significant improvements that substantially enhance the useful life of an asset are capitalized and amortized.

In the normal course of business, we acquire land and construct new stores to be sold to and leased from third party landlords. New stores completed but not yet sold to and leased from third parties are classified as assets held for sale and are expected to be sold within one year. Our intent is to sell the stores for approximately the total land and construction costs incurred (which approximate the fair market value of the property, net of selling costs) and simultaneously enter into operating leases.

Capitalized Computer Software Costs

We capitalize certain costs incurred in connection with developing or obtaining computer software for internal use. Capitalized computer software costs are included in property and equipment on the consolidated balance sheets and amortized on a straight-line basis when placed into service over the estimated useful lives of the software. The amounts capitalized were $12.9 million, $13.8 million and $21.0 million in 2019, 2018 and 2017, respectively.

Capitalized Interest

We capitalized interest primarily related to construction of new stores, store renovations, distribution centers and IT projects in the amount of $0.6 million, $1.3 million and $1.4 million in 2019, 2018 and 2017, respectively. Interest expense, net on the consolidated statement of income is shown net of capitalized interest.

Impairment of Long-Lived Assets

We review the carrying value of long-lived assets, including property and equipment and finite-lived intangible assets, for indicators of impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to the estimated undiscounted future cash flows expected to be generated by the use of the assets. If such assets are considered to be impaired, the impairment loss recognized is the amount by which the carrying amount of the assets exceeds its estimated fair value, which is typically calculated using discounted expected future cash flows. As a result of our assessment, we did not record an impairment of long-lived store assets in 2019. In 2018 and 2017, we impaired $1.4 million and $2.5 million, respectively, of long-lived store assets. These charges are included in selling, general and administrative expenses on the consolidated statements of income (see Note 6).

Goodwill

Goodwill represents the excess of the purchase price of an acquired business over the amounts assigned to assets acquired and liabilities assumed in a business combination. Goodwill is tested for impairment annually at the last day of our eleventh fiscal month, or more frequently if events or circumstances indicate that the carrying value of goodwill may not be recoverable. We test for goodwill at the reporting unit level, which is the operating segment level. We operate in one segment with one reporting unit.

The annual goodwill impairment test provides for the option of first performing a qualitative assessment to evaluate the existence of events and circumstances that would lead to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If such a conclusion is reached, we would then be required to perform a quantitative impairment assessment of goodwill. However, if the qualitative assessment leads to a determination that it is more likely than not that the fair value of a reporting unit is greater than its carrying amount, then no further assessments are required.

Our quantitative assessment for determining the fair value of our reporting unit includes using an estimated discounted cash flow model (income approach) and market value approach. The output of this assessment is an estimated fair value for our reporting unit that is compared to its carrying value to determine whether an impairment charge is necessary. The income approach uses a discounted cash flow analysis of our projected future income, and the market value approach is based on earnings multiples for a comparable set of public companies.

These approaches use key input assumptions such as our projected future operating results, the discount rate, the weighting for each valuation approach and the comparable set of companies. A history of declining trends in our operating results such as comparable sales, gross margin, net income and cash flow from operations could impact these assumptions and serve as indicators of future impairment. There is significant judgment used in determining these assumptions and variability in the assumptions could cause us to reach a different conclusion on impairment.

In 2019, 2018 and 2017, we performed a quantitative assessment for the determination of impairment. Based on the results of these quantitative assessments, no impairment of goodwill existed for 2019, 2018 or 2017.

Intangible Assets

Intangible assets consist of the trade name of "Academy Sports + Outdoors", or the Trade Name, and our favorable leases. The favorable leases are accounted for as finite-lived assets and are amortized over their estimated useful economic lives. With the adoption of ASU 2016-02, "*Leases (Topic 842)*" and a series of related Accounting Standards Updates that followed, or collectively, the New Lease Standard, on February 3, 2019, the balance of the favorable lease rights, net was netted into the right-of-use assets on the balance sheet (see Note 14). The Trade Name is expected to generate cash flows indefinitely and, therefore, is accounted for as an indefinite-lived asset not subject to amortization.

The Trade Name is tested for impairment annually at the last day of our eleventh fiscal month, or whenever events or circumstances indicate that the carrying amount of the Trade Name may not be recoverable. Impairment is calculated as the excess of the Trade Name's carrying value over its fair value. The fair value of the Trade Name is determined using the relief-from-royalty method, a variation of the income approach. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to exploit the related benefits of these types of assets. Once a supportable royalty rate is determined, the rate is then applied to the projected revenues over the expected remaining life of the intangible assets to estimate the royalty savings. This approach is dependent on a number of factors, including estimates of future growth and trends, royalty rates, discount rates and other variables. The results of the 2019, 2018 and 2017 annual impairment tests indicated that the fair value of the Trade Name was in excess of its carrying value and no impairments existed.

Deferred Loan Costs

Costs incurred to issue debt are deferred and recorded in the consolidated balance sheets. Those costs related to the issuance of term loan facilities and senior notes are recorded in long-term debt, net of current maturities and amortized as a component of interest expense over the terms of the related debt agreement using the effective interest method. The costs related to the issuance of our revolving credit facilities are recorded in other noncurrent assets on the consolidated balance sheets and amortized as a component of interest expense over the terms of the related debt agreements using the straight-line method.

Derivative Instruments

We are exposed to interest rate risk, primarily related to changes in interest rates on our term loan (see Note 4) and have used interest rate swap agreements, which we have designated as "cash flow" hedges, to hedge against market risks relating to possible adverse changes in interest rates. We assess, both at the inception of the hedge and on an ongoing basis, whether derivatives used as hedging instruments are highly effective in offsetting the changes in the fair value or cash flow of the hedged items. If it is determined that a derivative is not highly effective as a hedge or ceases to be highly effective, we discontinue hedge accounting prospectively.

Derivative financial instruments are recognized at fair value in the consolidated balance sheets (see Note 5 and Note 6). The changes in the fair value of derivative instruments designated as cash flow hedges are recorded in accumulated other comprehensive income, or AOCI, net of tax effects, and are subsequently reclassified to earnings when the hedged transaction affects earnings.

Self-Insurance

We maintain deductibles or self-insurance retentions for workers' compensation, general liability and employee health benefits. Additionally, we use the services of an independent actuary to assist in determining losses associated with workers' compensation, general liability and employee health benefits. Liabilities associated with these losses are actuarially derived and estimated in part by considering historical claims experience, industry factors, severity factors, claim development, as well as other actuarial assumptions. If actual trends, including the severity or frequency of claims, medical cost inflation or fluctuations in premiums, differ from our estimates, it could have a material adverse impact on our results of operations. Changes in legal claims, claim development, trends and interpretations, variability in inflation rates, changes in the nature and method of claims settlement, benefit level changes due to changes in applicable laws, insolvency of insurance carriers and changes in discount rates could all adversely affect our ultimate expected losses. We believe the actuarial valuation provides the best estimate of the ultimate expected losses, and we have recorded the present value of the actuarially determined ultimate losses for the insurance related liabilities mentioned above.

Lease Incentives

All of our stores, corporate office facilities, and warehouse and distribution centers are leased. We may receive reimbursement from a landlord for some or all of the cost of a construction project, which may be structured as a tenant improvement allowance, construction allowance or landlord reimbursement, or collectively, Lease Incentives.

Prior to the New Lease Standard, if we were the deemed owner of the property during the construction period and the sale-leaseback criteria were met, any differences between fair value of the property and the sales price of the property, are deferred and recognized ratably as an adjustment to selling, general and administrative expenses in the consolidated statements of income over the term of the related lease. Under the New Lease Standard, the losses and gains from sale-leaseback transactions are no longer deferred, but instead recognized immediately. Upon transition to the new standard on February 3, 2019, the remaining deferred gains and losses related to our previous sale-leaseback transactions resulted in a cumulative effect adjustment to retained earnings (see Note 14). To date, the Company has not executed a sale-leaseback transaction under the New Lease Standard.

Prior to the New Lease Standard, cash received from a landlord for tenant improvement allowances in store lease transactions not considered a sale-leaseback transaction were recorded in other long-term liabilities in the consolidated balance sheets and amortized as a reduction of rent expense in selling, general and administrative expenses in the consolidated statements of income over the term of the related lease. Under the New Lease Standard these receipts are a reduction to the right-of-use assets on the balance sheet (see Note 14), which are amortized ratably over the remaining terms of the corresponding leases.

Net Sales

We sell merchandise under implicit contracts whereby the transaction price is the listed sales price less any discounts or coupons applied. Our typical coupons offer a discount, which is applied immediately at the time of purchase. However, under certain circumstances we may issue a coupon, or similar incentive, which contains a material future right. In such instances, a portion of the revenue is deferred and subsequently recognized when earned.

Revenue from merchandise sales is recognized, net of sales tax, when the Company's performance obligation to the customer is met, which is when the Company transfers control of the merchandise to the customer. Store merchandise sales are recognized at the point of sale. For e-commerce sales, significant judgment is applied in determining when the transfer of control occurs, which we believe occurs upon customer receipt, and accordingly online merchandise sales are recognized upon delivery of the merchandise to the customer. The Company does not extend a material amount of credit. The sales return allowance, which is our provision for anticipated merchandise returns, is provided through a reduction of sales and cost of goods sold on a gross basis in the period that the related sales are recorded. The sales return allowance and related liability are included in merchandise inventories and in accrued expenses and other liabilities, respectively, in our consolidated balance sheets. Merchandise returns are estimated based on historical experience.

Cost of Goods Sold

Cost of goods sold includes the direct cost of merchandise and costs related to procurement, warehousing and distribution and the related depreciation and amortization. These costs consist primarily of payroll and benefits, occupancy costs and freight.

Shipping and Handling Costs

Shipping and handling costs billed to customers are included in net sales. Shipping and handling costs that we incur associated with shipping products to customers are included in cost of goods sold.

Vendor Allowances

Vendor allowances include volume purchase rebates, promotional and advertising allowances, cooperative advertising funds and support for new store openings. These allowances are generally determined for each fiscal year with the majority of allowances based on quantitative contract terms. Allowances related to the purchase of merchandise inventories are recorded as a reduction of cost of goods sold as the related merchandise is sold. Allowances for cooperative advertising and promotion programs and other expenses are recorded in selling, general and administrative expenses as a reduction of the related costs as the related expense is incurred. Any allowance in excess of actual costs incurred that are included in selling, general and administrative expenses, or that do not require proof of performance, are recorded as a reduction of cost of sales. For volume purchase rebates, we record an estimate of vendor allowances earned based on the latest projected purchase volumes.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include store and corporate administrative payroll and payroll benefits, store and corporate headquarters occupancy costs, advertising, credit card processing, information technology, pre-opening costs, depreciation and amortization and other store and administrative expenses.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses, net of specific vendor allowances, were $142.3 million, $139.1 million and $140.8 million in 2019, 2018 and 2017, respectively.

Pre-Opening Expenses

Non-capital expenditures associated with opening new stores and distribution centers, which consist primarily of occupancy costs, marketing, payroll and recruiting costs, are expensed as incurred. Pre-opening expenses for our new stores were $3.2 million, $3.4 million and $10.8 million in 2019, 2018 and 2017, respectively.

Deferred Rent

Substantially all of our leases contain landlord incentives and escalation clauses. Where a lease contains an escalation clause calling for increased rent, or a landlord incentive such as a rent holiday, rent expense is recognized using the straight-line method over the term of the lease. With the adoption of the New Lease Standard on February 3, 2019, the deferred rent balances were netted into the right-of-use assets on the balance sheet (see Note 14), which are amortized ratably over the remaining terms of the corresponding leases.

Equity Compensation

We account for equity compensation in accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, topic 718, *Compensation-Stock Compensation*, which requires the measurement and recognition of compensation expense for all equity awards made to employees based on estimated fair values on the grant date. Option equity award fair values are estimated on the date of grant using an option-pricing model and restricted unit fair values are based on the estimated unit price on the date of the grant. For awards with service-based vesting requirements only, the fair value of the award is recognized as expense over the requisite service period, and for awards with performance-based vesting requirements, the fair value of the award ultimately expected to meet the performance target is recognized as expense over the service period. We have elected to recognize forfeitures as they occur.

Income Taxes

The Company is a flow through entity for federal income tax purposes, and thus no federal income tax expense has been recorded in the consolidated statements of income. Members of the Company are responsible for federal and state income taxes on their respective share of the Company’s profit and losses. When necessary the Company’s operating agreement requires it to make distributions, or loans under certain circumstances, to fund the tax obligations of its members. There were no distributions made 2019, 2018 and 2017. In 2019 and 2018, the Company loaned $4.0 million and $4.1 million, respectively, with notes receivable issued to a member (see Note 13). The Company is responsible for certain state and foreign income taxes and recognized expense of $2.8 million, $2.0 million and $2.8 million in 2019, 2018 and 2017, respectively. As of February 1, 2020 and February 2, 2019, the Company had no uncertain tax positions that required recognition in the consolidated financial statements.

We account for deferred income taxes related to state jurisdictions using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future taxes attributable to the difference between financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets are also recognized for the future tax benefits attributable to the expected utilization of tax net operating loss carry forwards and tax credits. In the event future utilization is determined to be unlikely, a valuation allowance is provided to reduce the tax benefits from such assets. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the period in which the temporary differences and carry forwards are expected to be recovered or settled. Deferred tax assets and deferred tax liabilities are recorded in other noncurrent assets and other long-term liabilities, respectively, in our consolidated balance sheets. The effect of a change in tax rates is recognized in the period which includes the enactment date. We recognize interest and penalties as a component of income tax expense.

Comprehensive Income

Comprehensive income represents the net income for the period plus the results of certain changes to partners' equity (other comprehensive income) that are not reflected in the consolidated statements of income. Other comprehensive income consists of adjustments, net of tax, related to the Company's interest rate swaps.

Operating Segment

Given the similar business activities, economic characteristics, products sold, customer base and methods of procurement, as well as the similar marketing and promotional activities of our stores and our *academy.com* website, we report our financial results as one reportable segment. Substantially all of the Company's identifiable assets are located in the United States.

Recently Adopted Accounting Standards

Leases

Effective February 3, 2019, we adopted the New Lease Standard, which requires that lessees recognize assets and liabilities arising from operating leases on the balance sheet and disclose key information about leasing arrangements.

We elected the practical expedient available to us under ASU 2018-11, *"Leases: Targeted Improvements"*, which allows us to apply the transition provision for the New Lease Standard at our adoption date instead of at the earliest comparative period presented in our financial statements. Adoption of the New Lease Standard resulted in approximately $1.2 billion of additional lease obligation and approximately $1.2 billion of right-of-use assets, which are reflected in the short-term and long-term liabilities and long-term assets sections of the balance sheet, respectively, as well as an cumulative-effect adjustment increase to the opening balance of retained earnings of approximately $5.1 million (see Note 14). Adoption of the New Lease Standard did not impact our debt-covenant compliance or liquidity under our current agreements.

3. Net Sales

The following table sets forth the approximate amount of sales by merchandise divisions for the periods presented (amounts in thousands):

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
Merchandise division sales (1)			
Outdoors	**$ 1,522,985**	$ 1,544,021	$ 1,583,183
Sports and recreation	**859,868**	900,347	939,464
Apparel	**1,405,258**	1,321,035	1,311,054
Footwear	**1,021,603**	997,692	986,887
Total merchandise sales (2)	**4,809,714**	4,763,095	4,820,588
Other sales (3)	**20,183**	20,798	14,994
Net sales	**$ 4,829,897**	$ 4,783,893	$ 4,835,582

(1) Certain products and categories were recategorized amongst categories and divisions during 2019 in order to better align with our current merchandising strategy and view of the business. As a result, we have reclassified sales between divisions for 2018 and 2017 for comparability purposes. This reclassification is in presentation only and did not impact the overall net sales balances previously disclosed (see Note 2).

(2) E-commerce sales consist of 5.1%, 4.9% and 4.0% of merchandise sales for 2019, 2018 and 2017, respectively.

(3) Other sales consists primarily of the sales return allowance, gift card breakage income, credit card bounties and royalties, shipping income, net hunting and fishing license income and other items.

We sell gift cards in stores, online and in third-party retail locations. The gift cards we sell have no expiration dates. We establish a liability for gift cards, which is recorded in accrued expenses and other liabilities on our consolidated balance sheets, at the time of sale and recognize revenues as the gift cards are redeemed. Based on historical gift card redemption patterns, we can reasonably estimate the amount of gift cards that have a remote likelihood of redemption. These identified amounts are recorded as net sales and recognized in proportion to historical redemption trends, which is referred to as "breakage."

The following is a reconciliation of the gift card liability (amounts in thousands):

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
Gift card liability, beginning balance	**$ 66,153**	$ 59,724	$ 51,493
Issued	**134,839**	153,429	147,004
Redeemed	**(128,638)**	(142,742)	(134,580)
Recognized as breakage income	**(4,361)**	(4,258)	(4,193)
Gift card liability, ending balance	**$ 67,993**	$ 66,153	$ 59,724

4. Long-Term Debt

Our debt consisted of the following (amounts in thousands) as of:

	February 1, 2020	**February 2, 2019**
Senior Secured Asset-Based Revolving Credit Facility	**$ —**	$ —
Senior Secured Term Loan Facility, due July 2022 net of discount of $2.6 million and $4.0 million, respectively	**1,466,402**	1,630,890
Total debt	**1,466,402**	1,630,890
Less current maturities	**(34,116)**	(68,305)
Less deferred loan costs (1)	**(3,744)**	(5,830)
Total long-term debt	**$ 1,428,542**	$ 1,556,755

(1) These costs are related to the 2015 Term Loan Facility (as defined below).

As of February 1, 2020 and February 2, 2019, the balance in deferred loan costs related to the Amended ABL Facility (as defined below) was approximately $3.4 million and $4.5 million, respectively, and was included in other noncurrent assets on our consolidated balance sheets. Total amortization of deferred loan costs was $2.6 million, $3.0 million and $3.2 million in 2019, 2018 and 2017, respectively.

On July 2, 2015, Academy, Ltd. entered into a seven-year $1.8 billion senior secured term loan facility, or the 2015 Term Loan Facility, with Morgan Stanley Senior Funding, Inc., as the administrative and collateral agent, and other lenders, and a five-year $650 million secured asset-based revolving credit facility, or the 2015 ABL Facility, with JPMorgan Chase Bank, N.A., as administrative agent, and other lenders. Academy, Ltd. received proceeds from the 2015 Term Loan Facility of $1.8 billion, which was net of discount of $9.1 million. On May 22, 2018, the Company amended the agreement governing the 2015 ABL Facility, or as amended, the Amended ABL Facility, to increase the commitment on the facility from

$650 million to $1 billion. The operative terms, conditions, covenants and pricing of the Amended ABL Facility remain the same in all material respects to the 2015 ABL Facility and/or have been sized in approximate proportion to the relative increase in the facility where such operative terms are based upon the commitment level on the facility. The Amended ABL Facility matures on May 22, 2023, subject to a springing maturity clause which is triggered 91 days before the July 2, 2022 maturity of the 2015 Term Loan Facility should it not be paid off or extended at least 91 days beyond the May 22, 2023 maturity date of the Amended ABL Facility. In connection with the Amended ABL Facility, the Company capitalized related professional fees of $2.8 million as deferred loan costs and wrote off $0.1 million in previously capitalized deferred loan costs. Academy, Ltd. has the option to increase the commitments under the Amended ABL Facility by $250 million, subject to the satisfaction of certain conditions under the agreement.

2015 Term Loan Facility. The 2015 Term Loan Facility bears interest, at our election, at either (1) LIBOR rate with a floor of 1.00%, plus a margin of 4.00%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Morgan Stanley Senior Funding, Inc.'s "prime rate", or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 3.00%. Quarterly principal payments of approximately $4.6 million are required through June 30, 2022, with the balance due in full on the maturity date of July 2, 2022. As of February 1, 2020, the weighted average interest rate was 5.77%, with interest payable monthly. The terms and conditions of the 2015 Term Loan Facility also require that we prepay outstanding loans under the 2015 Term Loan Facility under certain circumstances. As of February 1, 2020, a $15.9 million prepayment was due under the terms and conditions of the 2015 Term Loan Facility.

In 2019 and 2017, we repurchased principal on our 2015 Term Loan Facility, which was trading at a discount. The following table provides further detail regarding these repurchases (amounts in millions):

	Fiscal Year Ended	
	February 1, 2020	**February 3, 2018**
Gross principal repurchased	**$ 147.7**	$ 26.2
Reacquisition price of debt	**$ 104.6**	$ 19.7
Net gain recognized	**$ 42.3**	$ 6.3

Amended ABL Facility. The Amended ABL Facility is used to provide financing for working capital and other general corporate purposes, as well as to support certain letters of credit requirements, and availability is subject to customary borrowing base and availability provisions. During the normal course of business, we periodically utilize letters of credit primarily for the purchase of import goods and in support of insurance contracts. As of February 1, 2020, we had outstanding letters of credit of approximately $17.7 million, of which $15.9 million were issued under the Amended ABL Facility, and we had no borrowings outstanding under the Amended ABL Facility, leaving the available borrowing capacity under the Amended ABL Facility of $827.4 million (see Note 19).

Borrowings under the Amended ABL Facility bear interest, at our election, at either of (1) LIBOR plus a margin of 1.25% to 1.75%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) JPMorgan Chase Bank, N.A.'s "prime rate", or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 0.25% to 0.75%. The Amended ABL Facility also provides a fee applicable to the unused commitments of 0.25%. The terms and conditions of the Amended ABL Facility also require that we prepay outstanding loans under the Amended ABL Facility under certain circumstances. As of February 1, 2020, no future prepayments of outstanding loans have been triggered under the terms and conditions of the Amended ABL Facility.

Liens and guarantees. The Amended ABL Facility has a first priority lien on all Academy, Ltd.'s cash, accounts receivable, inventory, deposit and securities accounts and proceeds therefrom, or the ABL

Collateral. Additionally, the Amended ABL Facility has a second priority lien on all other collateral of the 2015 Term Loan Facility. All obligations under the 2015 Term Loan Facility and the guarantees of those obligations are secured by:

- a second-priority security interest in the ABL Collateral;
- a first-priority security interest in, and mortgages on, substantially all present and after acquired tangible and intangible assets of Academy, Ltd.; and
- a first-priority pledge of 100% of the capital stock of Academy, Ltd.'s domestic subsidiaries and 66% of the voting capital stock of each of Academy, Ltd.'s foreign subsidiaries, if any, that are directly owned by Academy, Ltd. or a future U.S. guarantor, if any.

The Amended ABL Facility and the 2015 Term Loan Facility are each guaranteed by Holdco and all of its subsidiaries except for Academy International Limited, a Hong Kong limited liability company and subsidiary of Academy, Ltd.

Covenants. The Amended ABL Facility and the 2015 Term Loan Facility agreements contain covenants, including, among other things, covenants that restrict Academy, Ltd.'s ability to incur certain additional indebtedness, create or permit liens on assets, engage in mergers or consolidations, pay dividends, make other restricted payments, make loans or advances, engage in transactions with affiliates or amend material documents. Additionally, at certain times, the Amended ABL Facility is subject to a minimum adjusted fixed charge coverage ratio. These covenants are subject to certain qualifications and limitations. We were in compliance with these covenants as of February 1, 2020.

As of February 1, 2020, scheduled principal payments on our debt are as follows (amounts in thousands):

Fiscal Year	
2020	$ 34,116
2021	18,250
2022	1,416,627
Total	**$ 1,468,993**

5. Derivative Financial Instruments

We use interest rate swap agreements to hedge market risk relating to possible adverse changes in interest rates. A summary of our interest rate swaps is as follows (dollar amounts in thousands):

Notional Amount	Fixed Rate	Effective Date	Termination Date
$320,000 (1)	2.21%	September 7, 2016	September 3, 2021
$250,000	1.54%	November 1, 2016	November 1, 2021
$400,000	2.54%	March 1, 2018	March 1, 2021

(1) The initial $600,000 notional amount of the swap amortizes to $525,000, $430,000, $320,000 and $250,000 on September 3 of 2017, 2018, 2019 and 2020, respectively.

The fair value of the interest rate swaps is as follows (amounts in thousands) as of:

	February 1, 2020	February 2, 2019
Assets		
Amounts included in other current assets	**$ —**	$ 3,386
Amounts included in other noncurrent assets	**—**	5,355
Liabilities		
Amounts included in accrued expenses and other current liabilities	**6,130**	75
Amounts included in other long-term liabilities	**1,976**	258
Total swap net assets (liabilities)	**$ (8,106)**	$ 8,408

Amounts included in AOCI are reclassified to interest expense in the same period during which the hedged transaction affects earnings, which is as interest expense is recorded on the underlying 2015 Term Loan Facility. As of February 1, 2020, we estimate that approximately $6.7 million of the balance in AOCI will be reclassified as an increase in interest expense during the next 12 months.

The impact of gains and losses related to interest rate swaps that are deferred into AOCI and subsequently reclassified into interest expense is as follows (amounts in thousands):

	Fiscal Year Ended February 1, 2020	February 2, 2019	February 3, 2018
Gain (loss) deferred into AOCI	**$ (16,096)**	$ (2,625)	$ 5,876
Increase (decrease) to interest expense	**$ (418)**	$ 1,106	$ 7,497

6. Fair Value Measurements

Fair value is defined as an exit price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Authoritative guidance establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of the assets and liabilities.

The fair value measurements are classified as either:

- Level 1 which represents valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 which represents valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 which represents valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy in which the fair value measurement is classified in its entirety, is based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers made into or out of the Level 1, 2 or 3 categories during any period presented.

The following table provides the fair value hierarchy for our derivative financial instruments (amounts in thousands) as of:

	Fair Value Hierarchy	February 1, 2020	February 2, 2019
Assets			
Interest rate swap	Level 2	**$ —**	$ 8,741
Liabilities			
Interest rate swap	Level 2	**$ 8,106**	$ 333

We value our derivative financial instruments using a discounted cash flow analysis based on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs including interest rates and implied volatilities. Our valuations also consider both our own and the respective counterparty's non-performance risk. We have considered unobservable market factors such as the likelihood of default by us and our counterparty, our net exposures, credit enhancements, and remaining maturities in determining a credit valuation adjustment to include as part of the fair value of our derivative financial instruments. To date, the credit valuation adjustment did not comprise a material portion of the fair value of the derivative financial instruments. Therefore, we consider our derivative financial instruments to fall within Level 2 of the fair value hierarchy.

Non-Financial Assets Measured on a Non-Recurring Basis

Certain non-financial assets are subject to periodic impairment tests and are not measured to fair value on a recurring basis. These assets include property and equipment, goodwill, our Trade Name and favorable leases (see Note 8). During 2018, we recorded full property and equipment impairment charges of $1.4 million on one project and one store that we continue to operate. During 2017, we recorded full property and equipment impairment charges of $2.5 million on two stores that we continue to operate. The related charges are included in selling, general and administrative expenses in the consolidated statement of income. The fair value for each store was determined by using a discounted cash flow model of projected store income, which we have classified as Level 3 of the fair value hierarchy.

Other Financial Instruments

Periodically we make cash investments in money market funds comprised of U.S. Government treasury bills and securities, which are classified as cash and redeemable on demand. We held investments in money market funds of $113.3 million and $42.6 million as of February 1, 2020 and February 2, 2019, respectively.

The fair value of the 2015 Term Loan Facility is estimated using a discounted cash flow analysis based on quoted market prices for the instrument in an inactive market and is therefore classified as Level 2 within the fair value hierarchy. As of February 1, 2020 and February 2, 2019, the estimated fair value of the 2015 Term Loan Facility was $1.2 billion and $1.1 billion, respectively. As borrowings on the Amended ABL Facility are generally repaid in less than 12 months, we believe that fair value approximates the carrying value.

7. Property and Equipment

Property and equipment consists of the following (amounts in thousands) as of:

	February 1, 2020	February 2, 2019
Leasehold improvements	**$ 436,807**	$ 419,885
Equipment and software	**537,364**	496,089
Furniture and fixtures	**316,420**	304,784
Construction in progress and land	**17,639**	35,533
Land	**3,698**	3,698
Total property and equipment	**1,311,928**	1,259,989
Accumulated depreciation and amortization	**(870,521)**	(763,836)
Property and equipment, net	**$ 441,407**	$ 496,153

Depreciation expense, which is included in selling, general and administrative expenses in the consolidated statements of income, was $117.3 million, $130.4 million and $130.8 million in 2019, 2018 and 2017, respectively.

8. Intangible Assets

Intangible assets consist of the following (amounts in thousands) as of:

	February 1, 2020	February 2, 2019
Assets subject to amortization:		
Favorable lease rights, net	**$ —**	$ 15,067
Assets not subject to amortization:		
Trade name	**577,000**	577,000
Trade name and other intangible assets, net	**$ 577,000**	$ 592,067

With the adoption of the New Lease Standard on February 3, 2019, the balance of the favorable lease rights, net was netted into the right-of-use assets on the balance sheet which are amortized ratably over the remaining terms of the corresponding leases (see Note 14).

Amortization expense on favorable lease rights was $3.5 million in 2018 and 2017, respectively. Favorable lease rights are net of accumulated amortization of $25.0 million as of February 2, 2019.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (amounts in thousands) as of:

	February 1, 2020	February 2, 2019
Accrued personnel costs	**$ 54,065**	$ 36,955
Accrued interest	**7,835**	3,574
Accrued sales and use tax	**12,651**	7,521
Accrued self-insurance	**14,107**	14,632
Property taxes	**16,919**	16,941
Deferred revenue—gift cards and other	**70,220**	67,527
Sales return allowance	**5,500**	5,800
Other	**30,084**	31,191
Accrued expenses and other current liabilities	**$ 211,381**	$ 184,141

10. Equity and Unit-Based Compensation

The Company had 228,274,749 Membership Units authorized, issued and outstanding as of February 1, 2020.

The New Academy Holding Company, LLC 2011 Unit Incentive Plan, or the 2011 Unit Incentive Plan, provides for the grant of certain equity incentive awards, or each, an Award, such as options to purchase Holdco Membership Units, or each, a Unit Option, and restricted units that may settle in Holdco Membership Units, or each, a Restricted Unit, to our directors, executives, and eligible employees of the Company.

Unit Options granted under the 2011 Unit Incentive Plan consist of Unit Options that vest upon the satisfaction of time-based requirements, or each, a Service Option, and Unit Options that vest upon the satisfaction of both time-based requirements and Company performance-based requirements, or each, a Performance Option.

Restricted Units granted under the 2011 Unit Incentive Plan consist of Restricted Units that vest upon the satisfaction of time-based requirements, or each, a Service Restricted Unit, and Restricted Units that vest upon the satisfaction of both time-based requirements and liquidity event-based requirements, or each, a Liquidity Event Restricted Unit. In each case, vesting of the Company's outstanding and unvested Unit Options and Restricted Units is contingent upon the holder's continued service through the date of each applicable vesting event.

As of February 1, 2020, the number of Holdco Membership Units authorized for the grant of Awards under the 2011 Unit Incentive Plan was 33,948,085 Membership Units. As of February 1, 2020, there were 2,051,547 Holdco Membership Units that were authorized and available for the grant of Awards under the 2011 Unit Incentive Plan.

Equity compensation expense was $7.9 million, $4.6 million and $4.6 million in 2019, 2018 and 2017, respectively, and is included in selling, general and administrative expenses in our consolidated statements of income.

On June 22, 2018, the Company reduced the exercise price on vested and unvested options to fair market value for current employees holding options with exercise prices greater than fair market value. The repricing affected 184 employees and 6,909,475 options. Equity compensation expense incurred at the time of the repricing was $0.7 million.

As of February 1, 2020, unrecognized compensation cost related to Unit Options and Restricted Units of $16.7 million is expected to be recognized over a weighted average life of 2.7 years. The total fair value of Restricted Units vested was $0.3 million, $0.2 million and $0.2 million for 2019, 2018 and 2017, respectively.

Unit Option Fair Value Assumptions

The fair value for Service Options and Performance Options granted was estimated using a Black-Scholes option-pricing model. The expected lives of the Service Options and Performance Options granted were based on the "SEC simplified" method and a mid-point assumption, respectively. Expected price volatility was determined based on the implied volatilities of comparable companies over a historical period that matches the expected life of the Unit Options. The risk-free interest rate was based on the expected U.S. Treasury rate over the expected life. The dividend yield was based on the expectation that no dividends will be paid. The assumptions used to calculate the fair value of Unit Options granted are evaluated and modified, as necessary, to reflect current market conditions and experience.

The following table presents the assumptions and grant date fair values for Service Options and Performance Options granted in 2019, 2018 and 2017:

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
Expected life in years	**6.2**	6.2	6.2
Expected volatility	**52%**	50% to 55%	52% to 57%
Weighted-average volatility	**52.0%**	54.1%	53.1%
Risk-free interest rate	**1.4% to 2.5%**	2.6% to 2.9%	1.8% to 2.2%
Dividend yield	**—**	—	—
Weighted-average grant date fair value—Service Options	**$2.75**	$2.85	$3.10
Weighted-average grant date fair value—Performance Options	**$2.74**	$2.84	$3.11

Unit Option Activity

The Company's outstanding and unvested Service Options typically vest ratably over a four-year period, on each anniversary of their grant date. In the event of certain Company change of control transactions, the Company's then-outstanding and unvested Service Options will become fully vested and exercisable.

The Company's outstanding and unvested Performance Options typically vest ratably over a four-year period, after the conclusion of each fiscal year and upon our board of managers' determination that the Company has achieved certain pre-determined annual earnings before interest, taxes, depreciation and amortization, or EBITDA, targets for such fiscal year. The Company's outstanding and unvested Performance Options may, on a case-by-case basis, also grant certain additional vesting rights, whereby any Performance Options that do not vest due to missed annual EBITDA targets may nevertheless partially or fully vest as a result of certain alternative events, including, as examples, the Company achieving a pre-determined cumulative EBITDA target for a set of fiscal years, or the Company achieving a pre-determined Holdco Membership Unit valuation target on a specified date, or the Company completing a change in control or an initial public offering.

Unit Option activity is as follows:

Service-Based Unit Options(1)

	Unit Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 28, 2017	12,049,440	$ 3.66	6.2	$ 30,857
Granted or modified	4,126,204	5.92		
Canceled or modified	(533,211)	5.83		
Forfeited	(1,301,531)	6.00		
Exercised	—	—		
Outstanding as of February 3, 2018	14,340,902	$ 4.02	6.0	$ 18,415
Granted or modified	9,654,571	5.29		
Canceled or modified	(5,898,381)	5.99		
Forfeited	(2,486,813)	5.52		
Exercised	—	—		
Outstanding as of February 2, 2019	15,610,279	$ 3.82	5.7	$ 33,157
Granted or modified	**4,365,143**	5.27		
Canceled or modified	**(601,974)**	4.60		
Forfeited	**(1,133,977)**	5.23		
Exercised	**—**	—		
Outstanding as of February 1, 2020 (2)	**18,239,471**	$ 4.05	5.5	$ 28,855
Exercisable as of February 1, 2020	**11,225,459**	$ 3.29	3.6	$ 26,584

(1) The fair value of a membership unit as of each period end was $6.07, $4.40, $5.91, $5.59, for the fiscal years ended 2016, 2017, 2018, and 2019, respectively.

(2) The Company has elected to recognize forfeitures as they occur. Therefore, the number of awards vested and expected to vest is equal to the awards outstanding.

Performance-Based Unit Options(1)

	Unit Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of January 28, 2017	9,959,420	$ 3.14	5.5	$ 31,031
Granted or modified	1,232,128	5.95		
Canceled or modified	(436,759)	5.71		
Forfeited	(852,432)	6.48		
Exercised	—	—		
Outstanding as of February 3, 2018	9,902,357	$ 3.09	4.8	$ 18,658
Granted or modified	3,272,337	5.29		
Canceled or modified	(2,258,138)	5.86		
Forfeited	(1,231,868)	5.59		
Exercised	—	—		
Outstanding as of February 2, 2019	9,684,688	$ 2.86	4.1	$ 29,960
Granted or modified	**1,335,436**	5.27		
Canceled or modified	**(228,718)**	3.90		
Forfeited	**(563,830)**	5.27		
Exercised	**—**	—		
Outstanding as of February 1, 2020 (2)	**10,227,576**	$ 3.02	3.6	$ 26,838
Exercisable as of February 1, 2020	**7,760,964**	$ 2.31	2.0	$ 26,061

(1) The fair value of a membership unit as of each period end was $6.07, $4.40, $5.91, $5.59, for the fiscal years ended 2016, 2017, 2018, and 2019, respectively.

(2) The Company has elected to recognize forfeitures as they occur. Therefore, the number of awards vested and expected to vest is equal to the awards outstanding.

Restricted Unit Activity

Restricted Unit activity is as follows:

Restricted Units

	Units	Weighted Average Grant Date Fair Value Per Unit
Non-vested as of January 28, 2017	1,374,348	$ 6.00
Granted	29,022	6.03
Vested	(8,238)	6.07
Non-vested as of February 3, 2018	1,395,132	$ 6.00
Granted	2,769,316	5.34
Vested	(34,704)	5.90
Forfeited	(782,295)	5.79
Non-vested as of February 2, 2019	3,347,449	$ 5.50
Granted	**180,610**	5.26
Vested	**(57,363)**	5.26
Forfeited	**(141,510)**	$ 5.30
Non-vested as of February 1, 2020	**3,329,186**	$ 5.50

As of February 1, 2020, there are 38,024 Holdco Membership Units that are subject to outstanding and unvested Service Restricted Units issued during 2019. The Service Restricted Units contain a weighted average grant date fair value of $5.26 per unit. The Company's outstanding and unvested Service Restricted Units typically vest 100% on the six-month or one-year anniversary of their grant date. In the event of certain Company change of control transactions, the Company's then-outstanding and unvested Service Restricted Units will become fully vested and exercisable.

As of February 1, 2020, there are 3,291,162 Holdco Membership Units that are subject to outstanding and unvested Liquidity Event Restricted Units with a weighted average grant date fair value of $5.51 per unit. The Company's outstanding and unvested Liquidity Event Restricted Units are currently not being expensed and will not be expensed until the performance objective meets the definition of "probable" in accordance with ASC 718. The Company's outstanding and unvested Liquidity Event Restricted Units typically vest either (i) over a four-year period at rates of 30%, 30%, 20% and 20% per anniversary of the Liquidity Event Restricted Unit holder's employment start date, so long as the Company completes an initial public offering prior to the fifth anniversary of their grant date, or (ii) immediately at a rate of 100%, upon the completion of certain Company change of control transactions, so long as the Company completes such change of control transaction prior to the fifth anniversary of their grant date. If the performance objective of the Liquidity Event Restricted Units had been met as the result of the Company completing an initial public offering on February 1, 2020, we would have expensed approximately $10.2 million of stock compensation expense associated with the vesting of the Liquidity Event Restricted Units achieved as of such date.

11. Earnings Per Unit

Basic earnings per unit is calculated based on net income divided by the weighted average total number of Membership Units outstanding during the period, and dilutive earnings per unit is calculated based on net income divided by diluted weighted average units outstanding. Dilutive weighted average units outstanding is based on the basic weighted average units outstanding plus any potential dilutive effect of units outstanding during the period using the treasury stock method, which assumes the potential proceeds received from the dilutive Unit Options are used to purchase treasury stock. Anti-dilutive stock-based awards do not include awards which have a performance or liquidity event target which has yet to be achieved.

Basic and dilutive units outstanding are calculated as follows (dollar amounts in thousands except per unit amounts):

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
Net income	**$ 120,043**	$ 21,442	$ 58,501
Weighed average units outstanding - basic	**228,303,750**	228,160,508	227,942,148
Dilutive effect of Restricted Units	**35,376**	51,417	19,608
Dilutive effect of Service Options	**2,886,601**	4,036,699	4,062,335
Dilutive effect of Performance Options	**4,383,391**	4,625,349	4,780,630
Weighed average units outstanding - diluted	235,609,118	236,873,973	236,804,721
Earnings per unit - basic	**$ 0.53**	$ 0.09	$ 0.26
Earnings per unit - diluted	**$ 0.51**	$ 0.09	$ 0.25
Anti-dilutive stock-based awards excluded form diluted calculation	**1,833,855**	7,485,706	10,150,627

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12. Income Taxes

The income tax provision consists of the following (amounts in thousands) as of:

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
Current expense:			
U.S. Federal	**$ —**	$ —	$ —
U.S. State	**2,501**	2,412	2,580
Foreign	**19**	33	54
Total current expense	**2,520**	2,445	2,634
Deferred expense (benefit):			
U.S. Federal	**—**	—	—
U.S. State	**318**	(514)	145
Foreign	**(21)**	20	2
Change in valuation allowance	**—**	—	—
Total deferred expense (benefit)	**297**	(494)	147
Income tax expense	**$ 2,817**	$ 1,951	$ 2,781

The provision for income taxes differs from the amounts computed by applying the federal statutory rate (dollar amounts in thousands) as follows:

	Fiscal Year Ended		
	February 1, 2020	**February 2, 2019**	**February 3, 2018**
Income before income taxes	**$ 122,860**	$ 23,393	$ 61,282
Tax at federal statutory rate (21% for 2019, 21% for 2018 and 33.8% for 2017)	**25,801**	4,913	20,731
Increase in tax expense resulting from:			
State income tax	**2,818**	1,898	2,725
Foreign tax	**(1)**	53	56
Effect of rates due to pass through entities	**(25,801)**	(4,913)	(20,731)
Income tax expense	**$ 2,817**	$ 1,951	$ 2,781
Effective income tax rate	**2.3%**	8.3%	4.5%

Income tax expense is less than the federal statutory rate since the Company is a flow through entity for federal income tax purposes. As such, no federal income tax expense has been recorded in the consolidated statements of income. Our tax rate is almost entirely the result of state income taxes.

On December 22, 2017, the Tax Cuts and Jobs Act, or the Act, was signed into law. The Act decreased the U.S. corporate federal tax rate from 35% to 21% effective January 1, 2018. The Company did not have any impact on recorded deferred tax balances as the Company is a pass-through entity and only has deferred items related to state taxes.

The components that give rise to significant portions of the net deferred tax assets and liabilities are presented below (amounts in thousands) as of:

	February 1, 2020	February 2, 2019
Deferred tax assets:		
Tax credits	**$ 2,749**	$ 2,741
Other	**944**	985
Total gross deferred tax assets	**3,693**	3,726
Deferred tax liabilities:		
Intangibles and depreciation	**2,760**	2,767
Inventories and other	**713**	442
Total gross deferred tax liabilities	**3,473**	3,209
Net deferred tax asset	**$ 220**	$ 517

Management evaluates the realizability of the deferred tax assets and the need for additional valuation allowances annually. At February 1, 2020, based on current facts and circumstances, management believes that it is more likely than not that the Company will realize benefit for its gross deferred tax assets.

As of February 1, 2020, we had no unrecognized tax benefits and we do not anticipate that unrecognized tax benefits will significantly increase or decrease over the next 12 months. There are no tax returns that are currently under examination. Federal and state tax years that remain subject to examination are periods ended January 28, 2017 through February 1, 2020.

13. Related Party Transactions

Monitoring Agreement

On August 3, 2011, or the Effective Date, we entered into a monitoring agreement, or the Monitoring Agreement, with Kohlberg Kravis Roberts & Co. L.P., or the Adviser, pursuant to which the Adviser provides advisory, consulting and financial services to us. In accordance with the terms of the Monitoring Agreement, we pay an aggregate annual advisory fee of $3.7 million which increases by 5.0% annually on each anniversary of the Effective Date. The Adviser may also charge us a customary fee for services rendered in connection with securing, structuring and negotiating equity and debt financings by us. Additionally, we are required to reimburse the Adviser for any out-of-pocket expenses in connection with these services. The Monitoring Agreement continues in effect from year-to-year, unless amended or terminated by the Adviser and us. We recognized advisory fees related to the Monitoring Agreement, including reimbursement of expenses, of approximately $3.6 million, $3.5 million and $3.4 million in 2019, 2018 and 2017, respectively. These expenses are included in selling, general and administrative expenses in the consolidated statements of income.

The Monitoring Agreement terminates automatically upon the consummation of an initial public offering, unless we elect otherwise. In the event of such a termination, the Adviser is entitled to all unpaid monitoring fees and expenses plus the net present value of the advisory fees that would have been paid from the termination date through the twelfth anniversary of the Effective Date of the Monitoring Agreement. If an initial public offering was consummated and the Monitoring Agreement was terminated on February 1, 2020, we would have owed approximately $14.2 million of termination fees to the Adviser. Pursuant to a separate agreement, the Adviser would be expected to share a portion of any such termination fee with certain investors who are family descendants of our founder, Max Gochman, or Gochman Investors.

Transaction and Other Fee Arrangements

In 2015, we paid KKR Capital Markets LLC, or KCM, an affiliate of KKR, $2.1 million in fees in connection with the 2015 Term Loan Facility. These fees are recorded as deferred loan costs, net of amortization, within the long-term debt on the balance sheets. The Company also incurred expenses of $0.9 million and $0.3 million in 2018 and 2017, respectively, related to professional fees owed to an affiliate of KKR. These expenses are included in selling, general and administrative expenses in the statements of income.

Other Related Party Transactions

KKR has ownership interest in a broad range of portfolio companies and we may enter into commercial transactions for goods or services in the ordinary course of business with these companies. We do not believe such transactions are material to our business.

Equity Purchases

For the years ended February 1, 2020, February 2, 2019 and February 3, 2018, executives and directors of the Company made cash purchases of Redeemable Membership Units in Managers for approximately $0.1 million, $1.3 million and $1.2 million, respectively. The cash consideration paid for the Redeemable Membership Units was subsequently contributed to Holdco by Managers in exchange for a number of Holdco Membership Units equal to the number of Redeemable Membership Units purchased.

During the year ended February 1, 2020, Managers repurchased at fair market value approximately $0.5 million of Redeemable Membership Units from a director and an executive of the Company for cash. Holdco concurrently repurchased from Managers for cash, at fair market value, a number of Holdco membership units equal to the number for Redeemable Membership Units repurchased from the director and executive.

Note Receivable from Member

Under Holdco's LLC agreement, certain members may require the Company to provide a tax loan on their behalf under certain circumstances. On April 10, 2019, the Company loaned $4.0 million with a note receivable issued to a member. The note receivable bears semi-annual compounding interest at 2.5% per annum with outstanding principal and interest due on April 10, 2022. On April 5, 2018, the Company loaned $4.1 million with a note receivable issued to a member. The note receivable bears semi-annual compounding interest at 2.1% per annum, with outstanding principal and interest due on April 5, 2021. These notes receivable have been recorded in other non-current assets in the balance sheets.

14. Leases

We lease all of our retail stores, distribution centers and corporate offices. Our leases primarily relate to building leases, which generally include options to renew at our sole discretion for five years or more. We regularly extend options for our building leases, which constitutes a lease modification and thus requires a re-measurement of the lease liability at current discount rates. The life of leasehold improvement assets are limited by the expected lease term. Additionally, we have certain agreements for equipment rentals, which are typically twelve months or less in duration.

Effective February 3, 2019, we adopted the New Lease Standard, which requires that lessees recognize assets and liabilities arising from operating leases on the balance sheet and disclose key information about leasing arrangements. In conjunction with the adoption of the New Lease Standard, we have elected to utilize the package of practical expedients, which allows us to carry forward our historical lease classifications and eliminates the need to assess whether our pre-existing contracts are, or contain, leases. We also elected to utilize the practical expedient to account for each lease and non-lease components for our building leases as a single lease component which allows certain costs such as common area maintenance associated with these leases to be included as rent expense. Finally, we elected to exclude leases with contract terms of twelve months or less from the New Lease Standard accounting treatment, which results in straight-line recognition of the cost over the lease term with no associated balance sheet lease liability or right-of-use asset. As of February 1, 2020, all of our leases are classified as operating leases.

The following table reflects the balance sheet impact of the implementation of the New Lease Standard upon adoption (amounts in thousands):

	As of February 2, 2019	Adoption Impact	As of February 3, 2019
Assets:			
Prepaid expenses and other current assets (1)	$ 39,937	$ (15,778)	$ 24,159
Right-of-use assets	—	1,173,741	1,173,741
Trade name and other intangible assets, net (1)	592,067	(15,067)	577,000
Other noncurrent assets (1)(2)	21,545	(2,826)	18,719
Liabilities and Partners' Equity:			
Current lease liabilities	—	84,849	84,849
Long-term lease liabilities	—	1,154,697	1,154,697
Other long-term liabilities (1) (2)	122,795	(104,551)	18,244
Retained earnings (2)	$ 553,282	$ 5,075	$ 558,357

(1) The difference between the additional lease assets and lease liabilities relates to certain prepaid or deferred rents, lease incentives and purchase accounting related fair market value lease adjustments which were adjusted out of the accounts above and were netted into the right-of-use asset.
(2) As of February 2, 2019 we had a deferred loss in other noncurrent assets and deferred gain in other long-term liabilities related to previous sale-leaseback transactions, which upon transition resulted in a cumulative-effect adjustment to retained earnings.

Adoption of the New Lease Standard resulted in $1.2 billion in right-of-use assets and a combined $1.2 billion between current lease liabilities and long-term lease liabilities ($0.1 billion and $1.2 billion, respectively) included on the balance sheet as of February 3, 2019.

In addition, in certain situations, we may sublease real estate to third parties. Our sublease portfolio consists mainly of operating leases of former store locations for which we are still under lease and existing store leases in which we have excess or unused space.

The components of lease expense and sublease income included in selling, general and administrative, or SG&A, expenses on our statement of income is as follows (amounts in thousands):

	Fiscal year ended February 1, 2020
Operating lease expense	$ 195,301
Short-term lease expense	—
Variable lease expense	7,736
Sublease income	(1,591)
Net lease expense	**$ 201,446**

Information about our operating leases is as follows (dollar amounts in thousands):

	Fiscal year ended February 1, 2020
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 57,383
Cash paid for amounts included in the measurement of lease liabilities	$ 192,849

	As of February 1, 2020
Weighted-average remaining lease term in years	10.7
Weighted-average incremental borrowing rate	8.89%

As most of our leases do not provide an implicit rate of interest, we use our incremental borrowing rate, which is based on the market lending rates for companies with comparable credit ratings, to determine the present value of lease payments on lease commencement or remeasurement.

The remaining maturities of lease liabilities by fiscal year as of February 1, 2020 are as follows (amounts in thousands):

2020	$ 196,088
2021	195,323
2022	190,609
2023	181,499
2024	171,720
2025	164,071
After 2025	834,644
Total lease payments (1)	1,933,954
Less: Interest	(715,729)
Present value of lease liabilities	$ 1,218,225

(1) Minimum lease payments have not been reduced by sublease rentals of $1.6 million due in the future under non-cancelable subleases.

Future minimum payments determined under the previous accounting standards for operating lease obligations, including committed leases that had not yet commenced, as of February 2, 2019, were as follows (in thousands):

2019	$ 192,632
2020	193,878
2021	192,610
2022	188,048
2023	177,750
Thereafter	1,172,506
Total minimum lease payments (1)	2,117,424
Lease minimum sublease income	(7,719)
Net minimum lease payments	$ 2,109,705

(1) Minimum lease payments have not been reduced by sublease rentals of $7.7 million due in the future under non-cancelable subleases.

15. Commitments and Contingencies

Technology Related Commitments and Other

As of February 1, 2020, we have obligations under technology related contractual commitments as well as other commitments, such as construction commitments, in the amount of $29.8 million. Of such commitments, approximately $20.6 million is payable in the next 12 months.

Commitments Related to Monitoring Agreement

As of February 1, 2020, we have obligations under the Monitoring Agreement (see Note 13) in the amount of $14.4 million, of which $4.1 million is payable in the next 12 months.

Financial Guarantees

During the normal course of business, we enter into contracts that contain a variety of representations and warranties and provide general indemnifications. The maximum exposure under these arrangements is unknown as this would involve future claims that may be made against us that have not yet occurred. However, based on experience, we believe the risk of loss to be remote.

Legal Proceedings

We are a defendant or co-defendant in lawsuits, claims and demands brought by various parties relating to matters normally incident to our business. No individual case, or group of cases presenting substantially similar issues of law or fact, is expected to have a material effect on the manner in which we conduct our business or on our consolidated results of operations, financial position or liquidity. The majority of these cases are alleging product, premises, employment and/or general liability. Reserves have been established that we believe to be adequate based on our current evaluations and experience in these types of claim situations; however, the ultimate outcome of these cases cannot be determined at this time. We believe, taking into consideration our indemnities, insurance and reserves, the ultimate resolution of these matters will not have a material impact on our financial position, results of operations or cash flows.

Sponsorship Agreements and Intellectual Property Commitments

We periodically enter into sponsorship agreements generally with professional sports teams, associations, events, networks or individual professional players and collegiate athletic programs in exchange for marketing and advertising promotions. We also enter into intellectual property agreements whereby the Company receives the right to use third-party owned trademarks typically in exchange for royalties on sales. These agreements typically contain a one to three-year term and contractual payment amounts required to be paid by the Company. As of February 1, 2020, we have $7.7 million in related commitments through 2027, of which $4.2 million is payable in next 12 months.

16. Employee Benefit Plans

401(k) Plan

We sponsor a safe harbor defined contribution 401(k) profit sharing plan, or the 401(k) Plan, for our eligible employees. The 401(k) plan includes an eligible employee compensation deferral feature, Company matching contributions and a Company profit sharing component. Eligible employees are permitted to contribute up to 75% of their eligible compensation on a pretax basis to the 401(k) Plan, subject to Internal Revenue Service limitations. We match 100% of amounts contributed by a plan participant to the 401(k) Plan each pay period, on a dollar-for-dollar basis, up to 6% of a plan participant's eligible compensation during such pay period. Annual Company profit sharing contributions are made at the discretion of our board of managers, subject to certain limitations. The 401(k) Plan may be amended or terminated at our discretion. Employer contributions related to the 401(k) Plan totaled $12.4 million, $11.9 million and $11.6 million in 2019, 2018 and 2017, respectively.

17. Valuation and Qualifying Accounts

(amounts in thousands)	Balance at beginning of period	Charged to costs and expenses	Deductions	Balance at end of period
February 1, 2020:				
Allowance for doubtful accounts	**$ 3,008**	**$ 499**	**$ (232) (1)**	**$ 3,275**
Sales return allowance	**5,800**	**9,400 (2)**	**(9,700) (2)**	**5,500**
Inventory shrink adjustments	**19,271**	**62,975**	**(69,355) (3)**	**12,891**
Self-insurance reserves	**22,807**	**61,220**	**(61,598) (4)**	**22,429**
February 2, 2019:				
Allowance for doubtful accounts	$ 2,616	$ 1,020	$ (628) (1)	$ 3,008
Sales return allowance	6,500	9,400 (2)	(10,100) (2)	5,800
Inventory shrink adjustments	14,683	69,047	(64,459) (3)	19,271
Self-insurance reserves	19,942	62,000	(59,135) (4)	22,807
February 3, 2018:				
Allowance for doubtful accounts	$ 3,410	$ 1,900	$ (2,694) (1)	$ 2,616
Sales return allowance	6,100	9,100 (2)	(8,700) (2)	6,500
Inventory shrink adjustments	5,976	93,248	(84,541) (3)	14,683
Self-insurance reserves	18,027	67,419	(65,504) (4)	19,942

(1) Represents write-offs to the reserve.
(2) Represents the monthly increase (decrease) in the required reserve based on the Company's evaluation of anticipated merchandise returns.
(3) Represents the actual inventory shrinkage experienced at the time of physical inventories.
(4) Represents claim payments for self-insured claims.

18. Selected Quarterly Financial Data (Unaudited)

(amounts in thousands)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
2019:				
Net sales	**$ 1,076,792**	**$ 1,237,410**	**$ 1,145,203**	**$ 1,370,492**
Gross margin	**312,996**	**385,204**	**362,422**	**370,532**
Selling, general and administrative expenses	**301,602**	**312,570**	**309,246**	**328,315**
Operating income	**11,394**	**72,634**	**53,176**	**42,217**
Interest expense, net	**27,037**	**25,549**	**24,585**	**24,136**
Gain on early retirement of debt, net	**(41,138)**	**(1,127)**	**—**	**—**
Net income	**$ 25,406**	**$ 48,347**	**$ 28,552**	**$ 17,738**
2018:				
Net sales	$ 1,119,480	$ 1,262,207	$ 1,060,188	$ 1,342,018
Gross margin	320,356	387,130	328,333	332,133
Selling, general and administrative expenses	295,278	317,164	300,195	326,365
Operating income	25,078	69,966	28,138	5,768
Interest expense, net	26,795	27,173	27,076	27,608
Net income (loss)	$ (976)	$ 42,103	$ 1,773	$ (21,458)

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19. Subsequent Events

Our management evaluated events or transactions that occurred after February 1, 2020 through July 10, 2020. We identified the following matters to report:

The global outbreak of COVID-19, which was recently declared a global pandemic by the World Health Organization, has resulted in federal, state and local authority recommendations or requirements aimed at slowing the spread of the virus such as self-quarantining, avoiding large group gatherings, restricting travel and closing of certain businesses. These measures could potentially have a negative impact on our operations, from lower customer traffic and sales in our brick and mortar stores, to potential supply chain interruptions in our distribution centers and from our third party vendors. The situation is rapidly evolving, and as a result of unpredictability regarding the duration and severity of the pandemic, we cannot reasonably estimate its future impact to our business as of the date of this report. Due to this uncertainty, the Company borrowed $500 million under the Amended ABL Facility in March 2020 as a precautionary measure to ensure financial flexibility, and we subsequently repaid the entire $500 million outstanding balance under our Amended ABL Facility in June 2020.

On June 30, 2020, New Academy Holding Company, LLC purchased 100 shares of common stock from Academy Sports and Outdoors, Inc. for a purchase price per share equal to the par value per share of such shares, or $1 in the aggregate.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Academy Sports and Outdoors, Inc.

Opinion on the Financial Statement

We have audited the accompanying balance sheet of Academy Sports and Outdoors, Inc. (the "Company") as of June 30, 2020 and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of June 30, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement. Our audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that our audit of the financial statement provides a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Houston, Texas

July 10, 2020

We have served as the Company's auditor since 2020.

ACADEMY SPORTS AND OUTDOORS, INC.
BALANCE SHEET

	June 30, 2020
ASSETS	
Cash	$ 1
Total current assets	**$ 1**
STOCKHOLDER'S EQUITY	
Common Stock, par value $0.01 per share, 1,000 shares authorized, 100 shares issued and outstanding	$ 1
Total stockholder's equity	**$ 1**

The accompanying notes are an integral part of these financial statements.

ACADEMY SPORTS AND OUTDOORS, INC.
NOTES TO FINANCIAL STATEMENTS

1. Organization

Academy Sports and Outdoors, Inc., or the Corporation, was organized as a Delaware corporation on June 30, 2020. The Corporation's fiscal year represents the 52 or 53 weeks ending on the Saturday closest to January 31. Pursuant to a series of reorganization transactions, it is anticipated that the Corporation will be the parent of New Academy Holding Company, LLC, a Delaware limited liability company.

Following the anticipated reorganization transactions, the Corporation will continue to conduct the business now conducted by New Academy Holding Company, LLC and its subsidiaries.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Balance Sheet has been prepared in accordance with generally accepted accounting principles in the United States, or GAAP. Separate statements of operations, changes in stockholders' equity and cash flows have not been presented in the financial statements because there have been no activities in this entity or because the single transaction is fully disclosed below.

3. Stockholder's Equity

The Corporation is authorized to issue 1,000 shares of Common Stock, par value $0.01 per share, under the Corporation's certificate of incorporation in effect as of June 30, 2020. In exchange for $1.00, the Corporation has issued 100 shares of Common Stock, all of which were held by New Academy Holding Company, LLC as of June 30, 2020.

4. Subsequent Events

Events and transactions occurring through July 10, 2020, the date of issuance of the financial statement, have been evaluated by management and, when appropriate, recognized or disclosed in the financial statements or notes to the consolidated financial statements.

ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(Dollar amounts in thousands)

	October 31, 2020	February 1, 2020	November 2, 2019
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	**$ 869,725**	$ 149,385	$ 43,538
Accounts receivable - less allowance for doubtful accounts of $1,286, $3,275 and $3,642, respectively	**11,908**	13,999	9,798
Merchandise inventories, net	**1,082,907**	1,099,749	1,331,969
Prepaid expenses and other current assets	**25,789**	24,548	26,140
Assets held for sale	**1,763**	1,763	1,763
Total current assets	**1,992,092**	1,289,444	1,413,208
PROPERTY AND EQUIPMENT, NET	**382,620**	441,407	454,406
RIGHT-OF-USE ASSETS	**1,163,361**	1,145,705	1,165,826
TRADE NAME	**577,000**	577,000	577,000
GOODWILL	**861,920**	861,920	861,920
OTHER NONCURRENT ASSETS	**4,923**	15,845	16,349
Total assets	**$ 4,981,916**	$ 4,331,321	$ 4,488,709
LIABILITIES AND STOCKHOLDERS'/PARTNERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	**$ 868,879**	$ 428,823	$ 529,926
Accrued expenses and other current liabilities	**274,612**	211,381	219,992
Current lease liabilities	**79,361**	76,329	73,252
Current maturities of long-term debt	**18,250**	34,116	18,250
Total current liabilities	**1,241,102**	750,649	841,420
LONG-TERM DEBT, net	**1,408,885**	1,428,542	1,492,609
LONG-TERM LEASE LIABILITIES	**1,171,420**	1,141,896	1,163,250
DEFERRED TAX LIABILITIES, NET	**132,701**	—	—
OTHER LONG-TERM LIABILITIES	**43,244**	19,197	19,529
Total liabilities	**3,997,352**	3,340,284	3,516,808
COMMITMENTS AND CONTINGENCIES (NOTE 14)			
REDEEMABLE MEMBERSHIP UNITS	**—**	2,818	2,818
STOCKHOLDERS'/PARTNERS' EQUITY (1):			
Preferred stock, $0.01 par value, authorized 50,000,000 shares; none issued and outstanding	**—**	—	—
Partners' equity, membership units authorized, issued and outstanding were 72,468,164 as of February 1, 2020 and November 2, 2019	**—**	996,285	976,538
Common stock, $0.01 par value, authorized 300,000,000 shares; 88,103,975 issued and outstanding as of October 31, 2020	**881**	—	—
Additional paid-in capital	**93,064**	—	—
Retained earnings	**895,646**	—	—
Accumulated other comprehensive loss	**(5,027)**	(8,066)	(7,455)
Stockholders'/partners' equity	**984,564**	988,219	969,083
Total liabilities and stockholders'/partners' equity	**$ 4,981,916**	$ 4,331,321	$ 4,488,709

(1) See Retrospective Presentation of Ownership Exchange in Note 2.

See Condensed Notes to Consolidated Financial Statements

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ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(Amounts in thousands, except per share data)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
NET SALES	**$ 1,349,076**	$ 1,145,203	**$ 4,091,797**	$ 3,459,405
COST OF GOODS SOLD	**908,565**	782,781	**2,856,840**	2,398,783
GROSS MARGIN	**440,511**	362,422	**1,234,957**	1,060,622
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	**358,955**	309,246	**955,591**	923,418
OPERATING INCOME	**81,556**	53,176	**279,366**	137,204
INTEREST EXPENSE, NET	**22,399**	24,585	**70,487**	77,171
GAIN ON EARLY RETIREMENT OF DEBT, NET	**—**	—	**(7,831)**	(42,265)
OTHER (INCOME) EXPENSE, NET	**764**	(467)	**(857)**	(1,921)
INCOME BEFORE INCOME TAXES	**58,393**	29,058	**217,567**	104,219
INCOME TAX (BENEFIT) EXPENSE	**(1,193)**	506	**325**	1,914
NET INCOME	**$ 59,586**	$ 28,552	**$ 217,242**	$ 102,305
EARNINGS PER COMMON SHARE:				
BASIC (1)	**$ 0.78**	$ 0.39	**$ 2.94**	$ 1.41
DILUTED (1)	**$ 0.74**	$ 0.38	**$ 2.82**	$ 1.37
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
BASIC (1)	**76,771**	72,484	**73,908**	72,480
DILUTED (1)	**80,714**	75,201	**77,171**	74,766

(1) See Retrospective Presentation of Ownership Exchange in Note 2.

See Condensed Notes to Consolidated Financial Statements

ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(Amounts in thousands)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
COMPREHENSIVE INCOME:				
Net income	**$ 59,586**	$ 28,552	**$ 217,242**	$ 102,305
Unrealized loss on interest rate swaps	**(331)**	(1,317)	**(5,371)**	(14,459)
Recognized interest (income) expense on interest rate swaps	**2,811**	146	**7,578**	(1,444)
Loss on swaps from debt refinancing	**1,330**	—	**1,330**	—
Tax expense	**(498)**	—	**(498)**	—
Total comprehensive income	**$ 62,898**	**$ 27,381**	**$ 220,281**	**$ 86,402**

See Condensed Notes to Consolidated Financial Statements

ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED STATEMENTS OF PARTNERS' / STOCKHOLDERS' EQUITY
(Unaudited)
(Amounts in thousands)

	Redeemable Membership Units		Partners' Equity / Stockholders' Equity								Total Membership Units / Common Stock
	Units (1)	Amount	Partners' Equity Units (1)	Amount	Common Stock Shares (1)	Amount	Additional Paid-In Capital Amount	Retained Earnings Amount	Accumulated Other Comprehensive Income (Loss) Amount	Total Partners' / Stockholders' Equity Amount	Units / Shares (1)
Balances as of February 1, 2020	**162**	**$ 2,818**	**72,306**	**$ 996,285**	**—**	**$ —**	**$ —**	**$ —**	**$ (8,066)**	**$ 988,219**	**72,468**
Net loss	—	—	—	(10,020)	—	—	—	—	—	(10,020)	—
Equity compensation	—	—	—	2,109	—	—	—	—	—	2,109	—
Adjustment to Redeemable Membership Units for settlement of vested Restricted Units	12	200	—	(200)	—	—	—	—	—	(200)	12
Adjustment to Redeemable Membership Units for repurchase of units from Managers	(2)	(41)	2	41	—	—	—	—	—	41	—
Repurchase of Redeemable Membership Units	—	—	(2)	(37)	—	—	—	—	—	(37)	(2)
Unrealized loss on interest rate swaps	—	—	—	—	—	—	—	—	(4,434)	(4,434)	—
Recognized interest expense on interest rate swaps	—	—	—	—	—	—	—	—	1,893	1,893	—
Balances as of May 2, 2020	172	$ 2,977	72,306	$ 988,178	—	$ —	$ —	$ —	$ (10,607)	$ 977,571	72,478
Net income	—	—	—	167,676	—	—	—	—	—	167,676	—
Equity compensation	—	—	—	1,581	—	—	—	—	—	1,581	—
Unrealized loss on interest rate swaps	—	—	—	—	—	—	—	—	(606)	(606)	—
Recognized interest expense on interest rate swaps	—	—	—	—	—	—	—	—	2,874	2,874	—
Balances as of August 1, 2020	172	$ 2,977	72,306	$1,157,435	—	$ —	$ —	$ —	$ (8,339)	$ 1,149,096	72,478
Net income	—	—	—	—	—	—	—	59,586	—	59,586	—
Distributions to holders of Membership Units	—	—	—	(257,000)	—	—	—	—	—	(257,000)	—
Effect of the Reorganization Transactions	(172)	(2,977)	(72,306)	(900,435)	72,478	725	66,627	836,060	—	2,977	—
Equity compensation	—	—	—	—	—	—	23,359	—	—	23,359	—
Issuance of common stock in IPO, net of Offering Costs	—	—	—	—	15,625	156	184,726	—	—	184,882	15,625
Cumulative tax effect resulting from Reorganization Transactions	—	—	—	—	—	—	(148,829)	—	—	(148,829)	—
Share-Based Award Payments	—	—	—	—	—	—	(32,819)	—	—	(32,819)	—
Stock option exercises	—	—	—	—	1	—	—	—	—	—	1
Unrealized loss on interest rate swaps (net of tax impact of $53)	—	—	—	—	—	—	—	—	(278)	(278)	—
Recognized interest expense on interest rate swaps (net of tax impact of $221)	—	—	—	—	—	—	—	—	2,590	2,590	—
Loss on swaps from debt refinancing (net of tax impact of $330)	—	—	—	—	—	—	—	—	1,000	1,000	—
Balances as of October 31, 2020	**—**	**$ —**	**—**	**$ —**	**88,104**	**$ 881**	**$ 93,064**	**$ 895,646**	**$ (5,027)**	**$ 984,564**	**88,104**

(1) See Retrospective Presentation of Ownership Exchange in Note 2.

See Condensed Notes to Consolidated Financial Statements

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ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY
(Unaudited)
(Amounts in thousands)

	Redeemable Membership Units		Partners' Equity				Total Membership Units
			Partners' Equity		Accumulated Other Comprehensive Income (Loss)	Total Partners' Equity	
	Units (1)	Amount	Units (1)	Amount	Amount	Amount	Units (1)
Balances as of February 2, 2019	**1,362**	**$ 17,885**	**71,111**	**$848,591**	**$ 8,448**	**$857,039**	**72,473**
Net income	—	—	—	25,406	—	25,406	—
Equity compensation	—	—	—	2,022	—	2,022	—
Cumulative-effect adjustment related to the adoption of the New Lease Standard	—	—	—	5,075	—	5,075	—
Unrealized loss on interest rate swaps	—	—	—	—	(3,510)	(3,510)	—
Recognized interest income on interest rate swaps	—	—	—	—	(882)	(882)	—
Balances as of May 4, 2019	1,362	$ 17,885	71,111	$881,094	$ 4,056	$885,150	72,473
Net income	—	—	—	48,347	—	48,347	—
Equity compensation	—	—	—	2,445	—	2,445	—
Adjustment to Redeemable Membership Units for settlement of vested Restricted Units	18	300	—	(300)	—	(300)	18
Unrealized loss on interest rate swaps	—	—	—	—	(9,632)	(9,632)	—
Recognized interest income on interest rate swaps	—	—	—	—	(708)	(708)	—
Balances as of August 3, 2019	1,380	$ 18,185	71,111	$931,586	$ (6,284)	$925,302	72,491
Net income	—	—	—	28,552	—	28,552	—
Equity compensation	—	—	—	1,405	—	1,405	—
Equity contributions from Managers	6	—	—	100	—	100	6
Adjustment to Redeemable Membership Units for settlement of vested Restricted Units	—	101	—	(100)	—	(100)	—
Adjustment to Redeemable Membership Units for repurchase of units from Managers	(29)	(538)	29	538	—	538	—
Repurchase of Redeemable Membership Units	—	—	(29)	(473)	—	(473)	(29)
Reclassification of membership units with lapsed put rights (Note 2)	(1,195)	(14,930)	1,195	14,930	—	14,930	—
Unrealized loss on interest rate swaps	—	—	—	—	(1,317)	(1,317)	—
Recognized interest expense on interest rate swaps	—	—	—	—	146	146	—
Balances as of November 2, 2019	**162**	**$ 2,818**	**72,306**	**$976,538**	**$ (7,455)**	**$969,083**	**72,468**

(1) See Retrospective Presentation of Ownership Exchange in Note 2.

See Condensed Notes to Consolidated Financial Statements

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ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Amounts in thousands)

	Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	**$ 217,242**	$ 102,305
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	**79,718**	88,693
Non-cash lease expense	**14,870**	2,471
Equity compensation	**27,049**	5,872
Amortization of deferred loan and other costs	**2,734**	2,796
Loss on swaps from debt refinancing	**1,330**	—
Deferred income taxes	**(11,739)**	(246)
Non-cash gain on early retirement of debt, net	**(7,831)**	(42,265)
Gain on disposal of property and equipment	**—**	(23)
Casualty loss	**114**	499
Changes in assets and liabilities:		
Accounts receivable, net	**2,121**	8,328
Merchandise inventories, net	**16,727**	(197,812)
Prepaid expenses and other current assets	**(1,151)**	(5,134)
Other noncurrent assets	**245**	433
Accounts payable	**439,682**	99,557
Accrued expenses and other current liabilities	**44,733**	30,240
Income taxes payable	**9,590**	—
Other long-term liabilities	**21,784**	(958)
Net cash provided by operating activities	**857,218**	94,756
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(21,915)**	(48,614)
Proceeds from the sale of property and equipment	**—**	23
Notes receivable from member	**8,125**	(3,988)
Net cash used in investing activities	**(13,790)**	(52,579)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from revolving credit facility	**500,000**	401,100
Repayment of revolving credit facility	**(500,000)**	(356,800)
Repayment of term loan facility	**(29,653)**	(118,257)
Debt issuance fees	**(556)**	—
Share-Based Award Payments	**(20,724)**	—
Distribution	**(257,000)**	—
Equity contributions from Managers	**—**	100
Proceeds from issuance of common stock, net of Offering Costs	**184,882**	—
Repurchase of Redeemable Membership Units	**(37)**	(473)
Net cash used in financing activities	**(123,088)**	(74,330)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**720,340**	(32,153)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**149,385**	75,691
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 869,725**	$ 43,538

See Condensed Notes to Consolidated Financial Statements

ACADEMY SPORTS AND OUTDOORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Unaudited)
(Amounts in thousands)

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	**$ 68,759**	$ 74,818
Cash paid for income taxes	**$ 2,461**	$ 2,588
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Non-cash issuance of common stock	**$ 132**	$ —
Change in capital expenditures in accounts payable and accrued liabilities	**$ 985**	$ 1,668
Right-of-use assets obtained in exchange for new operating leases	**$ 84,595**	$ 55,562

See Condensed Notes to Consolidated Financial Statements

ACADEMY SPORTS AND OUTDOORS, INC.
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Nature of Operations

The Company

All references to “we”, “us,” “our” or the “Company” in the financial statements refer to, (1) prior to October 1, 2020, New Academy Holding Company, LLC, a Delaware limited liability company (“NAHC”) and the prior parent holding company for our operations, and its consolidated subsidiaries; and (2) on and after October 1, 2020, Academy Sports and Outdoors, Inc., a Delaware corporation (“ASO, Inc.”) and the current parent holding company of our operations, and its consolidated subsidiaries. We conduct our operations primarily through our parent holding company’s indirect subsidiary, Academy, Ltd., a Texas limited partnership doing business as “Academy Sports + Outdoors”, or Academy, Ltd. Our fiscal year represents the 52 or 53 weeks ending on the Saturday closest to January 31. On August 3, 2011, an investment entity owned by investment funds and other entities affiliated with Kohlberg Kravis Roberts & Co. L.P. (collectively, “KKR”), acquired a majority interest in the Company. Upon completion of our initial public offering (the “IPO”) detailed below, affiliates of KKR held a 69.9% ownership interest in the Company (see IPO Over-Allotment Exercise in Note 15).

The Company is one of the leading full-line sporting goods and outdoor recreational products retailers in the United States in terms of net sales. As of October 31, 2020, we operated 259 “Academy Sports + Outdoors” retail locations in 16 states and three distribution centers located in Katy, Texas, Twiggs County, Georgia and Cookeville, Tennessee. Our distribution centers receive, store and ship merchandise to our stores and customers. We also sell merchandise to customers across most of the United States via our *academy.com* website.

Initial Public Offering and Reorganization Transactions

On October 6, 2020, ASO, Inc. completed an IPO in which we issued and sold 15,625,000 shares of common stock, $0.01 par value for cash consideration of $12.22 per share (representing an initial public offering price of $13.00 per share, net of underwriting discounts) to a syndicate of underwriters led by Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC, as representatives, resulting in net proceeds of approximately $184.9 million after deducting underwriting discounts, which included approximately $2.7 million paid to KKR Capital Markets LLC (“KCM”), an affiliate of KKR, for underwriting services in connection with the IPO, and $6.1 million in costs directly associated with the IPO (“Offering Costs”), such as legal and accounting fees. The shares sold in the offering were registered under the Securities Act of 1933, as amended (the “Securities Act”), pursuant to our registration statement on Form S-1 (File No. 333-248683) (the “Registration Statement”), which was declared effective by the Securities and Exchange Commission (the “SEC”) on October 1, 2020.

In connection with our IPO, we completed a series of reorganization transactions (the “Reorganization Transactions”) that resulted in:

- NAHC, the previous parent holding company for the Company, being contributed to ASO, Inc. by its members and becoming a wholly-owned subsidiary of ASO, Inc., which thereupon became our parent holding company; and
- one share of common stock of ASO, Inc. issued to then-existing members of NAHC for every 3.15 membership units of NAHC contributed to ASO, Inc.

2. Summary of Significant Accounting Policies

The accompanying unaudited financial statements of the Company have been prepared as though they were required to be in accordance with Rule 10-01 of Regulation S-X for interim financial statements, however, they do not include all information and footnotes required by United States generally accepted accounting principles ("GAAP") for complete financial statements. Certain information and footnote disclosures normally included in our annual consolidated financial statements prepared in accordance with GAAP have been condensed or omitted; however, we believe that the disclosures included herein are adequate to make the information presented not misleading. These condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the notes thereto for the fiscal year ended February 1, 2020 included in our final prospectus dated October 1, 2020 (the "Prospectus"), as filed with the SEC on October 2, 2020 pursuant to Rule 424(b)(4) under the Securities Act. The information furnished herein reflects all normal recurring adjustments which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The results of operations for the thirteen and thirty-nine weeks ended October 31, 2020 are not necessarily indicative of the results that will be realized for the fiscal year ending January 30, 2021 or any other period. The balance sheet as of February 1, 2020 has been derived from our audited financial statements as of that date. For further information, refer to our audited financial statements and notes thereto included for the year ended February 1, 2020.

Basis of Presentation and Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of ASO, Inc. and, its subsidiaries, ASO Co-Invest Blocker Sub, L.P., ASO Blocker Sub, L.P., NAHC, Academy Managing Co., LLC, Associated Investors, LLC, Academy, Ltd., the Company's operating company, and Academy International Limited. ASO Co-Invest Blocker Sub, L.P., ASO Blocker Sub, L.P., NAHC, Academy Managing Co., LLC, and Associated Investors, LLC are intermediate holding companies. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Our management bases its estimates on historical experience and other assumptions it believes to be reasonable under the circumstances. Actual results could differ significantly from those estimates. Our most significant estimates and assumptions that materially affect the financial statements involve difficult, subjective or complex judgments by management including the valuation of merchandise inventories, and performing goodwill, intangible and long-lived asset impairment analyses. Given the global economic climate and additional unforeseen effects from the COVID-19 pandemic, these estimates are becoming more challenging, and actual results could differ materially from our estimates.

Reclassifications

Certain reclassifications have been made in the prior period consolidated financial statements to conform to the current period presentation. Within the merchandise division sales table presented in Note 3, certain products and categories were recategorized amongst various categories and divisions, respectively, to better align with our current merchandising strategy and view of the business. As a result, we have reclassified sales between divisions in the thirteen and thirty-nine weeks ended November 2, 2019 for comparability purposes. This reclassification is in divisional presentation only and did not impact the overall net sales balances previously disclosed.

Retrospective Presentation of Ownership Exchange

Prior to the IPO, ASO, Inc. was a wholly-owned subsidiary of NAHC. On the IPO pricing date (October 1, 2020), the then-existing members of NAHC contributed all of their membership units of NAHC to ASO, Inc. and, in exchange, received one share of common stock of ASO, Inc. for every 3.15 membership units of NAHC contributed to ASO, Inc. (such 3.15:1 contribution and exchange ratio, the "Contribution Ratio"). As a result of such contributions and exchanges, upon the IPO, NAHC became a wholly-owned subsidiary of ASO, Inc., which became our parent holding company. The par value and authorized shares of the common stock of ASO, Inc. of $0.01 and 300,000,000, respectively, remain unchanged as a result of such contributions and exchanges. All membership units and redeemable membership units in the financial statements and notes have been retrospectively adjusted to give effect to the Contribution Ratio, as if such contributions and exchanges occurred as of all pre-IPO periods presented, including the periods presented on the Balance Sheets, Statements of Income, Statements of Partners' / Stockholders' Equity, Note 10. Equity and Share-Based Compensation and Note 11. Earnings per Share.

Redeemable Membership Units

Prior to October 1, 2020, Allstar Managers LLC, a Delaware limited liability company ("Managers"), owned membership units in NAHC (each, a "NAHC Membership Unit"). Managers is 100% owned by certain current and former executives and directors of the Company and was formed to facilitate the purchase of indirect contingently redeemable ownership interests in NAHC. Prior to October 1, 2020, certain executives and directors could acquire contingently redeemable membership units in Managers (the "Redeemable Membership Units"), either by (1) purchasing the Redeemable Membership Units with cash consideration, which was subsequently contributed to NAHC by Managers in exchange for a number of NAHC Membership Units equal to the number of Redeemable Membership Units purchased, or (2) by receiving the Redeemable Membership Units in settlement of vested restricted units awarded to the executive or director under the Company's 2011 Unit Incentive Plan (see Note 10). Each outstanding Redeemable Membership Unit in Managers corresponded to an outstanding NAHC Membership Unit, on a unit-for-unit basis.

On October 1, 2020, Managers received one share of ASO, Inc. common stock in exchange for every 3.15 membership units in NAHC that Managers contributed to ASO, Inc., and the Redeemable Membership Units in Managers that were held by its owners were reduced proportionately by the Contribution Ratio, so that the outstanding number of Redeemable Membership Units in Managers equal the number of shares of ASO, Inc. common stock held by Managers on a 1:1 basis.

NAHC is the sole managing member of Managers with a controlling voting interest, but no economic interest, in Managers. As the sole managing member of Managers, NAHC operates and controls all business affairs of Managers.

The terms and conditions of the agreements governing the Redeemable Membership Units include provisions by which the holder, or its heirs, have the right to require Managers or NAHC to purchase the holder's Redeemable Membership Units upon the holder's termination of employment due to death or disability for cash at fair value. The carrying value of the Redeemable Membership Units is classified as temporary equity, initially at fair value, as redemption was an event that was not solely within our control. If redemption becomes probable, we are required to re-measure the Redeemable Membership Units to fair value. Periodically, these rights lapsed due to contractual expiration or a holder's termination of employment for reasons other than death or disability. Due to the lapse of this right for certain issuances, $14.9 million was reclassified from temporary equity to Partners' Equity during the 2019 third quarter.

Income Taxes

The Company is subject to U.S. federal, state and foreign income taxes. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which the temporary differences are expected to be realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize deferred tax assets to the extent we believe these assets are more-likely-than-not to be realized. In making such a determination, we consider all available positive and negative evidence, including recent results of operations, future reversals of existing taxable temporary differences, projected future taxable income and tax planning strategies. A valuation allowance is recorded to reduce the carrying amount of deferred tax assets if it is more-likely-than-not that all or a portion of the asset will not be realized. The Company recognizes tax benefits from uncertain tax positions only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized from such positions are measured based on the largest benefit having a greater than 50% likelihood of being ultimately sustained. Interest and penalties from income tax matters are recognized in income tax expense.

3. Net Sales

Revenue from merchandise sales is recognized, net of sales tax, when the Company's performance obligation to the customer is met, which is when the Company transfers control of the merchandise to the customer. Store merchandise sales are recognized at the point of sale and e-commerce sales are recognized upon delivery to the customer.

The following table sets forth the approximate amount of sales by merchandise divisions for the periods presented (amounts in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Merchandise division sales (1)				
Outdoors	**$ 487,401**	$ 364,944	**$ 1,448,987**	$ 1,002,138
Sports and recreation	**263,506**	196,592	**919,699**	721,665
Apparel	**318,731**	322,375	**939,388**	951,385
Footwear	**272,626**	255,649	**762,174**	769,857
Total merchandise sales (2)	**1,342,264**	1,139,560	**4,070,248**	3,445,045
Other sales (3)	**6,812**	5,643	**21,549**	14,360
Net Sales	**$ 1,349,076**	$ 1,145,203	**$ 4,091,797**	$ 3,459,405

(1) Certain products and categories were recategorized amongst various categories and divisions, respectively, to better align with our current merchandising strategy and view of the business. As a result, we have reclassified sales between divisions in the thirteen and thirty-nine weeks ended November 2, 2019 for comparability purposes. This reclassification is in divisional presentation only and did not impact the overall net sales balances previously disclosed (see Note 2).

(2) E-commerce sales consisted of 7.5% and 9.8% of merchandise sales for the thirteen and thirty-nine weeks ended October 31, 2020, respectively, and 4.5% and 3.8% for the thirteen and thirty-nine weeks ended November 2, 2019, respectively.

(3) Other sales consisted primarily of the sales return allowance, gift card breakage income, credit card bounties and royalties, shipping income, net hunting and fishing license income and other items.

We sell gift cards in stores, online and in third-party retail locations. A liability for gift cards, which is recorded in accrued expenses and other liabilities on our balance sheets is established at the time of sale and revenues are recognized as the gift cards are redeemed in stores or on our website.

The following is a reconciliation of the gift card liability (amounts in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Gift card liability, beginning balance	**$ 55,410**	$ 50,631	**$ 67,993**	$ 66,153
Issued	**14,910**	19,382	**47,524**	63,883
Redeemed	**(17,861)**	(21,773)	**(61,574)**	(80,006)
Recognized as breakage income	**(370)**	(585)	**(1,854)**	(2,375)
Gift card liability, ending balance	**$ 52,089**	$ 47,655	**$ 52,089**	$ 47,655

4. Long-Term Debt

Our debt consisted of the following (amounts in thousands) as of:

	October 31, 2020	February 1, 2020	November 2, 2019
Senior Secured Asset-Based Revolving Credit Facility	**$ —**	$ —	$ 44,300
Senior Secured Term Loan Facility, due July 2022 net of discount of $1.8 million, $2.6 million and $2.9 million, respectively	**1,429,667**	1,466,402	1,470,695
Total debt	**1,429,667**	1,466,402	1,514,995
Less current maturities	**(18,250)**	(34,116)	(18,250)
Less deferred loan costs (1)	**(2,532)**	(3,744)	(4,136)
Total long-term debt	**$ 1,408,885**	$ 1,428,542	$ 1,492,609

(1) These costs are related to the 2015 Term Loan Facility.

On November 6, 2020, the Company refinanced its long-term debt (see Note 15).

2015 Term Loan Facility. On July 2, 2015, Academy, Ltd. entered into a seven-year $1.8 billion senior secured term loan facility (the "2015 Term Loan Facility"). The 2015 Term Loan Facility bears interest, at our election, at either (1) LIBOR rate with a floor of 1.00%, plus a margin of 4.00%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Morgan Stanley Senior Funding, Inc.'s "prime rate," or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 3.00%. Quarterly principal payments of approximately $4.6 million are required through June 30, 2022, with the balance due in full on the maturity date of July 2, 2022. As of October 31, 2020, the weighted average interest rate was 5.00%, with interest payable monthly. The terms and conditions of the 2015 Term Loan Facility also require that we prepay outstanding loans under the 2015 Term Loan Facility under certain circumstances. As of October 31, 2020, no prepayments of outstanding loans have been triggered under the terms and conditions of the 2015 Term Loan Facility.

During the thirty-nine weeks ended October 31, 2020 and November 2, 2019, we repurchased a portion of our principal on the 2015 Term Loan Facility, which was trading at a discount, in open market transactions. The following table provides further detail regarding these repurchases (amounts in millions):

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Gross principal repurchased	**$ 23.9**	$ 147.7
Reacquisition price of debt	**$ 16.0**	$ 104.6
Net gain recognized	**$ 7.8**	$ 42.3

2018 ABL Facility. On July 2, 2015, Academy, Ltd. entered into a five-year $650 million secured asset-based revolving credit facility (the "2015 ABL Facility"). On May 22, 2018, the Company amended the agreement governing the 2015 ABL Facility (as amended, the "2018 ABL Facility"), to increase the commitment on the facility from $650 million to $1 billion. The operative terms, conditions, covenants and pricing of the 2018 ABL Facility remain the same in all material respects to the 2015 ABL Facility and/or have been sized in approximate proportion to the relative increase in the facility where such operative terms are based upon the commitment level on the facility. The 2018 ABL Facility matures on May 22, 2023, subject to a springing maturity clause which is triggered 91 days before the July 2, 2022 maturity of the 2015 Term Loan Facility should it not be paid off or extended at least 91 days beyond the May 22, 2023 maturity date of the 2018 ABL Facility. Academy, Ltd. has the option to increase the commitments under the 2018 ABL Facility by $250 million, subject to the satisfaction of certain conditions under the agreement.

The 2018 ABL Facility is used to provide financing for working capital and other general corporate purposes, as well as to support certain letters of credit requirements, and availability is subject to customary borrowing base and availability provisions. During the normal course of business, we periodically utilize letters of credit primarily for the purchase of import goods and in support of insurance contracts. As of October 31, 2020, we had outstanding letters of credit of approximately $30.8 million, of which $21.1 million were issued under the 2018 ABL Facility, and we had no borrowings outstanding under the 2018 ABL Facility, leaving the available borrowing capacity under the 2018 ABL Facility of $844.7 million.

Borrowings under the 2018 ABL Facility bear interest, at our election, at either (1) LIBOR plus a margin of 1.25% to 1.75%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) JPMorgan Chase Bank, N.A.'s "prime rate", or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 0.25% to 0.75%. The 2018 ABL Facility also provides a fee applicable to the unused commitments of 0.25%. The terms and conditions of the 2018 ABL Facility also require that we prepay outstanding loans under the 2018 ABL Facility under certain circumstances. As of October 31, 2020, no future prepayments of outstanding loans have been triggered under the terms and conditions of the 2018 ABL Facility.

Covenants. The 2018 ABL Facility and the 2015 Term Loan Facility agreements contain covenants, including, among others, covenants that restrict Academy, Ltd.'s ability to incur certain additional indebtedness, create or permit liens on assets, engage in mergers or consolidations, pay dividends, make other restricted payments, make loans or advances, engage in transactions with affiliates or amend material documents. Additionally, at certain times, the 2018 ABL Facility is subject to a certain minimum adjusted fixed charge coverage ratio. These covenants are subject to certain qualifications and limitations. We were in compliance with these covenants as of October 31, 2020.

Capitalized Interest. We capitalized interest primarily related to construction of new stores and store renovations in the amount of $0.1 million and $0.4 million for the thirteen and thirty-nine weeks ended October 31, 2020, respectively, and $0.2 million and $0.5 million for the thirteen and thirty-nine weeks ended November 2, 2019, respectively.

5. Derivative Financial Instruments

We use interest rate swap agreements to hedge market risk relating to possible adverse changes in interest rates.

All interest rate swaps had been designated as cash flow hedges of variable rate interest payments on borrowings under the 2015 Term Loan Facility. On October 28, 2020, we determined that a portion of the underlying cash flows related to $100.0 million of swap notional principal amount was no longer probable of occurring over the remaining term of the interest rate swaps as a result of the Company's planned refinancing transactions (see Note 15). As a result, we reclassified approximately $1.3 million of losses from accumulated other comprehensive loss ("AOCI") to other (income) expense, net in our statements of income for the thirteen and thirty-nine weeks ended October 31, 2020 related to the portion of the forecasted transaction no longer considered probable of occurring. We also de-designated a portion of our interest rate swaps as cash flow hedges, leaving $250 million notional principal amount designated and $650 million undesignated. The remaining $4.0 million loss in AOCI as of October 31, 2020 related to the de-designated hedges will be amortized as an increase to interest expense over the original maturity of the de-designated swaps. The de-designated $650 million notional principal amount of fixed interest rate swaps will receive mark-to-market treatment prospectively, with changes in fair value recorded immediately to other (income) expense, net on the statements of income.

A summary of our interest rate swaps is as follows (dollar amounts in thousands):

Notional Amount		Fixed Rate	Effective Date	Termination Date
$	250,000 (1)	2.21%	September 7, 2016	September 3, 2021
$	250,000	1.54%	November 1, 2016	November 1, 2021
$	400,000	2.54%	March 1, 2018	March 1, 2021

(1) The initial $600,000 notional amount of the swap amortizes to $525,000, $430,000, $320,000 and $250,000 on September 3, 2017, 2018, 2019 and 2020, respectively.

The fair value of these interest rate swaps is as follows (amounts in thousands) as of:

	October 31, 2020		February 1, 2020		November 2, 2019	
Derivatives designated as hedging instruments						
Assets						
Amounts included in other current assets	**$**	**—**	$	—	$	190
Liabilities						
Amounts included in accrued expenses and other current liabilities		**1,198**		6,130		5,184
Amounts included in other long-term liabilities		**136**		1,976		2,501
Total derivatives designated as hedging instruments net liability	**$**	**(1,334)**	$	(8,106)	$	(7,495)
Derivatives not designated as hedging instruments						
Liabilities						
Amounts included in accrued expenses and other current liabilities	**$**	**4,548**	$	—	$	—
Total derivatives not designated as hedging instruments		**(4,548)**		—		—
Total derivatives net liability	**$**	**(5,882)**	$	(8,106)	$	(7,495)

For derivatives designated as hedging instruments, amounts included in AOCI are reclassified to interest expense in the same period during which the hedged transaction affects earnings, which is as interest expense is recorded on the underlying 2015 Term Loan Facility. As of October 31, 2020, we estimate that approximately $4.6 million of the balance in AOCI will be reclassified as an increase in interest expense during the next 12 months.

The impact of gains and losses related to interest rate swaps that are deferred into AOCI and subsequently reclassified into interest expense or other (income) expense, net is as follows (amounts in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Accumulated Other Comprehensive Income (Loss), beginning	**$ (8,339)**	$ (6,284)	**$ (8,066)**	$ 8,448
Loss deferred into AOCI (net of tax impact of $53)	**(278)**	(1,317)	**(5,318)**	(14,459)
Increase (decrease) to interest expense (net of tax impact of $221)	**2,590**	146	**7,357**	(1,444)
Loss on swaps from debt refinancing in other (income) expense, net (net of tax impact of $330)	**1,000**	—	**1,000**	—
Accumulated Other Comprehensive Income (Loss), ending	**$ (5,027)**	$ (7,455)	**$ (5,027)**	$ (7,455)

6. Fair Value Measurements

Fair value is defined as an exit price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Authoritative guidance establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of the assets and liabilities.

The fair value measurements are classified as either:

- Level 1 which represents valuations based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;
- Level 2 which represents valuations based on quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and
- Level 3 which represents valuations based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy in which the fair value measurement is classified in its entirety, is based on the lowest level input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. There were no transfers made into or out of the Level 1, 2 or 3 categories during any period presented.

The following table provides the fair value hierarchy for our derivative financial instruments (amounts in thousands) as of:

	Fair Value Hierarchy	October 31, 2020	February 1, 2020	November 2, 2019
Assets				
Interest rate swap	Level 2	**$ —**	$ —	$ 190
Liabilities				
Interest rate swap	Level 2	**$ 5,882**	$ 8,106	$ 7,685

We value our derivative financial instruments using a discounted cash flow analysis based on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market based inputs including interest rates and implied volatilities. Our valuations also consider both our own and the respective counterparty's non-performance risk. We have considered unobservable market factors such as the likelihood of default by us and our counterparty, our net exposures, credit enhancements, and remaining maturities in determining a credit valuation adjustment to include as part of the fair value of our derivative financial instruments. To date, the credit valuation adjustment did not comprise a material portion of the fair value of the derivative financial instruments. Therefore, we consider our derivative financial instruments to fall within Level 2 of the fair value hierarchy.

Other Financial Instruments

Periodically we make cash investments in money market funds comprised of U.S. Government treasury bills and securities, which are classified as cash and redeemable on demand. As of October 31, 2020 and February 1, 2020, we held $767.0 million and $113.3 million in money market funds, respectively. We held no investments in money market funds as of November 2, 2019.

The fair value of the 2015 Term Loan Facility is estimated using a discounted cash flow analysis based on quoted market prices for the instrument in an inactive market and is therefore classified as Level 2 within the fair value hierarchy. As of October 31, 2020, February 1, 2020 and November 2, 2019, the estimated fair value of our 2015 Term Loan Facility was $1.4 billion, $1.2 billion and $1.0 billion, respectively. As borrowings on the 2018 ABL Facility are generally repaid in less than 12 months, we believe that fair value approximates the carrying value.

7. Property and Equipment

Property and equipment consists of the following (amounts in thousands) as of:

	October 31, 2020	February 1, 2020	November 2, 2019
Leasehold improvements	**$ 435,094**	$ 436,807	$ 433,266
Equipment and software	**543,147**	537,364	527,845
Furniture and fixtures	**317,371**	316,420	314,909
Construction in progress	**27,979**	17,639	21,197
Land	**3,698**	3,698	3,698
Total property and equipment	**1,327,289**	1,311,928	1,300,915
Accumulated depreciation and amortization	**(944,669)**	(870,521)	(846,509)
Property and equipment, net	**$ 382,620**	$ 441,407	$ 454,406

Depreciation expense was $25.5 million and $79.7 million in the thirteen and thirty-nine weeks ended October 31, 2020, respectively, and $29.6 million and $88.7 million in the thirteen and thirty-nine weeks ended November 2, 2019, respectively.

8. Leases

In April 2020, the Financial Accounting Standards Board issued *Staff Q&A—Topic 842 and Topic 840: Accounting For Lease Concessions Related to the Effects of the COVID-19 Pandemic*. This guidance provides entities with the option to elect to account for certain lease concessions as though the enforceable rights and obligations had existed in the original lease. As a result, an entity will not need to reassess each existing contract to determine whether enforceable rights and obligations for concessions exist and an entity can elect to apply or not to apply the lease modification guidance in Accounting Standards Codification

Topic 842, *Leases*, to those contracts. During the thirteen and thirty-nine weeks ended October 31, 2020, the Company received $0.4 million and $2.4 million, respectively, in lease expense credit related to landlord abated rent as a result of the elections made under this guidance. Additionally, during the thirteen and thirty-nine weeks ended October 31, 2020, the Company signed six and 46 lease extensions, respectively, requiring lease modification accounting treatment.

The components of lease expense and sublease income included in selling, general and administrative ("SG&A") expenses on our statement of income is as follows (amounts in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Operating lease expense	**$ 49,272**	$ 49,159	**$ 147,528**	$ 146,039
Short-term lease expense	**—**	—	**—**	—
Variable lease expense	**1,709**	1,956	**3,527**	5,805
Sublease income	**(115)**	(403)	**(641)**	(1,205)
Net lease expense	**$ 50,866**	$ 50,712	**$ 150,414**	$ 150,639

Information about our operating leases is as follows (dollar amounts in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Right-of-use assets obtained in exchange for new operating lease liabilities	**$ 13,477**	$ 32,520	**$ 84,595**	$ 55,562
Cash paid for amounts included in the measurement of lease liabilities	**$ 48,092**	$ 48,283	**$ 130,274**	$ 143,848

	October 31, 2020	**November 2, 2019**
Weighted-average remaining lease term in years	**11.2**	10.9
Weighted-average incremental borrowing rate	**9.09%**	8.88%

As most of our leases do not provide an implicit rate of interest, we use our incremental borrowing rate, which is based on the market lending rates for companies with comparable credit ratings, to determine the present value of lease payments on lease commencement or remeasurement.

The remaining maturities of lease liabilities by fiscal year are as follows (amounts in thousands):

	October 31, 2020
2020	$ 48,759
2021	196,666
2022	194,316
2023	186,750
2024	178,462
2025	172,512
After 2025	1,051,915
Total payments (1)	2,029,380
Less: Interest	(778,599)
Present value of lease liabilities	$1,250,781

(1) Minimum lease payments have not been reduced by sublease rentals of $1.9 million as of October 31, 2020 due in the future under non-cancelable subleases.

9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consist of the following (amounts in thousands) as of:

	October 31, 2020	February 1, 2020	November 2, 2019
Accrued interest	**$ 6,996**	$ 7,835	$ 3,261
Accrued personnel costs	**72,995**	54,065	41,237
Accrued professional fees	**6,041**	2,451	2,787
Accrued sales and use tax	**18,590**	12,651	18,041
Accrued self-insurance	**13,136**	14,107	13,912
Deferred revenue - gift cards and other	**54,557**	70,220	49,603
Income taxes payable	**19,197**	4,941	4,575
Interest rate swaps	**5,746**	6,129	5,184
Property taxes	**49,679**	16,919	50,066
Sales return allowance	**5,000**	5,500	5,500
Other	**22,675**	16,563	25,826
Accrued expenses and other current liabilities	**$ 274,612**	$ 211,381	$ 219,992

10. Equity and Share-Based Compensation

On September 29, 2020, the ASO, Inc. Board of Directors adopted the 2020 Omnibus Incentive Plan (the “2020 Omnibus Incentive Plan”), which became effective on October 1, 2020. The plan reserved a total of 5,150,000 shares of common stock for issuance. Concurrent with the adoption of the 2020 Omnibus Incentive Plan, the NAHC 2011 Unit Incentive Plan (the “2011 Unit Incentive Plan”) was frozen and no further issuances will be permitted as part of the 2011 Unit Incentive Plan. As of October 31, 2020, there were 4,996,703 shares that were authorized and available for grant under the 2020 Share Incentive Plan.

2011 Unit Incentive Plan

The 2011 Unit Incentive Plan provides for the grant of certain equity incentive awards (each, an “Award”), such as options to purchase ASO, Inc. common stock (each, a “Unit Option”) and restricted units that may settle in ASO, Inc. common stock (each, a “Restricted Unit”) to our directors, executives, and eligible employees of the Company.

Unit Options granted under the 2011 Unit Incentive Plan consist of Unit Options that vest upon the satisfaction of time-based requirements (each, a “Service Unit Option”) and Unit Options that vest upon the satisfaction of both time-based requirements and Company performance-based requirements (each, a “Performance Unit Option”).

Restricted Units granted under the 2011 Unit Incentive Plan consist of Restricted Units that vest upon the satisfaction of time-based requirements (each, a “Service Restricted Unit”) and Restricted Units that vest upon the satisfaction of a liquidity event-based requirement together with a time-based requirement and/or a performance-based requirement (each, a “Liquidity Event Restricted Unit”). In each case, vesting of the Company’s outstanding and unvested Unit Options and Restricted Units is contingent upon the holder’s continued service through the date of each applicable vesting event.

Concurrent with the adoption of the 2020 Omnibus Incentive Plan on October 1, 2020, no further Awards are authorized to be granted under the 2011 Unit Incentive Plan.

2020 Omnibus Incentive Plan

The 2020 Omnibus Incentive plan provides for the grant of Awards such as options to purchase ASO, Inc. common stock (each, a "Stock Option") and restricted stock units which may settle in ASO, Inc. common stock (each, a "Restricted Stock Unit") to our directors, executives, and eligible employees of the Company.

Stock Options granted under the 2020 Omnibus Incentive Plan consist of Stock Options that vest upon the satisfaction of time-based requirements (each, a "Service Stock Option" and Service Unit Options and Service Stock Options together are "Service Options").

Restricted Stock Units granted under the 2020 Omnibus Incentive Plan consist of Restricted Stock Units that vest upon the satisfaction of time-based requirements (each, a "Service Restricted Stock Unit") and Restricted Stock Units that vest upon the satisfaction of a time-based requirement and performance-based requirement (each, a "Performance Restricted Stock Unit"). In each case, vesting of the Company's outstanding and unvested Stock Options and Restricted Stock Units is contingent upon the holder's continued service through the date of each applicable vesting event.

Equity compensation expense was $23.4 million and $27.0 million in the thirteen and thirty-nine weeks ended October 31, 2020, respectively, which includes approximately $19.9 million of stock compensation expense associated with the vesting of certain outstanding restricted stock units as a result of the liquidity condition being achieved upon completion of our IPO. Equity compensation expense was $1.4 million and $5.9 million in the thirteen and thirty-nine weeks ended November 2, 2019, respectively. These costs are included in selling, general and administrative expenses in the statements of income.

Distribution

On August 28, 2020, NAHC paid a $257.0 million, or $1.1257 per unit (or $3.5460 as converted using the Contribution Ratio), distribution to its members of record as of August 25, 2020. Cash on hand was used to fund $248.0 million of the distribution, with the remainder distributed through an offset of outstanding loans receivable from one member and state income tax withholding made on behalf of NAHC's members. Holders of the outstanding granted equity Awards are entitled to receive value equal to $1.1257 per Award (or $3.5460 as converted using the Contribution Ratio), which was or will be made in the form of cash payments, additional Restricted Unit grants or Unit Option exercise price adjustments. Cash payments due for unvested Awards will be payable upon vesting of such Awards. In accordance with the terms of the 2011 Unit Incentive Plan, the Company made the following adjustments to each outstanding Award (per unit components, shares and exercise prices shown above and below are converted using the Contribution Ratio as described in the Retrospective Presentation of Ownership Exchange in Note 2):

- Exercise price reductions of $0.28 for 9,788,000 Unit Options (or $0.89 for 3,107,301 Stock Options, as converted);
- Exercise price reductions of $1.12 for 1,746,594 Unit Options (or $3.53 for 554,474 Stock Options, as converted);
- Additional Restricted Unit grants of 159,362 units (or 50,590 Liquidity Event Restricted Units, as converted); and
- Cash payments for vested Unit Options and vested Restricted Units ("Share-Based Award Payments") of $20.7 million were paid through October 31, 2020. Share-Based Award Payments payable as of October 31, 2020 for unvested awards is $12.1 million, which is reflected within accrued expenses and other current liabilities and other long-term liabilities on the Company's consolidated balance sheets.

These exercise price adjustments did not increase the value of the Unit Options and no related additional equity compensation was or will be incurred.

Service Option Fair Value Assumptions

The fair value for Service Options granted was estimated using a Black-Scholes option-pricing model. The expected lives of the Service Options granted were based on the "SEC simplified" method and a mid-point assumption, respectively. Expected price volatility was determined based on the implied volatilities of comparable companies over a historical period that matches the expected life of the Award. The risk-free interest rate was based on the expected U.S. Treasury rate over the expected life. The dividend yield was based on the expectation that no dividends will be paid. The assumptions used to calculate the fair value of Awards granted are evaluated and modified, as necessary, to reflect current market conditions and experience.

The following table presents the assumptions and grant date fair values for Service Options granted in the thirty-nine weeks ended October 31, 2020:

Expected life in years	6.2
Expected volatility	53% to 54%
Weighted-average volatility	53%
Risk-free interest rate	0.39% to 0.76%
Dividend yield	—

The following table presents the Award grants during the thirty-nine weeks ended October 31, 2020:

	Service Options	Service Restricted Units	Liquidity Event Restricted Units	Performance Restricted Units
Number of shares (1)	1,417,961	11,564	1,185,474	12,772
Weighted average grant date fair value per Award	$ 8.48	$ 17.30	$ 17.99	$ 13.04
Weighted average exercise price per Award	$ 16.87	N/A	N/A	N/A

(1) See Retrospective Presentation of Ownership Exchange in Note 2.

The following table presents the unrecognized compensation cost as of October 31, 2020:

	Service Options	Performance Unit Options	Service Restricted Units	Liquidity Event Restricted Units	Performance Restricted Units
Remaining expense	$18,952,974	$ 883,794	$ 68,493	$18,037,924	$ 159,999
Weighted average life remaining in years	2.7	2.3	0.4	2.1	1.6

11. Earnings per Common Share

Basic earnings per common share is calculated based on net income divided by the basic weighted average common shares outstanding during the period, and diluted earnings per common share is calculated based on net income divided by the diluted weighted average common shares outstanding. Diluted weighted average common shares outstanding is based on the basic weighted average common shares outstanding plus any potential dilutive effect of stock-based awards outstanding during the period using the treasury stock method, which assumes the potential proceeds received from the dilutive stock options are used to purchase treasury stock. Anti-dilutive stock-based awards do not include awards which have a performance or liquidity event target which has yet to be achieved.

Basic and diluted weighted average common shares outstanding and basic and diluted earnings per common share are calculated as follows (dollar and share amounts in thousands except per share amounts):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net income	**$ 59,586**	$ 28,552	**$ 217,242**	$ 102,305
Weighted average common shares outstanding - basic (1)	**76,771**	72,484	**73,908**	72,480
Dilutive effect of Service Restricted Units and Service Restricted Stock Units (1)	**6**	6	**9**	9
Dilutive effect of Performance Restricted Units, Liquidity Event Restricted Units and Performance Restricted Stock Units (1)	**1,423**	—	**991**	—
Dilutive effect of Service Options (1)	**1,081**	1,271	**871**	824
Dilutive effect of Performance Unit Options and Performance Stock Options (1)	**1,433**	1,440	**1,392**	1,453
Weighted average common shares outstanding - diluted (1)	**80,714**	75,201	**77,171**	74,766
Earnings per common share - basic	**$ 0.78**	$ 0.39	**$ 2.94**	$ 1.41
Earnings per common share - diluted	**$ 0.74**	$ 0.38	**$ 2.82**	$ 1.37
Anti-dilutive stock-based awards excluded from diluted calculation (1)	**4,460**	4,153	**1,648**	578

(1) See Retrospective Presentation of Ownership Exchange in Note 2.

12. Income Taxes

Prior to October 1, 2020, the Company, was treated as a flow through entity for U.S. federal income tax purposes and thus no federal income tax expense was recorded in our statements of income for periods prior to October 1, 2020. Our tax rate prior to October 1, 2020 was almost entirely the result of state income taxes. In connection with our IPO, as a result of the Reorganization Transactions (see Note 1) completed on October 1, 2020, as described further in the Prospectus, on and after October 1, 2020, the Company is treated as a U.S. corporation for U.S. federal, state, and local income tax purposes and accordingly, a provision for income taxes has been recorded for the anticipated tax consequences of our reported results of operations for federal, state and local income taxes since October 1, 2020.

As a result of the Reorganization Transactions, the Company recorded a net deferred tax liability position of $144.2 million, which consisted of the Company's difference between the Company's financial statement carrying value and the outside tax basis in its NAHC membership units, immediately following the completion of the Reorganization Transactions, measured at the enacted federal and state income tax rates. Additionally, $4.6 million in current tax liability was assumed by the Company as part of the Reorganization Transaction. The combined entry was recorded as a cumulative adjustment to additional paid-in capital for the year equal to $148.8 million, as reflected in the statement of stockholders' equity.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted in the U.S. on March 27, 2020. We do not anticipate that the enactment of this legislation will significantly impact our full year effective tax rate in fiscal 2020.

The components of the income tax expense (benefit) are as follows (amounts in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Current tax expense:				
Federal	**$ 8,369**	$ —	**$ 8,369**	$ —
State	**2,168**	575	**3,656**	2,135
Foreign	**9**	13	**39**	25
Total current tax expense	**10,546**	588	**12,064**	2,160
Deferred tax expense:				
Federal	**(10,024)**	—	**(10,024)**	—
State	**(1,715)**	(59)	**(1,715)**	(223)
Foreign	**—**	(23)	**—**	(23)
Total deferred tax benefit	**(11,739)**	(82)	**(11,739)**	(246)
Total tax expense (benefit)	**$ (1,193)**	$ 506	**$ 325**	$ 1,914

A reconciliation of the statutory U.S. federal income tax rate to our effective income tax rate is as follows:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Federal income tax at the statutory rate	**21.0%**	21.0%	**21.0%**	21.0%
State income tax, net of federal benefit	**0.8**	1.8	**0.9**	1.8
Effect of pre-IPO pass-through income allocated to our members	**(23.1)**	(21.0)	**(21.6)**	(21.0)
Effect of permanent items	**(0.7)**	—	**(0.2)**	0.0
Other, including foreign	**0.0**	—	**0.0**	0.0
Effective income tax rate	**(2.0)%**	1.8%	**0.1%**	1.8%

The effective tax rate for the periods reflected is less than the U.S. federal tax rate on corporations primarily as a result of the Company's status as a flow-through entity prior to October 1, 2020. The thirteen weeks and thirty-nine weeks ended October 31, 2020 includes one month of activity subject to U.S. federal and state income tax in addition to the historically reported Texas franchise tax as a result of the Reorganization Transactions. For complete annual periods on and after October 1, 2020, no portion of the Company's income remains flow-through to the prior members of NAHC and our estimated statutory federal and state income tax rates are between 24% and 25% before adjustments for permanent differences, valuation allowances and uncertain tax positions.

Components of deferred tax assets and liabilities consist of the following:

	October 31, 2020	February 1, 2020	November 2, 2019
Deferred tax assets:			
Other	**$ 127**	$ 220	$ 764
Total deferred tax assets	**127**	220	764
Deferred tax liabilities:			
Investment in NAHC	**(132,828)**	—	—
Total deferred tax liabilities	**(132,828)**	—	—
Net deferred tax asset (liability)	**$(132,701)**	$ 220	$ 764

The Reorganization Transactions (see Note 1) resulted in our ownership of 100% of NAHC which continues to operate as a tax partnership. The deferred tax liability as of October 31, 2020 reflects the excess of financial statement carrying value over our tax basis in NAHC membership units measured using the federal income tax rate of 21% and our weighted average state income tax rate equal to approximately 3.8% net of federal tax benefit. For the periods ended February 1, 2020 and November 2, 2019, the net deferred tax asset is included in other noncurrent assets.

Management evaluates the realizability of deferred tax assets and the need for valuation allowances annually. As of October 31, 2020, based on current facts and circumstances, management believes that it is more likely than not the Company will realize benefit for its gross deferred tax assets.

As of October 31, 2020, we had no unrecognized tax benefits and we do not anticipate that unrecognized tax benefits will significantly increase or decrease over the next twelve months. The Company files a consolidated federal income tax return and files tax returns in various state and local jurisdictions. The statute of limitations is open for federal and state tax audits for the tax fiscal years ending 2018 through 2020, and 2017 through 2020, respectively.

13. Related Party Transactions

Monitoring Agreement

On August 3, 2011 (the “Effective Date”), we entered into a monitoring agreement (the “Monitoring Agreement”), with Kohlberg Kravis Roberts & Co. L.P. (the “Adviser”) pursuant to which the Adviser provides advisory, consulting and financial services to us. In accordance with the terms of the Monitoring Agreement, we pay an aggregate annual advisory fee which increases by 5.0% annually on each anniversary of the Effective Date. The Adviser may also charge us a customary fee for services rendered in connection with securing, structuring and negotiating equity and debt financings by us. Additionally, we are required to reimburse the Adviser for any out-of-pocket expenses in connection with these services. The Monitoring Agreement continues in effect from year-to-year, unless amended or terminated by the Adviser and us.

Upon the completion of the IPO, in the third quarter of 2020 the Monitoring Agreement terminated and we accrued the final termination fee of $12.3 million. The termination fee is equal to the net present value of the advisory fees that would have been paid from the termination date through the twelfth anniversary of the Effective Date of the Monitoring Agreement. We recognized advisory fees related to the Monitoring Agreement, including reimbursement of expenses and the termination fee, of approximately $13.0 million and $14.8 million in each of the thirteen and thirty-nine weeks ended October 31, 2020, respectively, and $0.9 million and $2.7 million in each of the thirteen and thirty-nine weeks ended November 2, 2019, respectively. These expenses are included in selling, general and administrative expenses in the statements of income.

Other Related Party Transactions

We paid $2.7 million to KCM for underwriting services in connection with the IPO.

KKR has ownership interests in a broad range of portfolio companies and we may enter into commercial transactions for goods or services in the ordinary course of business with these companies. We do not believe such transactions are material to our business.

Investments in Managers

There were no investments in Managers for the thirteen and thirty-nine weeks ended October 31, 2020. During the thirteen and thirty-nine weeks ended November 2, 2019, an executive of the Company purchased Redeemable Membership Units in Managers for approximately $0.1 million in cash. The cash consideration paid for the Redeemable Membership Units was concurrently contributed to NAHC by Managers in exchange for a number of NAHC Membership Units equal to the number of Redeemable Membership Units purchased.

There were no equity repurchases from Managers for the thirteen weeks ended October 31, 2020. During the thirty-nine weeks ended October 31, 2020, Managers repurchased at fair market value approximately $37.0 thousand of Redeemable Membership Units from a director of the Company for cash. During the thirteen and thirty-nine weeks ended November 2, 2019, Managers repurchased at fair market value approximately $0.5 million of Redeemable Membership Units from a director and an executive of the Company for cash. NAHC concurrently repurchased from Managers for cash, at fair market value, a number of NAHC membership units equal to the number of Redeemable Membership Units repurchased from the director and executive.

Notes Receivable from Member and Distribution

Under NAHC's LLC agreement, certain members may require the Company to provide a tax loan on their behalf under certain circumstances. On April 10, 2019, the Company loaned $4.0 million with a note receivable issued to a member. The note receivable bears semi-annual compounding interest at 2.5% per annum with outstanding principal and interest due on April 10, 2022. This note receivable was recorded in other non-current assets on the balance sheet.

On April 5, 2018, the Company loaned $4.1 million with a note receivable issued to a member. The note receivable bears semi-annual compounding interest at 2.1%, with outstanding principal and interest due April 5, 2021. This note receivable was recorded in prepaid expenses and other current assets on the balance sheet.

On August 28, 2020, the Company made a distribution to its members of record as of August 25, 2020, of $257.0 million (see Note 10). Of the $257.0 million, $8.5 million was used to offset and satisfy the remaining balances of the notes receivable and related interest receivable from a member.

14. Commitments and Contingencies

Technology Related Commitments and Other

As of October 31, 2020, we have obligations under technology related contractual commitments as well as other commitments, such as construction commitments, in the amount of $15.2 million. Of such commitments, approximately $12.7 million is payable in the next 12 months.

Commitments Related to Monitoring Agreement

As of October 31, 2020, we have obligations under the Monitoring Agreement, which include the termination fee upon completion of the IPO, in the amount of $13.3 million, of which $13.3 million is payable in the next 12 months (see Note 13).

Financial Guarantees

During the normal course of business, we enter into contracts that contain a variety of representations and warranties and provide general indemnifications. The maximum exposure under these arrangements is unknown as this would involve future claims that may be made against us that have not yet occurred. However, based on experience, we believe the risk of loss to be remote.

Legal Proceedings

We are a defendant or co-defendant in lawsuits, claims and demands brought by various parties relating to matters normally incident to our business. No individual case, or group of cases presenting substantially similar issues of law or fact, is expected to have a material effect on the manner in which we conduct our business or on our results of operations, financial position or liquidity. The majority of these cases are alleging product, premises, employment and/or commercial liability. Reserves have been established that we believe to be adequate based on our current evaluations and experience in these types of claim situations; however, the ultimate outcome of these cases cannot be determined at this time. We believe, taking into consideration our indemnities, insurance and reserves, the ultimate resolution of these matters will not have a material impact on our financial position, results of operations or cash flows.

Sponsorship Agreement and Intellectual Property Commitments

We periodically enter into sponsorship agreements generally with professional sports teams, associations, events, networks, or individual professional players and collegiate athletic programs in exchange for marketing and advertising promotions. We also enter into intellectual property agreements whereby the Company receives the right to use third-party owned trademarks typically in exchange for royalties on sales. These agreements typically contain a one to three-year term and contractual payment amounts required to be paid by the Company. As of October 31, 2020, we have $12.8 million in related commitments through 2027, of which $7.4 million is payable in the next 12 months.

15. Subsequent Events

Our management evaluated events or transactions that occurred after October 31, 2020, through December 10, 2020, the issuance date of the financial statements, and identified the following matters to report:

IPO Over-Allotment Exercise

On November 3, 2020, the Company issued and sold an additional 1,807,495 shares of the Company’s common stock, par value $0.01 per share, for cash consideration of $12.22 per share (representing an initial public offering price of $13.00 per share, net of underwriting discounts) to the IPO underwriters, resulting in approximately $22.1 million in proceeds net of underwriting discounts, which included $0.3 million paid to KCM for underwriting services, pursuant to the partial exercise by the underwriters of their option to purchase up to 2,343,750 additional shares to cover over-allotments in connection with the IPO. The option has expired with respect to the remaining shares. Upon completion of the over-allotment exercise, affiliates of KKR held a 68.5% ownership interest in the Company.

Debt Refinancing

On November 6, 2020, the Company issued the 2020 Notes (as defined below), entered the 2020 Term Loan Facility (as defined below), and entered into the 2020 ABL Amendment (as defined below). The Company used the net proceeds from the 2020 Notes and the net proceeds from the 2020 Term Loan Facility, together with cash on hand, to repay in full outstanding borrowings under its then-existing term loan, in the amount of $1,431.4 million. We paid KCM approximately $2.5 million with respect to the debt refinancing transactions.

2020 Notes

On November 6, 2020, Academy, Ltd. issued $400.0 million of 6.00% senior secured notes which are due November 15, 2027 (the "2020 Notes"), pursuant to an indenture, dated as of November 6, 2020 (the "Indenture"), by and among Academy, Ltd. the Guarantors (as defined below) and The Bank of New York Mellon Trust Company, N.A., as trustee and collateral agent (in such capacity, the "Notes Collateral Agent"). The 2020 Notes were sold in the United States to persons reasonably believed to be "qualified institutional buyers" pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons pursuant to Regulation S under the Securities Act.

The 2020 Notes will be fully and unconditionally guaranteed on a senior secured basis by each of NAHC, Associated Investors L.L.C. and Academy Managing Co., L.L.C., each a direct or indirect, wholly-owned subsidiary of the Company (collectively, the "Guarantors"), and each of Academy, Ltd.'s future wholly-owned domestic restricted subsidiaries, to the extent such subsidiary guarantees Academy, Ltd.'s senior secured credit facilities or certain capital markets debt.

In order to secure the 2020 Notes and the guarantees, Academy, Ltd. and the Guarantors entered into certain security documents with the Notes Collateral Agent, including a security agreement and a pledge agreement, each dated as of November 6, 2020. The 2020 Notes and the guarantees will be secured by (i) a first-priority lien on all of Academy, Ltd.'s and the Guarantors' personal property that secure the 2020 Term Loan Facility on a first-priority basis and (ii) a second-priority lien on Academy, Ltd.'s and the Guarantors' personal property consisting of accounts and all other rights to payment, inventory, tax refunds, cash, deposit accounts, securities and commodities accounts, and documents and supporting obligations, securing the 2020 ABL Facility (as defined below) on a first-priority basis and the 2020 Term Loan Facility on a second-priority basis (the "ABL Priority Collateral"). On November 6, 2020, (i) Academy Ltd.'s, the Guarantors party thereto, the Notes Collateral Agent, the Term Loan Agent (as defined below) and the several other parties named therein entered into a first lien intercreditor agreement as to the relative priorities of their respective security interests in the assets securing the 2020 Notes and the 2020 Term Loan Facility and certain other matters relating to the administration of security interests and (ii) the Notes Collateral Agent, the Term Loan Agent and the ABL Agent (as defined below) entered into a lien sharing and priority confirmation joinder to the ABL Intercreditor Agreement, dated as of July 2, 2015, as to the relative priorities of their respective security interests in the assets securing the 2020 Notes, the 2020 Term Loan Facility and the 2020 ABL Facility and certain other matters relating to the administration of security interests.

The 2020 Notes will mature on November 15, 2027. The 2020 Notes will pay interest semi-annually in arrears in cash on May 15 and November 15 of each year at a rate of 6.00% per year, commencing on May 15, 2021.

On or after November 15, 2023, Academy, Ltd. may, at its option and on one or more occasions, redeem all or a part of the 2020 Notes at the redemption prices set forth in the Indenture, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date. At any time prior to November 15, 2023, Academy, Ltd. may, at its option and on one or more occasions, redeem all or part of the 2020 Notes at a redemption price equal to 100% of the principal amount of the 2020 Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date, plus a "make-whole" premium as described in the Indenture. In addition, at any time prior to November 15, 2023, Academy, Ltd. may, at its option and on one or more occasions, redeem up to 40% of the aggregate principal amount of the 2020 Notes at a redemption price equal to 106.00% of the aggregate principal amount thereof, with an amount equal to or less than the net cash proceeds from one or more equity offerings to the extent such net cash proceeds are received by or contributed to Academy, Ltd., plus accrued and unpaid interest, if any, to, but excluding, the applicable redemption date.

Upon the occurrence of certain events constituting a Change of Control (as defined in the Indenture), Academy, Ltd. will be required to make an offer to repurchase all of the 2020 Notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the repurchase date.

The Indenture contains certain covenants that limit the ability of Academy, Ltd. and its restricted subsidiaries to, among other things, (i) incur or guarantee additional indebtedness or issue disqualified stock and preferred stock; (ii) incur liens on assets; (iii) pay dividends or make other distributions in respect of, or repurchase or redeem, their capital stock; (iv) prepay, redeem or repurchase certain debt; (v) make certain loans, investments or other restricted payments; (vi) engage in certain transactions with affiliates; (vii) enter into agreements restricting certain subsidiaries' ability to pay dividends; and (viii) sell or transfer certain assets or merge or consolidate, in each case subject to certain exceptions and qualifications set forth in the Indenture.

The Indenture provides for events of default which include (subject in certain cases to customary grace and cure periods), among others, nonpayment of principal or interest, breach of other agreements in respect of the 2020 Notes, acceleration of certain other indebtedness, failure to pay certain final judgments, failure of certain guarantees to be enforceable, failure to perfect certain collateral securing the 2020 Notes and certain events of bankruptcy or insolvency, which events of default, if any occur, would permit or require the principal, premium, if any, interest and any other monetary obligations on all the then-outstanding 2020 Notes to be due and payable immediately.

2020 Term Loan Facility

On November 6, 2020, Academy, Ltd., as borrower, and the Guarantors, as guarantors, entered into the Second Amended and Restated Credit Agreement (the "2020 Term Loan Agreement"), with Credit Suisse AG, Cayman Island Branch ("Credit Suisse"), as the administrative agent and collateral agent (the "Term Loan Agent"), the several lenders from time to time parties thereto and the several other parties named therein, which established a new $400.0 million first lien term loan facility.

The 2020 Term Loan Facility will mature on November 6, 2027. The 2020 Term Loan Facility bears interest, at Academy, Ltd.'s election, at either (1) LIBOR rate with a floor of 0.75%, plus a margin of 5.00%, or (2) a base rate equal to the highest of (a) the federal funds rate plus 0.50%, (b) Credit Suisse's "prime rate", or (c) the one-month LIBOR rate plus 1.00%, plus a margin of 4.00%. Quarterly principal payments of approximately $1.0 million are required through September 30, 2027, with the balance due in full on the maturity date of November 6, 2027. The terms and conditions of the 2020 Term Loan Facility also require that outstanding loans under the 2020 Term Loan Facility are prepaid under certain circumstances.

The 2020 Term Loan Facility will be guaranteed by the Guarantors on a senior secured basis. All obligations under the 2020 Term Loan Facility and the guarantees of those obligations will be secured by (i) a second-priority security interest in the ABL Priority Collateral and (ii) a first-priority security interest in, and mortgages on, substantially all present and after acquired tangible and intangible assets of Academy, Ltd. and the Guarantors and a first-priority pledge of 100% of the capital stock of Academy, Ltd. and its domestic subsidiaries and 66% of the voting capital stock of each of Academy, Ltd.'s foreign subsidiaries, if any, that are directly owned by Academy, Ltd. or a future U.S. guarantor, if any.

The 2020 Term Loan Agreement contains certain covenants that limit the ability of Academy, Ltd. and its restricted subsidiaries to, among other things, (i) incur or guarantee additional indebtedness or issue disqualified stock and preferred stock; (ii) incur liens on assets; (iii) pay dividends or make other distributions in respect of, or repurchase or redeem, their capital stock; (iv) prepay, redeem or repurchase certain debt; (v) make certain loans, investments or other restricted payments; (vi) engage in certain transactions with affiliates; (vii) enter into agreements restricting certain subsidiaries' ability to pay dividends; (viii) sell or transfer certain assets or merge or consolidate and (ix) amend material documents, in each case subject to certain exceptions and qualifications set forth in the 2020 Term Loan Agreement.

The 2020 Term Loan Agreement contains customary events of default including, but not limited to, failure to pay principal or interest, breaches of representations and warranties, violations of affirmative or negative covenants, cross-defaults to other material indebtedness, a bankruptcy or similar proceeding, rendering of certain monetary judgments, invalidity of collateral documents and changes of control.

2020 ABL Facility

On November 6, 2020, Academy, Ltd., as borrower, and the Guarantors, as guarantors, entered into an amendment (the "2020 ABL Amendment") to the First Amended and Restated ABL Credit Agreement, dated as of July 2, 2015, with JPMorgan Chase Bank, N.A. as the administrative agent and collateral agent, letter of credit issuer and swingline lender (the "ABL Agent") and the several lenders party thereto, which ABL Amendment, among other things, extended the maturity of Academy, Ltd.'s asset-based revolving credit facility thereunder (the "2020 ABL Facility") to November 6, 2025.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth the expenses payable by the Registrant expected to be incurred in connection with the distribution of common stock being registered hereby (other than the underwriting discounts and commissions). All of such expenses are estimates, except for the Securities and Exchange Commission, or the SEC, registration fee and the Financial Industry Regulatory Authority Inc., or FINRA, filing fee.

(dollars in thousands)	
SEC registration fee	$ 33,364
FINRA filing fee	46,371
Printing fees and expenses	100,000
Legal fees and expenses	500,000
Accounting fees and expenses	200,000
Blue Sky fees and expenses (including legal fees)	20,000
Transfer agent and registrar fees and expenses	10,000
Total	$909,735

Item 14. Indemnification of Directors and Officers

Section 102(b)(7) of the Delaware General Corporation Law, or the DGCL, allows a corporation to provide in its certificate of incorporation that a director of the corporation will not be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except where the director breached the duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our amended and restated certificate of incorporation provides for this limitation of liability.

Section 145 of the DGCL, or Section 145, provides, among other things, that a Delaware corporation may indemnify any person who was, is or is threatened to be made, party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of such corporation), by reason of the fact that such person is or was an officer, director, employee or agent of such corporation or is or was serving at the request of such corporation as a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests and, with respect to any criminal action or proceeding, had no reasonable cause to believe that his or her conduct was unlawful. A Delaware corporation may indemnify any persons who were or are a party to any threatened, pending or completed action or suit by or in the right of the corporation by reason of the fact that such person is or was a director, officer, employee or agent of another corporation or enterprise. The indemnity may include expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, provided such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the corporation's best interests, provided further that no indemnification is permitted without judicial approval if the officer, director, employee or agent is adjudged to be liable to the corporation. Where an officer or director is successful on the merits or otherwise in the defense of any action referred to above, the corporation must indemnify him or her against the expenses (including attorneys' fees) which such officer or director has actually and reasonably incurred.

Section 145 further authorizes a corporation to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or enterprise, against any liability asserted against such person and incurred by such person in any such capacity, or arising out of his or her status as such, whether or not the corporation would otherwise have the power to indemnify such person under Section 145.

We maintain standard policies of insurance that provide coverage (1) to our directors and officers against loss rising from claims made by reason of breach of duty or other wrongful act and (2) to us with respect to indemnification payments that we may make to such directors and officers.

Our amended and restated bylaws provides that we must indemnify, and advance expenses to, our directors and officers to the full extent authorized by the DGCL. We have also entered into indemnification agreements with our directors, which agreements require us to indemnify these individuals to the fullest extent permitted under Delaware law against liabilities that may arise by reason of their service to us, and to advance expenses incurred as a result of any proceeding against them as to which they could be indemnified.

The indemnification rights set forth above shall not be exclusive of any other right which an indemnified person may have or hereafter acquire under any statute, provision of our amended and restated certificate of incorporation, our amended and restated bylaws, agreement, vote of stockholders or disinterested directors or otherwise. Notwithstanding the foregoing, we shall not be obligated to indemnify a director or officer in respect of a proceeding (or part thereof) instituted by such director or officer, unless such proceeding (or part thereof) has been authorized by our board of directors pursuant to the applicable procedure outlined in the amended and restated bylaws.

Section 174 of the DGCL provides, among other things, that a director, who willfully or negligently approves of an unlawful payment of dividends or an unlawful stock purchase or redemption, may be held jointly and severally liable for such actions. A director who was either absent when the unlawful actions were approved or dissented at the time may avoid liability by causing his or her dissent to such actions to be entered in the books containing the minutes of the meetings of the board of directors at the time such action occurred or immediately after such absent director receives notice of the unlawful acts.

The underwriting agreement provides for indemnification by the underwriters of us and our officers and directors, and by us of the underwriters, for certain liabilities arising under the Securities Act or otherwise in connection with this offering.

Item 15. Recent Sales of Securities

Within the past three years, the Registrant has granted or issued the following securities of the Registrant which were not registered under the Securities Act.

On June 30, 2020, the Registrant issued 100 shares of the Registrant’s common stock, par value $0.01 per share, to New Academy Holding Company, LLC for $1.00. The issuance of such shares of common stock was not registered under the Securities Act, because the shares were offered and sold in a transaction by the issuer not involving any public offering exempt from registration under Section 4(a)(2) of the Securities Act. These shares were subsequently cancelled on October 1, 2020.

Restricted Stock Units Grants and Vesting

On December 9, 2020, we granted 24,041 restricted stock units.

From October 1, 2020 to January 2, 2021, we issued 802,498 shares of our common stock upon settlement of the vested restricted stock units.

The issuances of restricted stock units and the shares of common stock issuable upon the settlement of restricted stock units described in this Item 15 were issued pursuant to written compensatory plans or arrangements with our employees and directors, in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 701 promulgated under the Securities Act or the exemption set forth in Section 4(2) under the Securities Act and Regulation D promulgated thereunder relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required.

All of the foregoing securities are deemed restricted securities for purposes of the Securities Act.

Item 16. Exhibits and Financial Statement Schedules

(a) Exhibits.

See the Exhibit Index immediately preceding the signature pages hereto, which is incorporated by reference as if fully set forth herein.

(b) Financial Statement Schedules.

None

Item 17. Undertakings.

(1) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

(2) The undersigned Registrant hereby undertakes that:

(A) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(B) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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EXHIBITS

Exhibit Number	Description
1.1*	Form of Underwriting Agreement.
3.1	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on October 6, 2020 (File No. 001-39589)).
3.2	Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on October 6, 2020 (File No. 001-39589)).
4.1	Amendment to the Registration Rights Agreement, dated as of October 6, 2020, by and among the Registrant, Allstar LLC and New Academy Holding Company, LLC (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on October 6, 2020 (File No. 001-39589)).
4.2	Indenture, dated as of November 6, 2020, by and among Academy, Ltd., as issuer, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee and notes collateral agent (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed on November 6, 2020 (File No. 001-39589)).
5.1*	Opinion of Simpson Thacher & Bartlett LLP.
10.1	Second Amended and Restated Credit Agreement, dated as of November 6, 2020, among Academy, Ltd., as Borrower, New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C., as Texas Intermediate Holdcos, the several lenders from time to time party thereto, Credit Suisse AG, Cayman Islands Branch, as the administrative agent and collateral agent and the several other parties named therein (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on November 6, 2020 (File No. 001-39589)).
10.2	Amended and Restated Term Loan Security Agreement, dated as of July 2, 2015, among Academy, Ltd., as Borrower, each of the subsidiaries listed on the signature pages thereto, and Morgan Stanley Senior Funding, Inc., as collateral agent for the benefit of the secured parties (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.3	Amended and Restated Term Loan Pledge Agreement, dated as of July 2, 2015, among New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, Academy, Ltd., as Borrower, each of the subsidiaries listed on the signature pages thereto and Morgan Stanley Senior Funding, Inc., as collateral agent for the benefit of the secured parties (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.4	ABL Intercreditor Agreement, dated July 2, 2015, among JPMorgan Chase Bank, N.A., as agent for the ABL Secured Parties referred to therein, Morgan Stanley Senior Funding, Inc., as administrative agent and collateral agent for the Term Loan Secured Parties referred to therein, New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, Academy, Ltd., as Borrower, and each of the subsidiaries of the Borrower listed on the signature pages thereto (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).

Exhibit Number	Description
10.5*	Joinder to ABL Intercreditor Agreement, dated November 6, 2020, among JPMorgan Chase Bank, N.A., as agent for the ABL Secured Parties referred to therein, Credit Suisse AG, Cayman Islands Branch, as agent for the Term Loan Secured Parties referred to therein, and The Bank of New York Mellon Trust Company, N.A., as collateral agent for the Additional Debt Secured Parties referred to therein.
10.6*	Joinder to ABL Intercreditor Agreement, dated November 6, 2020, among JPMorgan Chase Bank, N.A., as agent for the ABL Secured Parties referred to therein, and Credit Suisse AG, Cayman Islands Branch, as agent for the Term Loan Secured Parties referred to therein.
10.7*	First Lien Intercreditor Agreement, dated November 6, 2020, among Credit Suisse AG, Cayman Islands Branch, as First Lien Collateral Agent and Authorized Representative for the Credit Agreement Secured Parties referred to therein, The Bank of New York Mellon Trust Company, N.A., as Initial Additional First Lien Collateral Agent and Initial Additional Authorized Representative, and each of the subsidiaries of the Borrower listed on the signature pages thereto.
10.8	First Amended and Restated ABL Credit Agreement, dated July 2, 2015, among Academy, Ltd., as Borrower, New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, the lending institutions from time to time party thereto and JPMorgan Chase Bank, N.A., as the Administrative Agent, the Collateral Agent, the Letter of Credit Issuer and the Swingline Lender (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.9	Amendment No. 1 to First Amended and Restated ABL Credit Agreement, dated as of May 22, 2018, among Academy, Ltd., as Borrower, New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, each of the Guarantors party thereto, each of the lenders party thereto and JPMorgan Chase Bank, N.A., as the Administrative Agent, the Collateral Agent, the Letter of Credit Issuer and the Swingline Lender (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.10	Amendment No. 2 to First Amended and Restated ABL Credit Agreement, dated as of November 6, 2020, among Academy, Ltd., as Borrower, New Academy Holding Company, LLC, as Holdings, Associated Investors, L.L.C. and Academy Managing Co., L.L.C., as Texas Intermediate Holdcos, the several lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as the letter of credit issuer, administrative agent and collateral agent (incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on November 6, 2020 (File No. 001-39589)).
10.11	Amended and Restated ABL Security Agreement, dated as of July 2, 2015, among Academy, Ltd., as Borrower, each of the subsidiaries listed on the signature pages thereto, and JPMorgan Chase Bank, N.A., as collateral agent for the benefit of the secured parties (incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.12	Amended and Restated ABL Pledge Agreement, dated July 2, 2015, among New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, Academy, Ltd., as Borrower, each of the subsidiaries listed on the signature pages thereto and JPMorgan Chase Bank, N.A., as collateral agent for the benefit of the secured parties (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.13*	Notes Security Agreement, dated as of November 6, 2020, among Academy, Ltd., as Issuer, each of the guarantors listed on the signature pages thereto, and The Bank of New York Mellon Trust Company, N.A., as collateral agent for the benefit of the Secured Parties referred to therein.

Exhibit Number	Description
10.14*	Notes Pledge Agreement, dated as of November 6, 2020, among Academy, Ltd., as Issuer, each of the guarantors listed on the signature pages thereto, and The Bank of New York Mellon Trust Company, N.A., as collateral agent for the benefit of the Secured Parties referred to therein.
10.15†	2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed on December 10, 2020 (File No. 001-39589)).
10.16†	Form of Time-Based Option Agreement under 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.10 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.17†	Form of Non-Employee Director Restricted Stock Unit Agreement under 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.11 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.18†	Form of Performance-Based Restricted Stock Unit Agreement under 2020 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.12 to Amendment No. 1 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.19†	2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.20†	Form of 2020 CEO Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.21†	Form of 2020 Executive Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.22†	Form of 2019 CEO Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.23†	Form of 2019 Executive Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.24†	Form of 2018 CEO Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.25†	Form of 2018 Executive Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.26†	Form of 2017 Executive Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.27†	Form of 2016 Executive Option Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.28†	Form of August 2020 Restricted Unit Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).

Exhibit Number	Description
10.29†	Form of 2020 CEO Restricted Unit Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.23 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.30†	Form of 2020 Executive Restricted Unit Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.24 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.31†	Form of 2019 Executive Restricted Unit Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.25 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.32†	Form of 2018 CEO Restricted Unit Agreement under 2011 Unit Incentive Plan (as amended) (incorporated by reference to Exhibit 10.26 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.33†	Form of Independent Non-Employee Director Restricted Unit Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.27 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.34†	Form of 2018 Executive Restricted Unit Agreement under 2011 Unit Incentive Plan (incorporated by reference to Exhibit 10.28 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.35†	Ken C. Hicks Employment Agreement, dated August 2, 2018 (incorporated by reference to Exhibit 10.29 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.36†	Michael P. Mullican Employment Agreement, dated January 6, 2017 and amended on December 21, 2017 (incorporated by reference to Exhibit 10.30 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.37†	Steven (Steve) P. Lawrence Employment Agreement, dated January 29, 2019 (incorporated by reference to Exhibit 10.31 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.38†	Samuel (Sam) J. Johnson Employment Agreement, dated April 17, 2017 (incorporated by reference to Exhibit 10.32 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.39†	Kenneth (Ken) D. Attaway Employment Agreement, dated July 1, 2009, as amended and restated on August 30, 2011 and further amended on August 6, 2012 (incorporated by reference to Exhibit 10.33 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.40†	Separation and Release Agreement, dated as of January 19, 2021, between Academy Managing Co., L.L.C. and Kenneth (Ken) D. Attaway (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed on January 19, 2021 (File No. 001-39589).
10.41†	Form of 2020 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.34 to Amendment No. 1 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
10.42	Stockholders Agreement, dated as of October 6, 2020, by and among the Registrant, Allstar LLC, KKR 2006 Allstar Blocker L.P. and Allstar Co-Invest Blocker L.P. (incorporated by reference to Exhibit 10.1 to the Registrant’s Current Report on Form 8-K filed with the Commission on October 6, 2020 (File No. 001-39589)).
10.43	Form of Director and Officer Indemnification Agreement (incorporated by reference to Exhibit 10.37 to Amendment No. 1 to the Registrant’s Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).

Exhibit Number	Description
21.1	Subsidiaries of the Registrant (incorporated by reference to Exhibit 21.1 to the Registrant's Registration Statement on Form S-1 filed on September 23, 2020 (File No. 333-248683)).
23.1*	Consent of Deloitte & Touche LLP (with respect to the financial statements of New Academy Holding Company, LLC).
23.2*	Consent of Deloitte & Touche LLP (with respect to the financial statements of Academy Sports and Outdoors, Inc.).
23.3*	Consent of Simpson Thacher & Bartlett LLP (included as part of Exhibit 5.1).
24.1*	Power of Attorney (included on signature pages to this Registration Statement).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.
† Compensatory arrangements for director(s) and/or executive officer(s).

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the Registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Katy, Texas, on January 25, 2021.

Academy Sports and Outdoors, Inc.

By: /s/ Ken C. Hicks
Name: Ken C. Hicks
Title: Chairman, President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Ken C. Hicks, Michael P. Mullican and Rene G. Casares and each of them, the true and lawful attorneys-in-fact and agents of the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, to sign in any and all capacities (including, without limitation, the capacities listed below), the registration statement, any and all amendments (including post-effective amendments) to the registration statement and any and all successor registration statements of the Registrant, including any filings pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and to file the same, with all exhibits thereto, and all other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and anything necessary to be done to enable the Registrant to comply with the provisions of the Securities Act and all the requirements of the Securities and Exchange Commission, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute, or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities indicated on January 25, 2021:

Signatures	Title
/s/ Ken C. Hicks Ken C. Hicks	Chairman, President and Chief Executive Officer (principal executive officer)
/s/ Michael P. Mullican Michael P. Mullican	Executive Vice President and Chief Financial Officer (principal financial officer)
/s/ Heather A. Davis Heather A. Davis	Senior Vice President, Accounting, Treasury & Tax (principal accounting officer)
/s/ Wendy A. Beck Wendy A. Beck	Director
/s/ Brian T. Marley Brian T. Marley	Director
/s/ Vishal V. Patel Vishal V. Patel	Director

Signatures	Title
/s/ Allen I. Questrom Allen I. Questrom	Director
/s/ William S. Simon William S. Simon	Director
/s/ Nathaniel H. Taylor Nathaniel H. Taylor	Director
/s/ Jeffrey C. Tweedy Jeffrey C. Tweedy	Director
/s/ Aileen X. Yan Aileen X. Yan	Director

Exhibit 1.1

Academy Sports and Outdoors, Inc.

[●] Shares
Common Stock
($0.01 par value)

Underwriting Agreement

January [●], 2021

Credit Suisse Securities (USA) LLC
J.P. Morgan Securities LLC

As Representatives of the several Underwriters named in Schedule I hereto,
c/o Credit Suisse Securities (USA) LLC,
Eleven Madison Avenue,
New York, N.Y. 10010-3629

c/o J.P. Morgan Securities LLC,
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

Each of (i) Allstar LLC, Allstar Co-Invest Blocker L.P. and KKR 2006 Allstar Blocker L.P. (collectively, the "KKR Selling Stockholders"), (ii) MSI 2011 LLC and MG Family Limited Partnership (collectively, the "Gochman Selling Stockholders") and (iii) the other selling stockholder named on Schedule I(B) hereto (the "Management Selling Stockholder" and together with the KKR Selling Stockholders and the Gochman Selling Stockholders, the "Selling Stockholders"), as a stockholder of Academy Sports and Outdoors, Inc., a Delaware corporation (the "Company"), proposes to sell to the several underwriters named in Schedule I(A) hereto (the "Underwriters"), for whom you (the "Representatives") are acting as representatives, the number of shares of the Company's common stock, $0.01 par value ("Common Stock"), set forth next to such Selling Stockholder's name on Schedule I(B) hereto. The aggregate [●] shares to be sold by the Selling Stockholders are herein called the "Underwritten Securities". The Selling Stockholders also propose to grant to the Underwriters an option to purchase up to [●] additional shares of Common Stock (the "Option Securities"; the Option Securities, together with the Underwritten Securities, being hereinafter called the "Securities"). Certain capitalized terms used herein are defined in Section 25 hereof.

The Company and the Selling Stockholders hereby confirm their respective agreements with the Underwriters as follows:

1. Representations and Warranties of the Company. The Company represents and warrants to, and agrees with, each Underwriter as set forth below in this Section 1.

(a) The Company has prepared and filed with the Commission a registration statement (file number 333-[●]) on Form S-1, including a related preliminary prospectus, for registration under the Act of the offering and sale of the Securities. Such Registration Statement, including any amendments thereto filed prior to the Execution Time, has become effective. No order suspending the effectiveness of the Registration Statement has been issued by the Commission, and no proceeding for that purpose or pursuant to Section 8A of the Act against the Company or related to the offering of the Securities has been initiated or threatened by the Commission. The Company may have filed one or more amendments thereto, including a related preliminary prospectus, each of which has previously been furnished to you. The Company will file with the Commission a final prospectus in accordance with Rule 424(b). As filed, such final prospectus shall contain all information required by the Act and the rules thereunder and, except to the extent the Representatives shall agree in writing to a modification, shall be in all substantive respects in the form furnished to you prior to the Execution Time or, to the extent not completed at the Execution Time, shall contain only such specific additional information and other changes (beyond that contained in the latest Preliminary Prospectus) as the Company has advised you, prior to the Execution Time, will be included or made therein.

(b) On the Effective Date, the Registration Statement did, and when the Prospectus is first filed in accordance with Rule 424(b) and on the Closing Date (as defined below) and on any date on which Option Securities are purchased, if such date is not the Closing Date (a “settlement date”), the Prospectus (and any supplement thereto) will, comply in all material respects with the applicable requirements of the Act and the rules thereunder; on the Effective Date, at the Execution Time and on the Closing Date and any settlement date, the Registration Statement did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and on the date of any filing pursuant to Rule 424(b) and on the Closing Date and any settlement date, the Prospectus (together with any supplement thereto) will not include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; *provided, however*, that the Company makes no representations or warranties as to the information contained in or omitted from the Registration Statement or the Prospectus (or any supplement thereto) in reliance upon and in conformity with information furnished in writing to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion in the Registration Statement or the Prospectus (or any supplement thereto).

(c) (i) The Disclosure Package, and (ii) each electronic road show, when taken together as a whole with the Disclosure Package, does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The preceding sentence does not apply to statements in or omissions from the Disclosure Package or any electronic roadshow based upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use therein.

(d) (i) At the time of filing the Registration Statement and (ii) as of the Execution Time (with such date being used as the determination date for purposes of this clause (ii)), the Company was not and is not an Ineligible Issuer (as defined in Rule 405), without taking account of any determination by the Commission pursuant to Rule 405 that it is not necessary that the Company be considered an Ineligible Issuer.

(e) Each Issuer Free Writing Prospectus does not include any information that conflicts with the information contained in the Registration Statement. The foregoing sentence does not apply to statements in or omissions from any Issuer Free Writing Prospectus based upon and in conformity with written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for use therein.

(f) [Reserved].

(g) None of the Company or any Significant Subsidiary (as defined below) is an "investment company" as defined in the Investment Company Act, without taking account of any exemption arising out of the number of holders of the Company's securities.

(h) Neither the Company nor any of its subsidiaries has paid or agreed to pay to any person any compensation for soliciting another to purchase any Securities (except as contemplated in this Agreement).

(i) None of the Company or any of its subsidiaries or any of their respective Affiliates has taken or will take, directly or indirectly, any action designed to or that has constituted or that would reasonably be expected to cause or result, under the Exchange Act or otherwise, in stabilization or manipulation of the price of any security of the Company or any of its subsidiaries to facilitate the sale or resale of the Securities.

(j) Each of the Company and its subsidiaries (i) has been duly organized and is validly existing as an entity in good standing under the laws of the jurisdiction in which it is chartered or organized, (ii) has full corporate or other organizational power and authority to own or lease, as the case may be, and to operate its properties and conduct its business as described in the Disclosure Package and the Prospectus, and (iii) is duly qualified to do business as a foreign corporation or other entity and is in good standing under the laws of each jurisdiction where the ownership or leasing of its properties or the conduct of its business requires such qualification except, in the case of its subsidiaries, and solely with respect to clause (iii), the Company, where the failure to be so organized or qualified, have such power or authority or be in good standing would not have a material adverse effect, or reasonably be expected to have a prospective material adverse effect, on the condition (financial or otherwise), business or results of operations of the Company and its subsidiaries, taken as a whole (a "Material Adverse Effect").

(k) The Company has no "significant subsidiary," as defined in Rule 1-02(w) of Regulation S-X under the Act, other than those subsidiaries listed on Schedule III (each, a "Significant Subsidiary").

(l) As of October 31, 2020, the Company and its subsidiaries had the issued and outstanding capitalization as set forth in the Disclosure Package and the Prospectus under the heading "Capitalization", and all the outstanding membership interests or shares of capital stock, as applicable, of the Company (including the Securities to be sold by the Selling Stockholders) and each subsidiary listed on Exhibit 21 of the Registration Statement have been duly authorized and validly issued, are fully paid and nonassessable, if applicable, and were not issued in violation of any preemptive or similar rights and, except as otherwise set forth in the Disclosure Package and the Prospectus, as of the Closing Date, all outstanding shares of capital stock or membership interests of the subsidiaries held by the Company are owned either directly or indirectly free and clear of any security interest, claim, lien or encumbrance (other than liens, encumbrances and restrictions imposed in connection with (A) that certain Indenture, dated as of November 6, 2020 (the "Indenture"), by and among Academy, Ltd., as issuer, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee and notes collateral agent, (B) that certain Second Amended and Restated Credit Agreement, dated as of November 6, 2020, among Academy, Ltd., as Borrower, New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, the several lenders from time to time party thereto and Credit Suisse AG, Cayman Islands Branch, as the Administrative Agent and the Collateral Agent and the several other parties named therein (as amended, the "Term Loan Facility") and (C) that certain First Amended and Restated ABL Credit Agreement, dated as of July 2, 2015, among Academy, Ltd., as Borrower, New Academy Holding Company, LLC, as Holdings, Associated Investors L.L.C. and Academy Managing Co., L.L.C, as Texas Intermediate Holdcos, the lending institutions from time to time party thereto and JPMorgan Chase Bank, N.A., as the Administrative Agent, the Collateral Agent, the Letter of Credit Issuer and the Swingline Lender (as amended, the "ABL Facility" and, together with the Indenture and the Term Loan Facility, the "Debt Documents") or permitted under the Debt Documents or by the Act). Except as disclosed in the Disclosure Package and the Prospectus, or except in connection with equity investments by, or awards of stock options or other equity-based awards to, members of management or other employees of the Company, or any directors, contractors or agents of the Company, as described in the Disclosure Package and the Prospectus, there will be, on the Closing Date, no (i) outstanding options, warrants or other rights to purchase, (ii) agreements or other obligations to issue or (iii) other rights to convert any obligation into, or exchange any securities for, shares of capital stock of or ownership interests in the Company or any of its subsidiaries.

(m) This Agreement has been duly authorized, executed and delivered by the Company.

(n) No consent, approval, authorization, filing with or order of any United States (or any political subdivision thereof) court or governmental agency or body, or to the knowledge of the Company, any non-United States court or governmental agency or body, in either case is required in connection with the execution, delivery and performance of this Agreement or the consummation of the transactions contemplated hereby, except (i) registration of the Securities under the Act, (ii) such as may be required under the blue sky laws of any jurisdiction in which the Securities are offered and sold in connection with the transactions contemplated hereby or under the Conduct Rules of the Financial Industry Regulatory Authority, Inc. ("FINRA"), (iii) filings with the Commission pursuant to Rule 424(b), (iv) filings with the Commission under the Exchange Act, or (v) as shall have been obtained or made prior to the Closing Date.

(o) Neither the consummation of the transactions contemplated hereby, nor the fulfillment of the terms hereof, will conflict with, result in a breach or violation of or imposition of any lien, charge or encumbrance upon any property or assets of the Company or any of its subsidiaries pursuant to (i) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which the Company or any of its subsidiaries is a party or bound or to which its or their property is subject; or (ii) any statute, law, rule, regulation, judgment, order or decree of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company or any of its subsidiaries or any of its or their properties, other than in the cases of clauses (i) and (ii), such breaches, violations, liens, charges, or encumbrances that would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect; or result in the violation of the charter, bylaws or any equivalent organizational document of the Company or any of its subsidiaries.

(p) There is no contract or other document of a character required to be described in the Registration Statement or Prospectus, or to be filed as an exhibit thereto, which is not described or filed as required. The statements in the Preliminary Prospectus and the Prospectus under the headings "Material U.S. Federal Income and Estate Tax Consequences to Non-U.S. Holders," "Business—Governmental Regulations," "Business—Legal Proceedings" and "Business—Intellectual Property" insofar as such statements summarize legal matters, agreements, documents or proceedings discussed therein, are accurate and fair summaries of such legal matters, agreements, documents or proceedings.

(q) No holders of securities of the Company have rights to the registration of such securities under the Registration Statement, other than as required by the Amended and Restated Registration Rights Agreement, dated as of October 6, 2020, among the Company and the shareholders party thereto (as amended, supplemented or otherwise modified from time to time prior to the date hereof).

(r) Except as set forth in the Disclosure Package and the Prospectus, the consolidated historical financial statements included in the Disclosure Package and the Prospectus present fairly in all material respects the consolidated financial position, results of operations and cash flows of the entities to which they relate as of the dates and for the periods indicated and have been prepared in conformity with United States generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as otherwise noted therein); the selected financial data set forth under the heading "Selected Historical Consolidated Financial Data" in the Disclosure Package and the Prospectus fairly presents in all material respects, on the basis stated in the Disclosure Package and the Prospectus, the information included therein; the summary historical financial data set forth under the heading "Summary—Summary Historical Consolidated Financial and Other Data" in the Disclosure Package and the Prospectus fairly presents in all material respects, on the basis stated in the Disclosure Package and the Prospectus, the information included therein.

(s) Except as otherwise set forth therein, since the respective dates as of which information is given in the Disclosure Package or the Prospectus, (i) there has not occurred any material adverse change or development that could reasonably be expected to involve a prospective material adverse change, in the condition (financial or otherwise), business or results of operations of the Company and its subsidiaries, taken as a whole, (ii) there have been no transactions entered into by the Company or any of its subsidiaries, other than those in the ordinary course of business, which are material with respect to the Company and its subsidiaries, taken as a whole, and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Company on any class of its capital stock.

(t) Except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), no action, suit, proceeding, investigation or audit by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries or their respective property is pending or, to the knowledge of the Company, threatened or contemplated that (i) would reasonably be expected to have a material adverse effect on the performance of this Agreement or the consummation of any of the transactions contemplated hereby, or (ii) would reasonably be expected to have a Material Adverse Effect.

(u) The Company and its subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except (i) pursuant to the Debt Documents or (ii) where failure to have such good and marketable title or free and clear title would not reasonably be expected to have a Material Adverse Effect; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as would not reasonably be expected to have a Material Adverse Effect.

(v) Except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), none of the Company or any of its subsidiaries is in violation or default of (i) any provision of its charter, bylaws or any equivalent organizational document; (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement, loan agreement or other agreement, obligation, condition, covenant or instrument to which it is a party or bound or to which its property is subject; or (iii) any statute, law, rule, regulation, judgment, order or decree applicable to the Company or any its subsidiaries of any court, regulatory body, administrative agency, governmental body, arbitrator or other authority having jurisdiction over the Company, its subsidiaries or any of their respective properties, as applicable, other than in the cases of clauses (i) (if such entity is not the Company or a Significant Subsidiary), (ii) and (iii), such violations and defaults that would not reasonably be expected to have a Material Adverse Effect.

(w) Deloitte & Touche LLP, who has audited the consolidated financial statements of New Academy Holding Company, LLC and its subsidiaries as of February 1, 2020 and February 2, 2019 and for each of the three years in the period ended February 1, 2020 and the consolidated balance sheet of the Company as of June 30, 2020, each included in the Disclosure Package and the Prospectus, are independent registered public accountants with respect to the Company within the meaning of the Exchange Act and the rules of the Public Company Accounting Oversight Board.

(x) Except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), the Company and its subsidiaries (i) have filed all non-U.S., U.S. federal, state and local tax returns that are required to be filed or have requested extensions thereof, except in any case in which the failure to file would not reasonably be expected to have a Material Adverse Effect, and (ii) have paid all taxes required to be paid by them and any other tax assessment, fine or penalty levied against them, to the extent that any of the foregoing is due and payable, except for any such tax, tax assessment, fine or penalty that is currently being contested in good faith or as would not reasonably be expected to have a Material Adverse Effect.

(y) No labor problem or dispute with the employees of the Company or any of its subsidiaries exists or to the Company's knowledge, is threatened, and the Company is unaware of any existing labor problem or dispute, that, in each case, would reasonably be expected to have a Material Adverse Effect.

(z) The Company and its subsidiaries, take as a whole, have insurance in amounts and against such losses and risks as such party believes to be customary for companies engaged in similar business in similar industries and markets; and neither the Company nor any of its subsidiaries has received written notice from any insurer or agent of such insurer that capital improvements or other expenditures are required or necessary to be made in order to continue such insurance, except, in each case, that would not reasonably be expected to have a Material Adverse Effect.

(aa) No subsidiary of the Company is prohibited, directly or indirectly, from paying any dividends to the Company or any other subsidiary (except as may be limited by applicable state or foreign corporation, limited liability company, limited partnership, partnership, insurance or other applicable regulatory law), from making any other distribution on such subsidiary's capital stock or membership interests (except as may be limited by applicable state or foreign corporation, limited liability company, limited partnership, partnership, insurance or other applicable regulatory law), from repaying to the Company or any other subsidiary any loans or advances to such subsidiary from the Company or any other subsidiary or from transferring any of such subsidiary's property or assets to the Company or any other subsidiary of the Company, except as described in the Disclosure Package and the Prospectus (exclusive of any supplement thereto) or contemplated pursuant to the Debt Documents.

(bb) Except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), (i) the Company and its subsidiaries possess all licenses, certificates, permits and other authorizations issued by the appropriate U.S. federal, state or non-U.S. regulatory authorities necessary to conduct their respective businesses, except where the failure to possess such licenses, certificates, permits and other authorizations would not reasonably be expected to have a Material Adverse Effect, and (ii) none of the Company or any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit that, individually or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would reasonably be expected to have a Material Adverse Effect.

(cc) The Company and its subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as set forth in the Disclosure Package and the Prospectus, the Company is not aware of any material weakness in the Company and its subsidiaries' internal controls over financial reporting.

(dd) The Company and its subsidiaries maintain "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Exchange Act); such disclosure controls and procedures are effective.

(ee) Except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), the Company and its subsidiaries (i) are in compliance with any and all applicable non-U.S., U.S. federal, state and local laws and regulations relating to the protection of human health and safety (as such is affected by hazardous or toxic substances or wastes (including, without limitation, medical waste), pollutants or contaminants), or of the environment or the release of hazardous or toxic substances or wastes, pollutants or contaminants ("Environmental Laws"); (ii) have received and are in compliance with all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; (iii) have not received notice of any actual or potential liability under any Environmental Law; and (iv) have not been named as a "potentially responsible party" under the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, except where such non-compliance with Environmental Laws, failure to receive or comply with such required permits, licenses or other approvals, such liability or status as a potentially responsible party would not reasonably be expected to, individually or in the aggregate, have a Material Adverse Effect.

(ff) Neither the Company nor any of its subsidiaries has established or maintains a "pension plan" (as defined in Section 3(2) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")) that is subject to Title IV of ERISA or Section 412 or Section 4971 of the Internal Revenue Code of 1986, as amended.

(gg) The Company and its subsidiaries own, possess, license or have other rights to use all patents, trademarks and service marks, trade names, copyrights, domain names (in each case including all registrations and applications to register same), inventions, trade secrets, technology, know-how and other intellectual property (collectively, the "Intellectual Property") necessary for the conduct of their respective businesses as now conducted or as proposed in the Disclosure Package and the Prospectus to be conducted, except where the failure to own, possess, license or otherwise have such rights would not reasonably be expected to have a Material Adverse Effect. Except as set forth in the Disclosure Package and the Prospectus, or except as would not reasonably be expected to have a Material Adverse Effect, (i) the Company and its subsidiaries own, or have rights to use under license or otherwise, all such Intellectual Property free and clear in all respects of all adverse claims, liens or other encumbrances, except for claims, liens or other encumbrances pursuant to the Debt Documents; (ii) to the knowledge of the Company, there is no infringement by third parties of any such Intellectual Property; (iii) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by any third party challenging the Company's or its subsidiaries' rights in or to any such Intellectual Property; (iv) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by any third party challenging the validity, scope or enforceability of any such Intellectual Property; and (v) there is no pending or, to the Company's knowledge, threatened action, suit, proceeding or claim by any third party that the Company or any of its subsidiaries infringes or otherwise violates any patent, trademark, copyright, trade secret or other proprietary rights of any third party.

(hh) [Reserved].

(ii) There is and has been no failure on the part of the Company and any of the Company's directors or officers, in their capacities as such, to comply with any provision of the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations promulgated in connection therewith (the "Sarbanes-Oxley Act").

(jj) No forward-looking statement (within the meaning of Section 27A of the Act and Section 21E of the Exchange Act) or presentation of market-related or statistical data contained in the Disclosure Package or the Prospectus has been made or reaffirmed without a reasonable basis or has been disclosed other than in good faith.

(kk) The operations of the Company and its subsidiaries are and have been conducted at all times in compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of all jurisdictions, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental or regulatory agency (collectively, the "Anti-Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental or regulatory agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company and its subsidiaries, threatened.

(ll) None of the Company, any of its subsidiaries or, to the knowledge of the Company, any director, officer or controlled Affiliate of the Company or any of its subsidiaries is currently subject or target of any U.S. sanctions administered or enforced by the U.S. government (including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State and including, without limitation, the designation as a "specially designated national" or "blocked person"), the United Nations Security Council, the European Union, Her Majesty's Treasury, the Swiss Secretariat of Economic Affairs, the Hong Kong Monetary Authority, the Monetary Authority of Singapore, or other relevant sanctions authority (collectively, "Sanctions"), nor is the Company or any of its subsidiaries located, organized or resident in a country or territory that is the subject or target of Sanctions including, without limitation, Cuba, Iran, North Korea, Syria and Crimea (each a "Sanctioned Country"). For the past five years, the Company and its subsidiaries have not knowingly engaged in, and are not now knowingly engaged in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject or target of Sanctions.

(mm) Neither the Company nor any of its subsidiaries, nor, to the knowledge of the Company or any of its subsidiaries, any director, officer, agent, employee, controlled affiliate or other person acting on behalf of the Company or of any of its subsidiaries, has (i) used any corporate funds for any unlawful contribution, gift, entertainment or other unlawful expense relating to political activity; (ii) taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or, knowingly, indirectly, to any government official, including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office ("Governmental Official") to influence official action or secure an improper advantage; (iii) violated or is in violation of any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any applicable law or regulation implementing the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, or committed an offence under the Bribery Act 2010 of the United Kingdom or any other applicable anti-bribery or anti-corruption law; or (iv) made, offered, agreed, requested or taken an act in furtherance of any unlawful bribe or other unlawful benefit, including, without limitation, any rebate, payoff, influence payment, kickback or other unlawful or improper payment or benefit, to any Governmental Official or other person or entity. The Company and its subsidiaries have conducted their businesses in compliance with applicable anti-corruption laws and have instituted and maintain and will continue to maintain policies and procedures designed to promote and achieve compliance with all applicable anti-bribery and anti-corruption laws.

(nn) Each of the Company and its subsidiaries (i) conducts its business and is in compliance with all federal, state and local laws governing or otherwise regulating the importation, transportation, purchase or other acquisition, possession or sale or other transfer of firearms, ammunition or explosives, including without limitation the Gun Control Act of 1968 (Chapter 44 of Title 18, United States Code), the National Firearms Act of 1934 (Chapter 53 of Title 26, United States Code), and the Arms Export Control Act (22 U.S.C. § 2778), as well as all applicable rules and regulations of the Bureau of Alcohol, Tobacco, Firearms and Explosives (the "ATF")) (collectively, the "Firearms, Ammunition and Explosives Laws"); and (ii) possesses, and is in compliance with the terms of, all licenses, registrations and permits required in order for the Company and its subsidiaries to conduct their respective businesses (as currently conducted and as proposed to be conducted) with respect to the sale of firearms, ammunition and explosives, except, in the case of each of clause (i) or (ii), where the failure to so comply or be in possession would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received, during the three year period preceding the date of this Agreement, from the ATF or any other regulatory authority any notice of revocation of any such license, registration or permit and has no reason to believe that the ATF or any other regulatory authority may issue any such notice, except for any such notice or revocation that would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any of its subsidiaries (1) has received from the ATF or any other regulatory authority any notice of violation of any Firearms, Ammunition and Explosives Law or (2) has any reason to believe that the ATF or any other regulatory authority may issue any such notice, except, in the case of clauses (1) and (2), where such notices or violations would not reasonably be expected to have a Material Adverse Effect.

(oo) Except as would not reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries' information technology assets and equipment, computers, systems, networks, hardware, software, websites, applications, and databases (collectively, "IT Systems") are adequate for, and operate and perform in all respects as required in connection with the operation of the business of the Company and its subsidiaries as currently conducted and, to the knowledge of the Company, is free and clear of all material bugs, errors, defects, Trojan horses, time bombs, malware and other corruptants. Except as would not reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries have implemented and maintained commercially reasonable physical, technical and administrative controls, policies, procedures, and safeguards to maintain and protect their material confidential information and the integrity, continuous operation, redundancy and security of all IT Systems and data (including all personal, personally identifiable, sensitive, confidential or regulated data ("Personal Data")). Except as would not reasonably be expected to have a Material Adverse Effect, the Company and its subsidiaries are presently in compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Personal Data and to the protection of such IT Systems and Personal Data from unauthorized use, access, misappropriation or modification.

Any certificate signed by any officer of the Company and delivered to the Representatives or counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by the Company, as to matters covered thereby, to each Underwriter.

2. <u>Representations and Warranties of the Selling Stockholders.</u> Each Selling Stockholder represents, warrants and covenants to the Company and the Underwriters, severally and not jointly, as follows:

(a) This Agreement has been duly authorized, executed and delivered by or on behalf of such Selling Stockholder.

(b) If such Selling Stockholder is a Gochman Selling Stockholder or the Management Selling Stockholder, (i) book-entry entitlements representing all of the Securities to be sold by such Selling Stockholder hereunder have been placed in custody under a Custody Agreement, in the form heretofore furnished to you (the "Custody Agreement"), duly executed and delivered by such Selling Stockholder to Broadridge Corporate Issuer Solutions, Inc., as custodian (the "Custodian"), and (ii) such Selling Stockholder shall have duly executed and delivered a Power of Attorney, in the form heretofore furnished to you (the "Power of Attorney"), appointing Ken Hicks, Michael Mullican, and Rene Casares, and each of them, as such Selling Stockholder's attorneys-in-fact (the "Attorneys-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Stockholder, to determine the purchase price to be paid by the Underwriters to the Selling Stockholders as provided in Section 3 hereof, to execute and deliver a Stock Power relating to the Underwritten Securities to be sold by such Selling Stockholder (the "Stock Power"), to authorize the delivery of the Securities to be sold by such Selling Stockholder hereunder and to otherwise to act on behalf of such Selling Stockholder in connection with the transactions contemplated by this Agreement and the Custody Agreement.

(c) Upon payment for the Underwritten Securities to be sold by such Selling Stockholders pursuant to this Agreement, delivery of such Underwritten Securities, as directed by the Representatives, to Cede & Co. (“Cede”) or such other nominee as may be designated by The Depository Trust Company (“DTC”), registration of such Underwritten Securities in the name of Cede or such other nominee and the crediting of such Shares on the books of DTC to the securities account of the Underwriters (assuming that neither DTC nor the Underwriters has notice of any adverse claim (within the meaning of Section 8-105 of the New York Uniform Commercial Code (the “UCC”)) to such Shares), (A) DTC shall be a “protected purchaser” of such Underwritten Securities within the meaning of Section 8-303 of the UCC, (B) under Section 8-501 of the UCC, the Underwriters will acquire a valid security entitlement in respect of such Underwritten Securities and (C) no action based on any “adverse claim”, within the meaning of Section 8-102 of the UCC, to such Underwritten Securities may be successfully asserted against the Underwriters with respect to such security entitlement; for purposes of this representation, such Selling Stockholder may assume that when such payment, delivery and crediting occur, (x) such Underwritten Securities will have been registered in the name of Cede or another nominee designated by DTC, in each case on the Company’s share registry in accordance with its certificate of incorporation, bylaws and applicable law, (y) DTC will be registered as a “clearing corporation” within the meaning of Section 8-102 of the UCC and (z) appropriate entry to the account of the Underwriters on the records of DTC will have been made pursuant to the UCC.

(d) The execution and delivery by such Selling Stockholder, or such Selling Stockholder’s Attorneys-in-Fact, as applicable, of, and the performance by such Selling Stockholder of its obligations under, this Agreement, and, if such Selling Stockholder is a Gochman Selling Stockholder or the Management Selling Stockholder, the Power of Attorney, the Custody Agreement and Stock Power, will not contravene or conflict with, result in a breach of, or constitute a default (or, with the giving of notice or lapse of time, would be in default) under, or require the consent of any other party to, (i) in the case of the KKR Selling Stockholders, the limited partnership agreement or the limited liability company agreement, as applicable, of the KKR Selling Stockholders, (ii) in the case of the Gochman Selling Stockholders, the limited partnership agreement or limited liability company agreement, as applicable, of the Gochman Selling Stockholders, (iii) any other agreement or instrument to which such Selling Stockholder is a party or by which it is bound or (iv) any provision of applicable law or any judgment, order, decree or regulation applicable to such Selling Stockholder of any court, regulatory body, administrative agency, governmental body or arbitrator having jurisdiction over such Selling Stockholder, except, in the case of the foregoing clauses (iii) and (iv) as would not, individually or in the aggregate, reasonably be expected to materially impact such Selling Stockholder’s ability to perform its obligations under this Agreement. No consent, approval, authorization or other order of, or registration or filing with, any court or other governmental authority or agency, is required for the consummation by such Selling Stockholder of the transactions contemplated in this Agreement or, if such Selling Stockholder is a Gochman Selling Stockholder or the Management Selling Stockholder, under the Power of Attorney, the Custody Agreement and the Stock Power, except such as may be required under the Securities Act, the Exchange Act, applicable state securities or blue sky laws and from the FINRA and such other approvals as have been or will be made or obtained on or prior to the Closing Date.

(e) All information furnished to the Company or the Underwriters by or on behalf of such Selling Stockholder in writing expressly for use in the Registration Statement, the Disclosure Package or the Prospectus is, and on the Closing Date will be, true, correct and complete in all material respects, and did not, as of the Execution Time, and on the Closing Date will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make such information not misleading, it being understood and agreed that the only such information consists of the name of such Selling Stockholder, the number of total shares beneficially owned, the number of offered shares and the address and other information with respect to such Selling Stockholder (excluding percentages) under the caption "Selling Stockholders" in the Registration Statement, the Disclosure Package and the Prospectus (such information, the "Selling Stockholders Information").

(f) Other than the Registration Statement, the Preliminary Prospectus, the Disclosure Package and the Prospectus, such Selling Stockholder (including its agents and representatives, other than the Underwriters in their capacity as such) has not prepared, made, used, authorized, approved or referred to and will not prepare, make, use, authorize, approve or refer to any Issuer Free Writing Prospectus or Written Testing-the-Waters Communication, other than (i) any document not constituting a prospectus pursuant to Section 2(a)(10)(a) of the Securities Act or Rule 134 under the Securities Act or (ii) the documents listed in Schedule II hereto, each electronic road show and any other written communications approved in writing in advance by the Company and the Representatives.

(g) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action that is designed to or that has constituted or that might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

Any certificate signed by or on behalf of such Selling Stockholder and delivered to the Representatives or to counsel for the Underwriters in connection with the offering of the Securities shall be deemed a representation and warranty by such Selling Stockholder to the Underwriters as to the matters covered thereby with respect to such Selling Stockholder. Such Selling Stockholder has a reasonable basis for making each of the representations set forth in this Section 2. Such Selling Stockholder acknowledges that the Underwriters and, for purposes of the opinions to be delivered pursuant to Sections 8(b)(i) and (iii) and Section 8(c) hereof, counsel to such Selling Stockholder and counsel to the Underwriters, will rely upon the accuracy and truthfulness of the foregoing representations and hereby consents to such reliance.

3. Purchase and Sale.

(a) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, each Selling Stockholder hereby agrees, severally and not jointly, to sell to each Underwriter, and each Underwriter agrees, severally and not jointly, to purchase from such Selling Stockholder, at a purchase price of $[●] per share, the amount of the Underwritten Securities determined by multiplying the aggregate number of Underwritten Securities to be sold by each of the Selling Stockholders as set forth opposite its name in Schedule I(B) hereto by a fraction, the numerator of which is the aggregate number of Underwritten Securities to be purchased by such Underwriter as set forth opposite such Underwriter's name in Schedule I(A) hereto and the denominator of which is the aggregate number of the Underwritten Securities to be purchased by all of the Underwriters from all of the Selling Stockholders hereunder.

(b) Subject to the terms and conditions and in reliance upon the representations and warranties herein set forth, the Selling Stockholders hereby grant an option to the several Underwriters to purchase, severally and not jointly, up to [●] Option Securities at the same purchase price per share as the Underwriters shall pay for the Underwritten Securities, less an amount per share equal to any dividends or distributions declared by the Company and payable on the Underwritten Securities but not payable on the Option Securities. Said option may be exercised in whole or in part at any time (but not more than twice) on or before the 30th day after the date of the Prospectus upon written or telegraphic notice by the Representatives to the Selling Stockholders setting forth the number of shares of the Option Securities as to which the several Underwriters are exercising the option and the settlement date. The number of Option Securities to be purchased by each Underwriter shall be the same percentage of the total number of shares of the Option Securities to be purchased by the several Underwriters as such Underwriter is purchasing of the Underwritten Securities, subject to such adjustments as you in your absolute discretion shall make to eliminate any fractional shares.

(c) Each of the Company and each Selling Stockholder acknowledges and agrees that the Representatives and the other Underwriters are acting solely in the capacity of an arm’s length contractual counterparty to the Company and the Selling Stockholders with respect to the offering of Underwritten Securities contemplated hereby (including in connection with determining the terms of the offering) and not as a financial advisor or a fiduciary to, or an agent of, the Company, the Selling Stockholders or any other person. Additionally, neither the Representatives nor any other Underwriter is advising the Company, the Selling Stockholders or any other person as to any legal, tax, investment, accounting or regulatory matters in any jurisdiction. The Company and the Selling Stockholders shall consult with their own advisors concerning such matters and each shall be responsible for making its own independent investigation and appraisal of the transactions contemplated hereby, and neither the Representatives nor any other Underwriter shall have any responsibility or liability to the Company or the Selling Stockholders with respect thereto. Any review by the Representatives and the other Underwriters of the Company, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Representatives and the other Underwriters and shall not be on behalf of the Company or the Selling Stockholders. Moreover, each Selling Shareholder acknowledges and agrees that, although the Representatives may be required or choose to provide certain Selling Stockholders with certain Regulation Best Interest and Form CRS disclosures in connection with the offering, the Representatives and the other Underwriters are not making a recommendation to any Selling Stockholders to participate in the offering, enter into a “lock-up” agreement, or sell any Securities at the price determined in the offering, and nothing set forth in such disclosures is intended to suggest that the Representatives or any Underwriter is making such a recommendation.

4. Delivery and Payment. Delivery of and payment for the Underwritten Securities and the Option Securities (if the option provided for in Section 3(b) hereof shall have been exercised on or before the second Business Day immediately preceding the Closing Date) shall be made at the offices of Simpson Thacher & Bartlett LLP, 425 Lexington Avenue, New York, New York 10017 at 10:00 AM, New York City time, on [●], 2021, or at such time on such later date not more than two Business Days after the foregoing date as the Representatives shall designate, which date and time may be postponed by agreement between the Representatives, the

Company and the Selling Stockholders or as provided in Section 11 hereof (such date and time of delivery and payment for the Securities being herein called the "Closing Date"). Delivery of the Securities shall be made to the Representatives for the respective accounts of the several Underwriters against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Selling Stockholders or the Custodian, as applicable, by wire transfer payable in same-day funds to the account(s) specified by the Selling Stockholders or the Custodian, as applicable, in writing to the Representatives. Delivery of the Underwritten Securities and the Option Securities shall be made through the facilities of DTC unless the Representatives shall otherwise instruct.

If the option provided for in Section 3(b) hereof is exercised after the second Business Day immediately preceding the Closing Date, the Selling Stockholders will deliver the Option Securities to the Representatives on the date specified by the Representatives (which shall be within two Business Days after exercise of said option, which date may be postponed by agreement between the Representatives, the Company and the Selling Stockholders) for the respective accounts of the several Underwriters, against payment by the several Underwriters through the Representatives of the purchase price thereof to or upon the order of the Selling Stockholders or the Custodian, as applicable, by wire transfer payable in same-day funds to the account(s) specified by the Selling Stockholders or the Custodian, as applicable. If settlement for the Option Securities occurs after the Closing Date, the Selling Stockholders will deliver to the Representatives on the settlement date for the Option Securities, and the obligation of the Underwriters to purchase the Option Securities shall be conditioned upon receipt of, supplemental opinions, certificates and letters confirming as of such date the opinions, certificates and letters delivered on the Closing Date pursuant to Section 8 hereof.

5. Offering by Underwriters. It is understood that the several Underwriters propose to offer the Securities for sale to the public as set forth in the Prospectus.

6. Agreements of the Company. The Company agrees with the several Underwriters as follows:

(a) Prior to the termination of the offering of the Securities, the Company will not file any amendment of the Registration Statement or supplement to the Prospectus or any Rule 462(b) Registration Statement unless the Company has furnished you a copy for your review prior to filing and will not file any such proposed amendment or supplement to which you reasonably object. The Company will cause the Prospectus, properly completed, and any supplement thereto to be filed in a form approved by the Representatives with the Commission pursuant to the applicable paragraph of Rule 424(b) within the time period prescribed and will provide evidence satisfactory to the Representatives of such timely filing. The Company will promptly advise the Representatives (i) when the Prospectus, and any supplement thereto, shall have been filed (if required) with the Commission pursuant to Rule 424(b) or when any Rule 462(b) Registration Statement shall have been filed with the Commission, (ii) when, prior to termination of the offering of the Securities, any amendment to the Registration Statement shall have been filed or become effective, (iii) of any request by the Commission or its staff for any amendment of the Registration Statement, or any Rule 462(b) Registration Statement, or for any supplement to the Prospectus or for any additional information, (iv) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or of any notice objecting to its use or the institution or threatening of any proceeding for that purpose or pursuant to Section 8A under the Act and (v) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities for sale in any jurisdiction or the institution or threatening of any proceeding for such purpose. The Company will use its commercially reasonable efforts to prevent the issuance of any such stop order or the occurrence of any such suspension or objection to the use of the Registration Statement and, upon such issuance, occurrence or notice of objection, to obtain as soon as possible the withdrawal of such stop order or relief from such occurrence or objection, including, if necessary, by filing an amendment to the Registration Statement or a new registration statement and using its commercially reasonable efforts to have such amendment or new registration statement declared effective as soon as practicable.

(b) If, at any time prior to the filing of the Prospectus pursuant to Rule 424(b), there occurs an event, the result of which, in the opinion of counsel for the Underwriters, or counsel for the Company, the Disclosure Package would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made not misleading, the Company will (i) notify promptly the Representatives so that any use of the Disclosure Package may cease until it is amended or supplemented; (ii) subject to paragraph (a) of this Section 6, amend or supplement the Disclosure Package to eliminate or correct such statement or omission; and (iii) supply any amendment or supplement to the several Underwriters and counsel for the Underwriters without charge in such quantities as they may reasonably request.

(c) If, during such period of time after the first date of the public offering of the Securities as in the opinion of counsel for the Underwriters a prospectus relating to the Securities is required by law to be delivered (including in circumstances where such requirement may be satisfied pursuant to Rule 172) (the “Prospectus Delivery Period”), there occurs an event, the result of which, in the opinion of counsel for the Underwriters, or counsel for the Company, the Prospectus as then supplemented would include any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein in the light of the circumstances under which they were made not misleading, or if it shall be necessary to amend the Registration Statement or supplement the Prospectus to comply with applicable law, the Company will promptly (i) notify the Representatives of any such event; (ii) prepare and file with the Commission, subject to the second sentence of paragraph (a) of this Section 6, an amendment or supplement that will eliminate or correct such statement or omission or effect such compliance; and (iii) supply any supplemented Prospectus to the several Underwriters and counsel for the Underwriters without charge in such quantities as they may reasonably request.

(d) [Reserved].

(e) As soon as practicable, the Company will make generally available to its security holders and to the Representatives (which may be satisfied by filing with the Commission’s EDGAR system) an earnings statement or statements of the Company and its subsidiaries which will satisfy the provisions of Section 11(a) of the Act and Rule 158.

(f) The Company will cooperate with the Representatives and use its commercially reasonable efforts to permit the Securities to be eligible for clearance and settlement through DTC.

(g) The Company will furnish to the Representatives and counsel for the Underwriters, without charge, signed copies of the Registration Statement (including exhibits thereto) and to each other Underwriter a copy of the Registration Statement (without exhibits thereto) and, so long as delivery of a prospectus by an Underwriter or dealer may be required by the Act (including in circumstances where such requirement may be satisfied pursuant to Rule 172) during the Prospectus Delivery Period, as many copies of each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus and any supplement thereto as the Representatives may reasonably request. The Company will pay the expenses of printing or other production of all documents relating to the offering.

(h) The Company will assist the Underwriters in arranging, if necessary, for the qualification of the Securities for sale by the Underwriters under the laws of such jurisdictions as the Representatives may designate and will maintain such qualifications in effect so long as required for the sale of the Securities; *provided* that in no event shall the Company be obligated to qualify to do business in any jurisdiction where it is not now so qualified or to take any action that would reasonably be expected to subject it to service of process in suits, other than those arising out of the offering or sale of the Securities, in any jurisdiction where it is not now so subject or to subject themselves to taxation in excess of a nominal amount in respect of doing business in any jurisdiction.

(i) The Company will not, without the prior written consent of the Representatives, offer, sell or contract to sell, pledge (other than on behalf of an Affiliate of the Company) or otherwise dispose of, (or enter into any transaction that is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Company or any Affiliate of the Company or any person in privity with the Company or any Affiliate of the Company) directly or indirectly, including the public filing (or participation in the public filing) of a registration statement with the Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Exchange Act, any other shares of Common Stock or any securities convertible into, or exercisable, or exchangeable for, shares of Common Stock ("Related Securities"); or publicly announce an intention to effect any such transaction, for a period of 90 days after the date of the Underwriting Agreement. The foregoing sentence shall not apply to (A) any shares of Common Stock issued by the Company upon the exercise of options to purchase shares of Common Stock, upon the vesting of restricted stock awards or upon the settlement of restricted stock unit awards, in each case disclosed in the Disclosure Package and the Prospectus, (B) the grant of awards pursuant to the Company's incentive plans or otherwise pursuant to equity compensation arrangements with directors, officers, employees and consultants of the Company and its subsidiaries, in each case, as described in the Disclosure Package and the Prospectus, (C) the issuance or grant of shares of securities, including restricted stock awards, options to purchase shares of common stock, restricted stock units or any other stock-based awards, in each case, registered or to be registered pursuant to any registration statement on Form S-8 pursuant to any benefit plans or arrangements (including, without limitation, employee stock purchase plan), in each case, as described in the

Disclosure Package and the Prospectus, (D) the issuance of shares of Common Stock in connection with the acquisition by the Company or any of its subsidiaries of the securities, business, property or other assets of another person or business entity or pursuant to any employee benefit plan assumed by the Company in connection with any such acquisition, or (E) the issuance of shares of Common Stock, of restricted stock awards or of options to purchase shares of Common Stock, in each case, in connection with joint ventures, commercial relationships or other strategic transactions; *provided* that, in the case of immediately preceding clauses (D) and (E), the aggregate number of restricted stock awards and shares of Common Stock issued in connection with, or issuable pursuant to the exercise of any options issued in connection with, all such acquisitions and other transactions does not exceed 5% of the aggregate number of shares of common stock outstanding immediately following the consummation of the offering of the Securities and the recipient of the shares of Common Stock agrees in writing to be bound by the same terms described in the agreement attached hereto as Exhibit A.

(j) [Reserved].

(k) The Company will not take, directly or indirectly, any action designed to or that would constitute or that might reasonably be expected to cause or result in, under the Exchange Act or otherwise, unlawful stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Securities.

(l) The Company agrees to pay the costs and expenses relating to the following matters: (i) the preparation, printing or reproduction and filing with the Commission of the Registration Statement (including financial statements and exhibits thereto), each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus, and each amendment or supplement to any of them; (ii) the printing (or reproduction) and delivery (including postage, air freight charges and charges for counting and packaging) of such copies of the Registration Statement, each Preliminary Prospectus, the Prospectus and each Issuer Free Writing Prospectus, and all amendments or supplements to any of them, as may, in each case, be reasonably requested for use in connection with the offering and sale of the Securities; (iii) the printing (or reproduction) and delivery of any blue sky memorandum delivered in connection with the offering of the Securities; (iv) any registration or qualification of the Securities for offer and sale under the securities or blue sky laws of the several states and any other jurisdictions specified pursuant to Section 6(h) hereof (including filing fees and the reasonable and documented fees and expenses of counsel for the Underwriters relating to such registration and qualification in an amount not to exceed $20,000); (v) the approval of the Securities for book entry transfer by DTC; (vi) any filings required to be made with the FINRA (including filing fees, fees and the reasonable and documented fees and expenses of counsel for the Underwriters relating to such filings in an amount not to exceed $35,000); (vii) the transportation and other expenses incurred by or on behalf of the Company in connection with presentations to prospective purchasers of the Securities, including any “roadshow” (and including one half of the cost of all aircraft used in connection with any “roadshow”); (viii) the costs and expenses associated with the preparation or dissemination of any electronic road show, expenses associated with the production of road show slides and graphics, fees and expenses of any consultants engaged in connection with the road show presentations with the prior approval of the Company, (ix) the fees and expenses of the Company’s accountants and the fees and expenses of counsel (including local and special counsel) for the Company and one counsel for the Selling Stockholders and (x) all other costs and expenses incident to the performance by the Company of its obligations hereunder. Notwithstanding the forgoing, except as specifically provided in this paragraph (l) and in Section 9 hereof, the Underwriters shall pay their own costs and expenses in connection with presentations for prospective purchasers of the Securities including the transportation and other expenses incurred by or on behalf of the Underwriters in connection with presentations to prospective purchasers of the Securities, including any "roadshow" (and including one half of the cost of all aircraft used in connection with any "roadshow"). Each Selling Stockholder agrees with the Underwriters to pay (directly or by reimbursement) all fees and expenses incident to the performance of such Selling Stockholder's obligations under this Agreement with respect to stock transfer taxes, stamp duties and other similar taxes incident to the sale and delivery of the Underwritten Securities to be sold by such Selling Stockholder to the Underwriters hereunder. This Section 6(l) shall not affect or modify any separate, valid agreement relating to the allocation of payment of expenses between the Company, on the one hand, and any Selling Stockholder, on the other hand.

(m) [Reserved].

(n) The Company agrees that, unless it has or shall have obtained the prior written consent of the Representatives, and each Underwriter, severally and not jointly, agrees with the Company that, unless it has or shall have obtained, as the case may be, the prior written consent of the Company, it has not made and will not make any offer relating to the Securities that would constitute, or otherwise use, refer to or distribute, an Issuer Free Writing Prospectus or that would otherwise constitute a "free writing prospectus" (as defined in Rule 405) required to be filed by the Company with the Commission or retained by the Company under Rule 433; *provided* that the prior written consent of the parties hereto shall be deemed to have been given in respect of the Free Writing Prospectuses included in Schedule II hereto and any electronic road show, each furnished to the Representatives before first use. Any such free writing prospectus consented to by the Representatives or the Company is hereinafter referred to as a "Permitted Free Writing Prospectus." The Company agrees that (x) it has treated and will treat, as the case may be, each Permitted Free Writing Prospectus as an Issuer Free Writing Prospectus and (y) it has complied and will comply, as the case may be, with the requirements of Rules 164 and 433 applicable to any Permitted Free Writing Prospectus, including in respect of timely filing with the Commission, legending and record keeping. Each Underwriter, severally and not jointly, represents and agrees that it is not subject to any pending proceeding under Section 8A of the Act with respect to the offering (and will promptly notify the Company if any such proceeding against it is initiated during the period a prospectus is required by the Act to be delivered (whether physically or through compliance with Rule 172 under the Act or any similar rule) in connection with any sale of Securities).

7. <u>Agreements of the Selling Stockholders</u>. Each Selling Stockholder agrees with the Company and the several Underwriters as follows:

(a) Such Selling Stockholder will advise you promptly, and if requested by you, will confirm such advice in writing, during the period when a prospectus relating to the Underwritten Securities is required by the Securities Act to be delivered (whether physically or through compliance with Rule 172 under the Securities Act or any similar rule), of any change in the Selling Stockholders Information in the Registration Statement, any preliminary prospectus, any free writing prospectus, the Prospectus or any amendment or supplement thereto relating to such Selling Stockholder.

(b) To deliver to the Underwriters prior to the Closing Date a properly completed and executed United States Treasury Department Form W-9, together with all required attachments, if any, of such Selling Stockholder or, in the case of a Gochman Selling Stockholder or the Management Selling Stockholder, of the Custodian.

The Underwriters, may, in their sole discretion, waive in writing the performance by the Company or any Selling Stockholder of any one or more of the foregoing covenants or extend the time for their performance.

8. Conditions to the Obligations of the Underwriters. The obligations of the Underwriters to purchase the Underwritten Securities and the Option Securities, as the case may be, shall be subject to the accuracy in all material respects (except in the case of Section 1(kk), (ll) and (mm) or to the extent already qualified by materiality, in which case such obligations shall be subject to the accuracy in all respects) of the representations and warranties of the Company and the Selling Stockholders contained herein as of the Execution Time, the Closing Date and any settlement date pursuant to Section 4 hereof, to the accuracy of the statements of the Company and the Selling Stockholders made in any certificates pursuant to the provisions hereof, to the performance by the Company and the Selling Stockholders in all material respects of their respective obligations hereunder and to the following additional conditions:

(a) The Prospectus, and any supplement thereto, have been filed in the manner and within the time period required by Rule 424(b); any material required to be filed by the Company pursuant to Rule 433(d) under the Act shall have been filed with the Commission within the applicable time periods prescribed for such filings by Rule 433; and no stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use shall have been issued and no proceedings for that purpose or pursuant to Section 8A under the Act shall have been instituted or threatened.

(b) (i) The Company and the KKR Selling Stockholders shall have requested and caused Simpson Thacher & Bartlett LLP, counsel for the Company and the KKR Selling Stockholders, to furnish to the Representatives an opinion letter and a negative assurance letter, each dated the Closing Date or any settlement date, as the case may be, and in form and substance reasonably satisfactory to the Representatives, as set forth in Exhibit B hereto;

(ii) The Company shall have requested and caused the general counsel of the Company to furnish to the Representatives an opinion letter dated the Closing Date or any settlement date, as the case may be, and otherwise in form and substance reasonably satisfactory to the Representatives, as set forth in Exhibit C hereto; and

(iii) The Gochman Selling Stockholders and the Management Selling Stockholder shall have requested and caused Whalen LLP, counsel for the Management Selling Stockholder, to furnish to the Representatives an opinion letter dated the Closing Date and in form and substance reasonably satisfactory to the Representatives.

(c) The Representatives shall have received from Latham & Watkins LLP, counsel for the Underwriters, an opinion letter and negative assurance letter, each dated the Closing Date or any settlement date, as the case may be, and addressed to the Representatives, with respect to such matters as the Representatives may reasonably require, and the Company shall have furnished to such counsel such documents as they reasonably request for the purpose of enabling them to pass upon such matters.

(d) The Company shall have furnished to the Underwriters a certificate of the Company, signed by (x) the chairman, chief executive officer, president or vice president and (y) the chief financial officer, treasurer or principal financial or accounting officer of the Company, dated the Closing Date or any settlement date, as the case may be, to the effect that the signers of such certificate have carefully examined the Registration Statement, the Disclosure Package, the Prospectus and any amendment or supplement thereto, as well as each electronic road show used in connection with the offering of the Securities, and this Agreement and that:

(1) the representations and warranties of the Company in this Agreement are true and correct in all material respects (except in the case of Section 1(kk), (ll) and (mm) or to the extent already qualified by materiality, in which case such representations and warranties are true and correct in all respects) at the Execution Time and on the Closing Date or any settlement date, as the case may be, and the Company has complied in all material respects with all the agreements and satisfied all the conditions on its part to be performed or satisfied hereunder at or prior to the Closing Date or any settlement date, as the case may be;

(2) since the date of the most recent financial statements included in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), there has been no material adverse change in the condition (financial or otherwise), business or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto); and

(3) no stop order suspending the effectiveness of the Registration Statement or any notice objecting to its use has been issued and no proceedings for that purpose or pursuant to Section 8A under the Act have been instituted or, to the Company's knowledge, threatened.

(e) At the Execution Time and at the Closing Date or any settlement date, as the case may be, the Company shall have requested and caused Deloitte & Touche LLP to furnish to the Underwriters a "comfort" letter, dated as of the Execution Time, and a bring-down "comfort letter," dated as of the Closing Date or any settlement date, as the case may be, respectively, in form and substance reasonably satisfactory to the Representatives, confirming that they are independent registered public accountants within the meaning of the Exchange Act and within the meaning of the rules of the Public Company Accounting Oversight Board and confirming certain matters with respect to the audited and unaudited financial statements and other financial and accounting information of the Company contained in the Disclosure Package and the Prospectus, including any supplement thereto at the date of the applicable letter.

(f) On the Closing Date or any settlement date, the Underwriters shall receive a written certificate executed by (i) in the case of the KKR Selling Stockholders, the managing member or the general partner of the applicable KKR Selling Stockholder and (ii) in the case of the Gochman Selling Stockholders and the Management Selling Stockholder, an Attorney-in-Fact of such Selling Stockholder, dated as of such date, to the effect that:

(1) the representations and warranties of the applicable Selling Stockholder set forth in this Agreement are true and correct in all material respects (except to the extent already qualified by materiality, in which case such representations and warranties shall be subject to accuracy in all respects) with the same force and effect as though expressly made by such Selling Stockholder on and as of such date; and

(2) the applicable Selling Stockholder has complied in all material respects with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to such date.

(g) On or before the Closing Date, the Gochman Selling Stockholders and the Management Selling Stockholder shall have furnished for review by the Underwriters copies of the Power of Attorney, Stock Power and Custody Agreement, as applicable, and such further information, certificates and documents as the Underwriters may reasonably request.

(h) Subsequent to the Execution Time or, if earlier, the dates as of which information is given in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto), there shall not have been any change or development involving a prospective change, in the condition (financial or otherwise), business or results of operations of the Company and its subsidiaries, taken as a whole, except as set forth in or contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto), the effect of which is, or would reasonably be expected to become, in the judgment of the Representatives, so material and adverse as to make it impractical or inadvisable to proceed with the offering, sale or delivery of the Securities on the terms and in the manner contemplated in the Disclosure Package and the Prospectus (exclusive of any amendment or supplement thereto).

(i) Subsequent to the earlier of (A) the Execution Time and (B) the execution and delivery of this Agreement, (i) no downgrading shall have occurred in the rating accorded any debt securities, convertible securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries by any “nationally recognized statistical rating organization,” as such term is defined under Section 3(a)(62) under the Exchange Act and (ii) no such organization shall have publicly announced that it has under surveillance or review, or has changed its outlook with respect to, its rating of any such debt securities or preferred stock issued or guaranteed by the Company or any of its subsidiaries (other than an announcement with positive implications of a possible upgrading).

(j) At or prior to the Execution Time, the Selling Stockholders shall have furnished to the Representatives, and the Company shall have caused each executive officer and director of the Company listed on Exhibit A-1 hereto to furnish to the Representatives, a letter addressed to the Representatives substantially in the form of Exhibit A hereto.

(k) Prior to the Closing Date or any settlement date, as the case may be, the Company shall have taken all action reasonably required to be taken by it to have the Securities declared eligible for clearance and settlement through DTC.

(l) Prior to the Closing Date or any settlement date, as the case may be, the Company shall have furnished to the Representatives such further information, certificates and documents as the Representatives may reasonably request.

All opinions, letters, evidence and certificates mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in form and substance reasonably satisfactory to the Representatives and counsel for the Underwriters.

The documents required to be delivered by this Section 8 will be available for inspection at the office of Simpson Thacher & Bartlett LLP, at 425 Lexington Avenue, New York, New York 10017, on the Business Day prior to the Closing Date or any settlement date, as the case may be.

9. Reimbursement of Underwriters' Expenses. If the sale of the Securities provided for herein is not consummated because any condition to the obligations of the Underwriters set forth in Section 8 hereof is not satisfied, because of any termination pursuant to Section 12 hereof or because of any refusal, inability or failure on the part of the Company or any Selling Stockholder to perform any agreement herein or to comply with any provision hereof other than by reason of a default by any of the Underwriters, including as described in Section 11 hereof, the Company will reimburse the Underwriters severally through the Representatives on behalf of the Underwriters on demand for all reasonable expenses (including reasonable fees and disbursements of Latham & Watkins LLP) that shall have been incurred by them in connection with the proposed purchase and sale of the Securities.

10. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Underwriter, the directors, officers, selling agents and Affiliates of each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act and each Selling Stockholder and each person who controls such Selling Stockholder within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other U.S. federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, or in any Preliminary Prospectus, or the Prospectus, or any Issuer Free Writing Prospectus, or any bona fide electronic road show as defined in Rule 433(h) under the Act (a "road show"), or in any amendment thereof or supplement thereto or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the case of any Preliminary Prospectus, the Prospectus, any Free Writing Prospectus or roadshow or in any amendment thereof or supplement thereto, in the light of the circumstances under which they were made, not misleading, and agrees (subject to the limitations set forth in the provisos to this sentence) to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by it in connection with investigating or defending any such loss, claim, damage, liability or action; *provided*, *however*, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with (x) written information furnished to the Company by or on behalf of any Underwriter through the Representatives specifically for inclusion therein and (y), only with respect to the Company's indemnification of the Selling Stockholders and each person who controls such Selling Stockholders, the Selling Stockholder Information. The obligations of the Company under this indemnity agreement will be in addition to any liability that the Company may otherwise have. The Company shall not be liable under this Section 10 to any indemnified party regarding any settlement or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent is consented to by the Company, as applicable, which consent shall not be unreasonably withheld.

(b) Each of the Selling Stockholders, severally, and not jointly, agrees to indemnify and hold harmless (x) each Underwriter, the directors, officers, selling agents and Affiliates of each Underwriter and each person who controls any Underwriter within the meaning of either the Act or the Exchange Act and (y) the Company, each person, if any, who controls the Company within the meaning of either the Act or the Exchange Act, each of directors of the Company who signed the Registration Statement and each of the officers of the Company who signs the Registration Statement against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act, other U.S. federal or state statutory law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities arise to the extent and in the manner set forth in Section 10(a) above; *provided* that any Selling Stockholder shall be liable only to the extent that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, or in any Preliminary Prospectus, or the Prospectus, or any Issuer Free Writing Prospectus or any roadshow or in any amendment thereof or supplement thereto in reliance upon and in conformity with the Selling Stockholders Information provided by such Selling Stockholder; *provided*, *further*, that the liability under this subsection of each Selling Stockholder shall be limited to an amount equal to the aggregate gross proceeds after underwriting commissions and discounts, but before expenses, to such Selling Stockholder from the sale of Securities sold by such Selling Stockholder hereunder (the "Selling Stockholder Net Proceeds").

(c) Each Underwriter severally, and not jointly, agrees to indemnify and hold harmless (i) the Company, (ii) each person, if any, who controls (within the meaning of either the Act or the Exchange Act) the Company or any Selling Stockholder, (iii) each of the directors of the Company who signs the Registration Statement, (iv) each of the officers of the Company who signs the Registration Statement and (v) each of the Selling Stockholders, to the same extent as the foregoing indemnity from the Company and Selling Stockholders to each Underwriter, but only with reference to written information relating to such Underwriter furnished to the

Company and/or Selling Stockholders by or on behalf of such Underwriter through the Representatives specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability that any Underwriter may otherwise have. The Company acknowledges that the statements in the Preliminary Prospectus and the Prospectus set forth in the [fifth paragraph, the eleventh paragraph and the twelfth paragraph] under the heading "Underwriting (Conflicts of Interest)", constitute the only information furnished in writing by or on behalf of the several Underwriters for inclusion in the Registration Statement, Preliminary Prospectus, the Prospectus, any Issuer Free Writing Prospectus or any road show.

(d) Promptly after receipt by an indemnified party under this Section 10 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 10, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party (i) will not relieve it from liability under paragraph (a), (b) or (c) above, as applicable, unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights or defenses and (ii) will not, in any event, relieve the indemnifying party from any obligations to any indemnified party other than the indemnification obligation provided in paragraph (a), (b) or (c) above, as applicable, except as provided in paragraph (e) below. The indemnifying party shall be entitled to appoint counsel (including local counsel) of the indemnifying party's choice at the indemnifying party's expense to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel, other than local counsel if not appointed by the indemnifying party, retained by the indemnified party or parties except as set forth below); *provided, however,* that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel (including local counsel) to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest (based on the advice of counsel for the indemnified person); (ii) such action includes both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded (based on the advice of counsel for the indemnified party) that there may be legal defenses available to it and/or other indemnified parties that are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. It is understood and agreed that the indemnifying party shall not, in connection with any proceeding or related proceeding in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate firm (in addition to any local counsel) for all indemnified parties. Any such separate firm for any Underwriters, its Affiliates, directors, selling agents and officers and any control persons of such Underwriters shall be designated in writing by Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC and any such separate firm for the indemnified parties referred to in Section 10(c) above shall be designated in writing by the Company. In the event that any Underwriter, its Affiliates, directors, selling agents and officers or any control persons of such Underwriter are indemnified persons collectively entitled, in connection with a proceeding in a single jurisdiction, to the payment of fees and expenses of a single separate firm under this Section 10(d), and any such Underwriter, its Affiliates, directors, selling agents and officers or any control persons of such Underwriter cannot agree to a mutually acceptable separate firm to act as counsel thereto, then such separate firm for all such indemnified persons shall be designated in writing by Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC. An indemnifying party will not, without the prior written consent of the indemnified parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified parties are actual or potential parties to such claim, action suit or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action, suit or proceeding and does not include any statement as to, or any admission of, fault, culpability or failure to act by or on behalf of any indemnified party.

(e) In the event that the indemnity provided in paragraph (a), (b), (c) or (d) of this Section 10 is unavailable to or insufficient to hold harmless an indemnified party for any reason (other than by virtue of the failure of an indemnified party to notify the indemnifying party of its right to indemnification pursuant to subsection (a), (b),(c) or (d) above where such failure materially prejudices the indemnifying party (through the forfeiture of substantial rights or defenses)), the Company and/or the Selling Stockholders, as applicable, and the Underwriters severally agree to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending any loss, claim, damage, liability or action) (collectively "Losses") to which the Company and/or the Selling Stockholders, as applicable, and one or more of the Underwriters may be subject in such proportion as is appropriate to reflect the relative benefits received by the Company and/or the Selling Stockholders, as applicable, on the one hand and by the Underwriters on the other from the offering of the Securities. If the allocation provided by the immediately preceding sentence is unavailable for any reason or not permitted by applicable law, the Company and/or the Selling Stockholders, as applicable, and the Underwriters severally shall contribute in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and/or the Selling Stockholders, as applicable, on the one hand and of the Underwriters on the other in connection with the statements or omissions that resulted in such Losses, as well as any other relevant equitable considerations. Benefits received by the Company and/or the Selling Stockholders, as applicable, shall be deemed to be equal to the total net proceeds from the offering (before deducting expenses) received by it, and benefits received by the Underwriters shall be deemed to be equal to the total underwriting discounts and commissions received by them, in each case as set forth on the cover page of the Prospectus. Relative fault shall be determined by reference to, among other things, whether any untrue or any alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information provided by the Company and/or the Selling Stockholders, as applicable, on the one hand or the Underwriters on the other, the intent of the parties and their relative knowledge, access to information and opportunity to correct or prevent such untrue statement or omission and any other equitable considerations appropriate in the circumstances. The Company, the Selling Stockholders and the Underwriters agree that it would not be just and equitable if the amount of such contribution were determined by pro rata allocation or any other method of allocation that does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this paragraph (e), in no event shall any Underwriter be required to contribute any amount in excess of the amount by which the total underwriting discounts and commissions received by such Underwriter with respect to the offering of the Securities exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. Notwithstanding the provisions of this paragraph (e), each Selling Stockholder's obligations to contribute any amount under this paragraph (e) is further limited in the manner and to the extent set forth in paragraph 10(b) and in no event shall the aggregate liability of such Selling Stockholder under paragraph 10(b) and this paragraph (e) exceed the Selling Stockholder Net Proceeds. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations to contribute pursuant to this Section 10 are several in proportion to their respective purchase obligations hereunder and not joint. The Selling Stockholder's obligations in this Section 10 to contribute are several in proportion to their Selling Stockholder Net Proceeds and not joint. For purposes of this Section 10, each person, if any, who controls an Underwriter within the meaning of either the Act or the Exchange Act and each director, officer, employee, Affiliate and agent of an Underwriter shall have the same rights to contribution as such Underwriter, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company who shall have signed the Registration Statement and each director of the Company shall have the same rights to contribution as the Company, and each person, if any, who controls any Selling Stockholder within the meaning of either the Act or the Exchange Act shall have the same rights to contribution as such Selling Stockholder, subject in each case to the applicable terms and conditions of this paragraph (e). Notwithstanding anything to the contrary in this Agreement, the aggregate liability of each Selling Stockholder under the indemnity and contribution agreements contained in this Section 10 shall not exceed the Selling Stockholder Net Proceeds.

11. Default by an Underwriter. If any one or more Underwriters shall fail to purchase and pay for any of the Securities agreed to be purchased by such Underwriter or Underwriters hereunder and such failure to purchase shall constitute a default in the performance of its or their obligations under this Agreement, the remaining Underwriters, as the case may be, shall be obligated severally to take up and pay for (in the respective proportions that the amount of the Securities set forth opposite their names in Schedule I(A) hereto bears to the aggregate amount of the Securities set forth opposite the names of all the remaining Underwriters, as applicable) the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase; *provided, however,* that in the event that the aggregate amount of the Securities that the defaulting Underwriter or Underwriters agreed but failed to purchase shall exceed 10% of the aggregate amount of the Securities set forth in Schedule I(A) hereto, the Company and the Selling Stockholders shall be entitled to a period of 36 hours within which to procure another party or parties reasonably satisfactory to the non-defaulting Underwriters, as the case may be, to purchase no less than the amount of such unpurchased Securities that exceeds 10% of the amount thereof upon such terms herein set forth. If, however, the Company and the Selling Stockholders shall not have completed such arrangements within 72 hours after such default and the amount of unpurchased Securities exceeds 10% of the amount of such Securities to be purchased on such date, then this Agreement will terminate without liability to any non-defaulting Underwriter or

the Company and the Selling Stockholders. In the event of a default by any Underwriter as set forth in this Section 11, the Closing Date shall be postponed for such period, not exceeding five Business Days, to effect any changes that in the opinion of counsel for the Company and the Selling Stockholders or counsel for the Representatives are necessary in the Registration Statement, Prospectus or in any other documents or arrangements may be effected. Nothing contained in this Agreement shall relieve any defaulting Underwriter of its liability, if any, to the Company and the Selling Stockholders or any nondefaulting Underwriter for damages occasioned by its default hereunder.

12. Termination. This Agreement shall be subject to termination in the absolute discretion of the Representatives, by notice given to the Company and the Selling Stockholders prior to delivery of and payment for the Securities, if at any time prior to such time (i) there shall have occurred, since the time of execution of this Agreement or since the respective dates as of which information is given in the Disclosure Package or the Prospectus, any material adverse change or development in the condition (financial or otherwise), business or results of operations of the Company and its subsidiaries, taken as a whole; (ii) trading in the Company's Common Stock shall have been suspended by the Commission or the Exchange or trading in any securities generally on the New York Stock Exchange or NASDAQ Stock Market shall have been suspended or materially limited or minimum prices shall have been established on either exchange; (iii) a banking moratorium shall have been declared either by U.S. federal or New York State authorities; (iv) there shall have occurred a material disruption in commercial banking or securities settlement or clearance services or (v) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis the effect of which on financial markets is such as to make it, in the judgment of the Representatives, impractical or inadvisable to proceed with the offering, sale or delivery of the Securities as contemplated in the Disclosure Package and the Prospectus (exclusive of any supplement thereto).

13. Representations and Indemnities to Survive. The respective agreements, representations, warranties, indemnities and other statements of the Company or its officers, the Selling Stockholders and of the Underwriters set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of any Underwriter, the Company, the Selling Stockholders or any of the indemnified persons referred to in Section 10 hereof, and, anything herein to the contrary notwithstanding, will survive delivery of and payment for the Securities. The provisions of Sections 9 and 10 hereof shall survive the termination or cancellation of this Agreement.

14. Notices. All communications hereunder will be in writing and effective only on receipt, and, if sent to the Representatives, will be mailed, delivered or telefaxed to c/o Credit Suisse Securities (USA) LLC, Eleven Madison Avenue, New York, NY 10010-3629, Attention: LCD-IBD and c/o J.P. Morgan Securities LLC, 383 Madison Avenue, New York, New York 10179, Attention: IBCM-Legal, if sent to the Company, will be mailed or delivered to Academy Sports and Outdoors, Inc., 1540 North Mason Road, Katy, TX, 77449 Attention: General Counsel; with a copy to Joseph H. Kaufman and Sunny Cheong, Simpson Thacher & Bartlett LLP, at 425 Lexington Avenue, New York, New York (fax no. (212) 455-2502), if to the KKR Selling Stockholders, c/o Kohlberg Kravis Roberts & Co. L.P., 30 Hudson Yards, Suite 7500, New York, NY 10001, with a copy to Joseph H. Kaufman and Sunny Cheong, Simpson Thacher

& Bartlett LLP, at 425 Lexington Avenue, New York, New York (fax no. (212) 455-2502), or, if to the Gochman Selling Stockholders and the Management Selling Stockholder, to each of the Attorneys-in Fact named in the Power of Attorney, c/o the Company at the address set forth on the cover of the Registration Statement, Attention: General Counsel with a copy, which shall not constitute notice, to Whalen LLP, 1601 Dove Street, Suite 270, Newport Beach, California 92660. The Company and the Selling Stockholders shall be entitled to act and rely upon any request, consent, notice or agreement given or made on behalf of the Underwriters by the Representatives.

15. Recognition of the U.S. Special Resolution Regimes.

(a) In the event that any Underwriter that is a Covered Entity becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer from such Underwriter of this Agreement, and any interest and obligation in or under this Agreement, will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if this Agreement, and any such interest and obligation, were governed by the laws of the United States or a state of the United States.

(b) In the event that any Underwriter that is a Covered Entity or a BHC Act Affiliate of such Underwriter becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under this Agreement that may be exercised against such Underwriter are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if this Agreement were governed by the laws of the United States or a state of the United States.

(c) For purposes of this Section 15, a “BHC Act Affiliate” has the meaning assigned to the term “affiliate” in, and shall be interpreted in accordance with, 12 U.S.C. § 1841(k). “Covered Entity” means any of the following: (i) a “covered entity” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a “covered bank” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a “covered FSI” as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b). “Default Right” has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable. “U.S. Special Resolution Regime” means each of (i) the Federal Deposit Insurance Act and the regulations promulgated thereunder and (ii) Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the regulations promulgated thereunder.

16. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto and their respective successors and the indemnified parties referred to in Section 10 hereof and their respective successors and no other person will have any right or obligation hereunder. No purchaser of Securities from any Underwriter shall be deemed to be a successor merely by reason of such purchase.

17. Applicable Law. THIS AGREEMENT AND ANY CLAIM, CONTROVERSY OR DISPUTE ARISING UNDER OR RELATED TO THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WITHIN THE STATE OF NEW YORK.

18. Patriot Act. In accordance with the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)), the Underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the Underwriters to properly identify their respective clients.

19. No Fiduciary Duty. The Company and the Selling Stockholders hereby acknowledge that (a) the purchase and sale of the Securities pursuant to this Agreement is an arm's-length commercial transaction between the Company and the Selling Stockholders, on the one hand, and the Underwriters and any affiliate through which it may be acting, on the other, and does not constitute a recommendation, investment advice, or solicitation of any action by the Underwriters, (b) the Underwriters are acting as principal and not as an agent or fiduciary of the Company or the Selling Stockholders and (c) the Company's engagement of the Underwriters in connection with the offering and the process leading up to the offering is as independent contractors and not in any other capacity. Furthermore, the Company and the Selling Stockholders agree that they are solely responsible for making their own judgments in connection with the offering (irrespective of whether any of the Underwriters has advised or is currently advising the Company or the Selling Stockholders on related or other matters). The Company and the Selling Stockholders agree that they will not claim that the Underwriters have rendered advisory services of any nature or respect, or owe an agency, fiduciary or similar duty to the Company, in connection with such transaction or the process leading thereto. Any review by the Representatives and the other Underwriters of the Company, the Selling Stockholders, the transactions contemplated hereby or other matters relating to such transactions will be performed solely for the benefit of the Underwriters and shall not be on behalf of the Company or the Selling Stockholders.

20. Integration. This Agreement supersedes all prior agreements and understandings (whether written or oral) among the Company, the Selling Stockholders and the Underwriters, or any of them, with respect to the subject matter hereof.

21. Waiver of Jury Trial. EACH OF THE COMPANY, EACH OF THE SELLING STOCKHOLDERS AND EACH OF THE UNDERWRITERS HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

22. Counterparts. This Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. The exchange of signature pages by facsimile or electronic format (i.e., "pdf" or "tif") transmission shall constitute effective execution and delivery of this Agreement. Signatures of the parties hereto transmitted by facsimile or electronic format (i.e., "pdf" or "tif") shall be deemed to be their original signatures for all purposes.

23. Electronic Signatures. The words “execution,” “signed,” “signature,” “delivery,” and words of like import in or relating to this Agreement or any document to be signed in connection with this Agreement shall be deemed to include electronic signatures, deliveries or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature, physical delivery thereof or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other state laws based on the Uniform Electronic Transactions Act, and the parties hereto consent to conduct the transactions contemplated hereunder by electronic means.

24. Headings. The section headings used herein are for convenience only and shall not affect the construction hereof.

25. Definitions. The terms that follow, when used in this Agreement, shall have the meanings indicated.

“Act” shall mean the Securities Act of 1933, as amended, and the rules and regulations of the Commission promulgated thereunder.

“Affiliate” shall have the meaning specified in Rule 501(b) of Regulation D.

“Agreement” shall mean this Underwriting Agreement.

“Business Day” shall mean any day other than a Saturday, a Sunday or a legal holiday or a day on which commercial banking institutions or trust companies are authorized or required by law to close in New York City.

“Commission” shall mean the Securities and Exchange Commission.

“Disclosure Package” shall mean (i) the Preliminary Prospectus that is generally distributed to investors and used to offer the Securities, (ii) the Issuer Free Writing Prospectuses, if any, and any other information identified in Schedule II hereto (including the pricing information provided orally by the underwriters), and (iii) any other Free Writing Prospectus that the parties hereto shall hereafter expressly agree in writing to treat as part of the Disclosure Package.

“Effective Date” shall mean each date and time that the Registration Statement, any post-effective amendment or amendments thereto and any Rule 462(b) Registration Statement became or becomes effective.

“Exchange Act” shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations of the Commission promulgated thereunder.

“Execution Time” shall mean [●] p.m. on [●], 2021.

“Free Writing Prospectus” shall mean a free writing prospectus, as defined in Rule 405.

"Investment Company Act" shall mean the Investment Company Act of 1940, as amended, and the rules and regulations of the Commission promulgated thereunder.

"Issuer Free Writing Prospectus" shall mean an issuer free writing prospectus, as defined in Rule 433.

"Preliminary Prospectus" shall mean any preliminary prospectus referred to in paragraph 1(a) above and any preliminary prospectus included in the Registration Statement at the Effective Date that omits Rule 430A Information.

"Prospectus" shall mean the prospectus relating to the Securities that is first filed pursuant to Rule 424(b) after the Execution Time.

"Registration Statement" shall mean the registration statement referred to in paragraph 1(a) above, including exhibits and financial statements and any prospectus supplement relating to the Securities that is filed with the Commission pursuant to Rule 424(b) and deemed part of such registration statement pursuant to Rule 430A, as amended at the Execution Time and, in the event any post-effective amendment thereto or any Rule 462(b) Registration Statement becomes effective prior to the Closing Date, shall also mean such registration statement as so amended or such Rule 462(b) Registration Statement, as the case may be.

"Rule 158", "Rule 163", "Rule 164", "Rule 172", "Rule 405", "Rule 415", "Rule 424", "Rule 430A" and "Rule 433" refer to such rules under the Act.

"Rule 430A Information" shall mean information with respect to the Securities and the offering thereof permitted to be omitted from the Registration Statement when it becomes effective pursuant to Rule 430A.

"Rule 462(b) Registration Statement" shall mean a registration statement and any amendments thereto filed pursuant to Rule 462(b) relating to the offering covered by the registration statement referred to in Section 1(a) hereof.

"Testing-the-Waters Communication" means any oral or written communication with potential investors in reliance on Rule 163B under of the Act.

"Written Testing-the-Waters Communication" means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Act.

26. Allocation of Selling Stockholder Shares. Without limiting the applicability of Section 3 hereof or any other provision of this Agreement, with respect to any Underwriter who is affiliated with any person or entity engaged to act as an investment adviser on behalf of an advisory client who has a direct or indirect interest in the Securities, the Securities being sold to such Underwriter shall not include any Securities attributable to such client (with any such Securities instead being allocated and sold to the other Underwriters) and, accordingly, the fees or other amounts received by such Underwriter in connection with the transactions contemplated hereby shall not include any fees or other amounts attributable to such client (and, if there is any unsold allotment in the offering at the Closing Date, such unsold allotment in respect of Securities attributable to such client shall be allocated solely to Underwriters not affiliated with such client).

If the foregoing is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicate hereof, whereupon this letter and your acceptance shall represent a binding agreement among the Company, the Selling Stockholders and the several Underwriters.

[*Remainder of page intentionally left blank; Signatures follow*]

Very truly yours,

Academy Sports and Outdoors, Inc.

By: ______________________________
Name:
Title:

[Signature Page to Underwriting Agreement]

Very truly yours,

On behalf of the Management Selling Stockholder and the Gochman Selling Stockholders:

By: ______________________________
As Attorney-in-Fact
Name: [●]

[Signature Page to Underwriting Agreement]

Very truly yours,

ALLSTAR LLC

By: ______________________________
Name:
Title:

ALLSTAR CO-INVEST BLOCKER L.P.

By: Allstar Co-Invest GP LLC, its general partner

By: ______________________________
Name:
Title:

KKR 2006 ALLSTAR BLOCKER L.P.

By: KKR 2006 AIV GP LLC, its general partner

By: ______________________________
Name:
Title:

[Signature Page to Underwriting Agreement]

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

Credit Suisse Securities (USA) LLC
J.P. Morgan Securities LLC

By: Credit Suisse Securities (USA) LLC

By:
Name:
Title:

By: J.P. Morgan Securities LLC

By:
Name:
Title:

For themselves and the other several Underwriters named in Schedule I to the foregoing Agreement.

[Signature Page to Underwriting Agreement]

SCHEDULE I(A)

Underwriters	Number of Underwritten Securities to be Purchased
Credit Suisse Securities (USA) LLC	[●]
J.P. Morgan Securities LLC	[●]
KKR Capital Markets LLC	[●]
[●]	
Total	[●]

SCHEDULE I(B)

Selling Stockholders	Number of Shares to be Sold
Allstar LLC	[●]
Allstar Co-Invest Blocker L.P.	[●]
KKR 2006 Allstar Blocker L.P.	[●]
MSI 2011 LLC	[●]
MG Family Limited Partnership	[●]
Michelle Gloeckler	[●]
Total	[●]

SCHEDULE II

Schedule of Free Writing Prospectuses included in the Disclosure Package

- None.

Pricing information provided orally by Underwriters

- Number of Underwritten Securities: [●] shares of Common Stock
- Number of Option Securities: [●] shares of Common Stock
- Price: $[●] per share

SCHEDULE III

Significant Subsidiaries of the Company

ACADEMY, LTD

[Letterhead of officer, director or major shareholder of
ACADEMY SPORTS AND OUTDOORS, INC.]

Academy Sports and Outdoors, Inc.
Public Offering of Common Stock

[●], 2021

Credit Suisse Securities (USA) LLC
J.P. Morgan Securities LLC

As Representatives of the several Underwriters,

c/o Credit Suisse Securities (USA) LLC,
Eleven Madison Avenue,
New York, N.Y. 10010-3629

c/o J.P. Morgan Securities LLC,
383 Madison Avenue
New York, New York 10179

Ladies and Gentlemen:

This letter agreement (this "Letter Agreement") is being delivered to you in connection with the proposed Underwriting Agreement (the "Underwriting Agreement"), among Academy Sports and Outdoors, Inc., a Delaware corporation (the "Company"), the selling stockholders named on Schedule I(B) thereto (collectively, the "Selling Stockholders") and each of you as representatives of a group of Underwriters named therein, relating to an underwritten public offering of Common Stock, $0.01 par value (the "Common Stock"), of the Company (the "Offering").

In order to induce you and the other Underwriters to enter into the Underwriting Agreement, the undersigned will not, without the prior written consent of Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC, offer, sell, contract to sell, or otherwise dispose of, (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the undersigned or any controlled affiliate of the undersigned or any person in privity with the undersigned or any controlled affiliate of the undersigned), directly or indirectly, including the public filing (or participation in the public filing) of a registration statement with the Securities and Exchange Commission in respect of, or establish or increase a put equivalent position or liquidate or decrease a call equivalent position within the meaning of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange

Act”), and the rules and regulations of the Securities and Exchange Commission promulgated thereunder with respect to, any shares of capital stock of the Company (“Shares”) or any securities convertible into, or exercisable or exchangeable for such capital stock (“Related Securities”), or publicly announce an intention to effect any such transaction, for a period from the date hereof until [90][1] days after the date of the Underwriting Agreement (the “lock-up period”). Capitalized terms used but not defined herein shall have the meanings assigned thereto in the Underwriting Agreement.

The foregoing restrictions shall not apply:

(i) to the sale of the undersigned’s Shares pursuant to the Underwriting Agreement, as applicable;

(ii) to the transfer of Shares or Related Securities by gift, or by will or intestate succession to a family member or to a trust, partnership, limited liability company or other entity for the direct or indirect benefit of the undersigned and/or a family member;

(iii) if the undersigned is a corporation, partnership, limited liability company, trust or other business entity, to (1) transfers of Shares or Related Securities to another corporation, partnership, limited liability company, trust or other business entity that is a direct or indirect affiliate (as defined under Rule 12b-2 of the Exchange Act) of the undersigned or (2) distributions of Shares or Related Securities to limited partners, limited liability company members or stockholders of the undersigned or holders of similar equity interests in the undersigned;

(iv) if the undersigned is a trust, to transfers to the beneficiary of such trust;

(v) to transfers to any investment fund or other entity that controls or manages, or is controlled or managed by, or is under common control or management with, the undersigned;

(vi) to transfers to a nominee or custodian of a person or entity to whom a disposition or transfer would be permissible under clauses (ii) through (v);

(vii) to transfers to the Company (1) pursuant to the exercise, in each case on a “cashless” or “net exercise” basis, of any option to purchase Shares or the vesting of any restricted stock awards or the settlement of any restricted stock units granted by the Company pursuant to any incentive plans or otherwise pursuant to equity compensation plans or arrangements described in or filed as an exhibit to the registration statement with respect to the Offering, where any Shares received by the undersigned upon any such exercise, vesting or settlement will be subject to the terms of this lock-up agreement, or (2) for the purpose of satisfying any withholding taxes (including estimated taxes) due as a result of the exercise of

1 **Note to form:** 60 days for executive officers of the Company other than Ken C. Hicks and Michael P. Mullican.

any option to purchase Shares or the vesting of any restricted stock awards or the settlement of any restricted stock units granted by the Company pursuant to any incentive plans or otherwise pursuant to equity compensation plans or arrangements described in or filed as an exhibit to the registration statement with respect to the Offering, in each case on a "cashless" or "net exercise" basis, where any Shares received by the undersigned upon any such exercise, vesting or settlement will be subject to the terms of this lock-up agreement; *provided* that any filing under Section 16(a) of the Exchange Act in connection with such transfer shall indicate, to the extent permitted by such Section and the related rules and regulations, the reason for such disposition and that such transfer of Shares was solely to the Company;

(viii) to transfers pursuant to an order of a court or regulatory agency (for purposes of this Letter Agreement, a "court or regulatory agency" means any domestic or foreign, federal, state or local government, including any political subdivision thereof, any governmental or quasi-governmental authority, department, agency or official, any court or administrative body, and any national securities exchange or similar self-regulatory body or organization, in each case of competent jurisdiction); *provided* that any filing under Section 16(a) of the Exchange Act in connection with such transfer shall indicate, to the extent permitted by such Section and the related rules and regulations, that such transfer is pursuant to an order of a court or regulatory agency;

(ix) to transfers of Shares or Related Securities to the Company pursuant to the call or put provisions of existing employment agreements and equity grant documents; *provided* that any filing under Section 16(a) of the Exchange Act in connection with such transfer shall indicate, to the extent permitted by such Section and the related rules and regulations, the reason for such disposition and that such transfer of Shares or Related Securities was solely to the Company;

(x) to transfers from an executive officer or his or her estate to the Company upon death, disability or termination of employment, in each case, of such executive officer;

(xi) to transfers of Shares acquired in the Offering or in open-market transactions after the completion of the Offering;

(xii) to transfers in response to a bona fide third party tender offer, merger, consolidation or other similar transaction made to or with all holders of Shares or related Securities involving a "change of control" (as defined below) of the Company occurring after the consummation of the Offering, that has been approved by the board of directors of the Company, *provided* that in the event that the tender offer, merger, consolidation or other such transaction is not completed, the undersigned's Shares shall remain subject to the terms of this Letter Agreement. For purposes of this clause (xii), "change of control" means the consummation of any bona fide third party tender offer, merger, consolidation or other similar transaction the result of which is that any "person" (as defined in Section 13 (d)(3) of the Exchange Act), or group of persons, other than the Company, becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 of the Exchange Act) of at least 51% of total voting power of the voting stock of the Company;

(xiii) the entry into a written plan meeting the requirements of Rule 10b5-l under the Exchange Act for the transfer of Shares or Related Securities that does not in any case provide for the transfer of Shares or Related Securities during the lock-up period; or

(xiv) any sales in open market transactions to generate such amount of net proceeds to the undersigned from such sales (after deducting commissions) in an aggregate amount up to the total amount of (i) the exercise price and/or (ii) taxes or estimated taxes (as applicable) that become due as a result of (A) the exercise of options held by the undersigned and/or (B) the vesting and/or settlement of restricted stock awards or restricted stock units held by the undersigned, in each case, issued pursuant to any incentive plans or otherwise pursuant to equity compensation plans or arrangements described in or filed as an exhibit to the registration statement with respect to the Offering and that are exercisable and/or scheduled to vest and/or settle immediately prior to or during the lock-up.

Provided, *further,* that:

A. in the case of any transfer or distribution pursuant to clauses (ii) through (vi) above, it shall be a condition to such transfer that each transferee executes and delivers to Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC an agreement in form and substance satisfactory to Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC stating that such transferee is receiving and holding such Shares and/or Related Securities subject to the provisions of this Letter Agreement and agrees not to sell or offer to sell such Shares and/or Related Securities, engage in any swap or engage in any other activities restricted under this Letter Agreement except in accordance with this Letter Agreement (as if such transferee had been an original signatory hereto); and

B. in the case of any transfer or distribution pursuant to clauses (ii) through (vi), (x) and (xiii) above, prior to the expiration of the lock-up period no filing by any party (donor, donee, transferor or transferee) under the Exchange Act (other than those required pursuant to Section 13), or other public announcement reporting a reduction in beneficial ownership of Shares shall be required or shall be made voluntarily in connection with such transfer or distribution.

Notwithstanding anything to the contrary in this agreement, the restrictions set forth in this Letter Agreement shall not apply to the exercise of any right with respect to a registration of any Shares or Related Securities; *provided* that no transfer of the undersigned's Shares or Related Securities proposed to be registered pursuant to the exercise of such rights under this paragraph shall occur, and no registration statement shall be publicly filed or announced, during the lock-up period. In addition, the undersigned agrees and consents to the entry of stop transfer instructions with the Company's transfer agent and registrar against the transfer of the undersigned's Shares or Related Securities except in compliance with the foregoing restrictions.

The undersigned acknowledges and agrees that the Underwriters have not provided any recommendation or investment advice nor have the Underwriters solicited any action from the undersigned with respect to the Offering and the undersigned has consulted their own legal, accounting, financial, regulatory and tax advisors to the extent deemed appropriate. The undersigned further acknowledges and agrees that, although the Representatives may be required or choose to provide certain Regulation Best Interest and Form CRS disclosures to you in connection with the Offering, the Representatives and the other Underwriters are not making a recommendation to you to enter into this Letter Agreement, and nothing set forth in such disclosures is intended to suggest that the Representative or any Underwriter is making such a recommendation.

If for any reason the Underwriting Agreement shall be terminated prior to the Closing Date, the agreement set forth above shall likewise be terminated.

Yours very truly,

[Signature of officer, director or stockholder]

[Name and address of officer, director or stockholder]

EXHIBIT A-1

List of Lock-Up Parties

Academy Sports and Outdoors, Inc.
Public Offering of Common Stock

[Name and Address of
Officer or Director
Requesting Waiver]

Dear Mr./Ms. [Name]:

This letter is being delivered to you in connection with the offering by Academy Sports and Outdoors, Inc., a Delaware corporation (the "Company") of [●] shares of Common Stock, $0.01 par value (the "Common Stock"), of the Company and the lock-up letter dated [●], 2021 (the "Lock-up Letter"), executed by you in connection with such offering, and your request for a [waiver] [release] dated [●], 20[●], with respect to [●] shares of Common Stock (the "Shares").

Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC hereby agree to [waive] [release] the transfer restrictions set forth in the Lock-up Letter, but only with respect to the Shares, effective [●], 20[●].

Except as expressly [waived] [released] hereby, the Lock-up Letter shall remain in full force and effect.

Yours very truly,

Credit Suisse Securities (USA) LLC and J.P. Morgan Securities LLC

cc: Company

Form of STB Opinion and Negative Assurance Letter EXHIBIT B

[*See Attached*]

Form of General Counsel Opinion EXHIBIT C

[*See Attached*]

Exhibit 5.1

Simpson Thacher & Bartlett LLP
425 LEXINGTON AVENUE
NEW YORK, NY 10017-3954

TELEPHONE: +1-212-455-2000
FACSIMILE: +1-212-455-2502

Direct Dial Number | E-mail Address

January 25, 2021

Academy Sports and Outdoors, Inc.
1800 North Mason Road
Katy, Texas 77449

Ladies and Gentlemen:

We have acted as counsel to Academy Sports and Outdoors, Inc., a Delaware corporation (the "Company"), in connection with the Registration Statement on Form S-1 (as amended, the "Registration Statement") filed by the Company with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), relating to the sale by the selling stockholders referred to in the Registration Statement (the "Selling Stockholders") of up to an aggregate of 13,800,000 shares of common stock, par value $0.01 per share ("Common Stock"), of the Company (together with any additional shares of such Common Stock that may be sold by the Selling Stockholders pursuant to Rule 462(b) (as prescribed by the Commission pursuant to the Act) in connection with the offering described in the Registration Statement, the "Shares").

We have examined the Registration Statement. In addition, we have examined, and have relied as to matters of fact upon, originals, or duplicates or certified or conformed copies, of such records, agreements, documents and other instruments and such certificates or comparable documents of public officials and of officers and representatives of the Company and have made such other investigations as we have deemed relevant and necessary in connection with the opinion hereinafter set forth.

In rendering the opinion set forth below, we have assumed the genuineness of all signatures, the legal capacity of natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as duplicates or certified or conformed copies and the authenticity of the originals of such latter documents.

Based upon the foregoing, and subject to the qualifications, assumptions and limitations stated herein, we are of the opinion that the Shares have been validly issued and are fully paid and nonassessable.

We do not express any opinion herein concerning any law other than the Delaware General Corporation Law.

We hereby consent to the filing of this opinion letter as Exhibit 5.1 to the Registration Statement and to the use of our name under the caption “Legal Matters” in the prospectus included in the Registration Statement.

Very truly yours,

/s/ Simpson Thacher & Bartlett LLP

SIMPSON THACHER & BARTLETT LLP

LIEN SHARING AND PRIORITY CONFIRMATION JOINDER

Reference is made to the ABL Intercreditor Agreement, dated as of July 2, 2015 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the "***ABL Intercreditor Agreement***"), among JPMorgan Chase Bank, N.A., as ABL Agent for the ABL Secured Parties referred to therein; Morgan Stanley Senior Funding, Inc., as Original Term Loan Agent for the Term Loan Secured Parties referred to therein; each Additional Debt Agent for the Additional Debt Secured Parties referred to therein; Associated Investors L.L.C. and Academy Managing CO., as Texas Intermediate Holdcos (the "***Texas Intermediate Holdcos***"); New Academy Holding Company, LLC as Holdings ("***Holdings***"); Academy, Ltd., as the Borrower (the "***Borrower***"); and the Subsidiaries of the Borrower party thereto.

Capitalized terms used but not otherwise defined herein shall have meaning set forth in the ABL Intercreditor Agreement. This Lien Sharing and Priority Confirmation Joinder is being executed and delivered pursuant to Section 2.10(b)(ii) of the ABL Intercreditor Agreement as a condition precedent to the debt for which the undersigned is acting as representative being entitled to the rights and obligations of being additional secured debt under the ABL Intercreditor Agreement.

1. Joinder. The undersigned, The Bank of New York Mellon Trust Company, N.A. (the "***New Representative***"), as trustee and collateral agent under that certain Indenture, dated as of the date hereof, among the Borrower, as Issuer, Holdings and the Texas Intermediate Holdcos, as Guarantors and the New Representative, hereby:

(a) represents that the New Representative has been authorized to become a party to the ABL Intercreditor Agreement on behalf of the Additional Debt Secured Parties under the Additional Debt Facility as an Additional Debt Agent under an Additional Debt Facility under the ABL Intercreditor Agreement for all purposes thereof on the terms set forth therein, and to be bound by the terms of the ABL Intercreditor Agreement as fully as if the undersigned had executed and delivered the ABL Intercreditor Agreement as of the date thereof; and

(b) agrees that its address for receiving notices pursuant to the ABL Intercreditor Agreement shall be as follows:

The Bank of New York Mellon Trust Company, N.A.
601 Travis Street, The Chase Center
Houston, TX 77002
Attention of Corporate Trust Administration
Fax No. (713) 483-6954

2. Lien Sharing and Priority Confirmation. The undersigned New Representative, on behalf of itself and each holder of Obligations in respect of the applicable Series of CF Debt that constitutes Additional Debt Facility for which the undersigned is acting as Additional Debt Agent hereby agrees, for the benefit of all Secured Parties and each future Representative, and as a condition to being treated as Secured Debt Obligations under the ABL Intercreditor Agreement, that:

(a) the New Representative and each holder of Obligations in respect of the Series of CF Debt for which the undersigned is acting as Additional Debt Agent are bound by the provisions of the ABL Intercreditor Agreement, including the provisions relating to the ranking of CF Debt Liens and the order of application of proceeds from enforcement of CF Debt Liens; and

(b) the New Representative and each holder of Obligations in respect of the Series of CF Debt for which the undersigned is acting as Additional Debt Agent appoints the Additional Debt Agent and consents to the terms of the ABL Intercreditor Agreement and the performance by the Additional Debt Agent of, and directs the Additional Debt Agent to perform, its obligations under the ABL Intercreditor Agreement, together with all such powers as are reasonably incidental thereto.

3. Governing Law and Miscellaneous Provisions. The provisions of Article VII of the ABL Intercreditor Agreement will apply with like effect to this Lien Sharing and Priority Confirmation Joinder.

[*Remainder of page intentionally left blank; Signatures follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Lien Sharing and Priority Confirmation Joinder to be executed by their respective officers or representatives as of November 6, 2020.

THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A.,
as New Representative

By: /s/ Lawrence M. Kusch
Name: Lawrence M. Kusch
Title: Vice President

[Signature Page to Joinder to ABL Intercreditor Agreement]

The ABL Agent hereby acknowledges receipt of this Lien Sharing and Priority Confirmation Joinder:

JPMORGAN CHASE BANK, N.A., as
ABL Agent

By: /s/ Andrew Rossman
Name: Andrew Rossman
Title: Vice President

[Signature Page to Joinder to ABL Intercreditor Agreement]

The Term Loan Agent hereby acknowledges receipt of this Lien Sharing and Priority Confirmation Joinder:

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Term Loan Agent

By: /s/ William O'Daly
Name: William O'Daly
Title: Authorized Signatory

By: /s/ Christopher Zybrick
Name: Christopher Zybrick
Title: Authorized Signatory

[Signature Page to Joinder to ABL Intercreditor Agreement]

Exhibit 10.6

Execution Version

LIEN SHARING AND PRIORITY CONFIRMATION JOINDER

Reference is made to the ABL Intercreditor Agreement, dated as of July 2, 2015 (as amended, supplemented, amended and restated or otherwise modified and in effect from time to time, the "***ABL Intercreditor Agreement***") among JPMorgan Chase Bank, N.A., as ABL Agent for the ABL Secured Parties referred to therein; Morgan Stanley Senior Funding, Inc. ("***MSSF***"), as Original Term Loan Agent for the Term Loan Secured Parties referred to therein; each Additional Debt Agent for the Additional Debt Secured Parties referred to therein; Associated Investors L.L.C. and Academy Managing Co., as Texas Intermediate Holdcos (the "***Texas Intermediate Holdcos***"); New Academy Holding Company, LLC as Holdings ("***Holdings***"); Academy, Ltd. as the Borrower (the "***Borrower***"); and the Subsidiaries of the Borrower party thereto.

Capitalized terms used but not otherwise defined herein shall have meaning set forth in the ABL Intercreditor Agreement. This Lien Sharing and Priority Confirmation Joinder is being executed and delivered pursuant to Section 2.10(a)(ii) of the ABL Intercreditor Agreement as a condition precedent to the debt for which the undersigned is acting as representative being entitled to the rights and obligations of being additional secured debt under the ABL Intercreditor Agreement.

1. Joinder. The undersigned, Credit Suisse AG, Cayman Islands Branch (the "***New Representative***"), as the successor administrative agent and collateral agent under that certain Second Amended and Restated Credit Agreement, dated as of the date hereof, by and among the Borrower, Holdings, the Texas Intermediate Holdcos, the lenders party thereto, the other financial institutions party thereto and the New Representative, which amends and restates that certain First Amended and Restated Credit Agreement, dated as of July 2, 2015, by and among the Borrower, Holdings, the Texas Intermediate Holdcos, the lenders party thereto, the other financial institutions party thereto and MSSF, as the original administrative agent and collateral agent, hereby:

   (a) represents that the New Representative has been authorized to become a party to the ABL Intercreditor Agreement on behalf of the Term Loan Secured Parties under the Term Loan Substitute Facility as a Term Loan Agent under a Term Loan Substitute Facility under the ABL Intercreditor Agreement for all purposes thereof on the terms set forth therein, and to be bound by the terms of the ABL Intercreditor Agreement as fully as if the undersigned had executed and delivered the ABL Intercreditor Agreement as of the date thereof; and

   (b) agrees that its address for receiving notices pursuant to the ABL Intercreditor Agreement shall be as follows:

   Credit Suisse AG
   Eleven Madison Avenue
   New York, NY 10010
   Attention of: Agency Manager
   Fax No. (212) 322 2291
   Email Address: agency.loanops@credit-suisse.com

2. Lien Sharing and Priority Confirmation.

The undersigned New Representative, on behalf of itself and each holder of Obligations in respect of the applicable Series of CF Debt that constitutes Term Loan Substitute Facility for which the undersigned is acting as Term Loan Agent hereby agrees, for the benefit of all Secured Parties and each future Representative, and as a condition to being treated as Secured Debt Obligations under the ABL Intercreditor Agreement, that:

(a) the New Representative and each holder of Obligations in respect of the Series of CF Debt for which the undersigned is acting as Term Loan Agent are bound by the provisions of the ABL Intercreditor Agreement, including the provisions relating to the ranking of CF Debt Liens and the order of application of proceeds from enforcement of CF Debt Liens; and

(b) the New Representative and each holder of Obligations in respect of the Series of CF Debt for which the undersigned is acting as Term Loan Agent appoints the Term Loan Agent and consents to the terms of the ABL Intercreditor Agreement and the performance by the Term Loan Agent of, and directs the Term Loan Agent to perform, its obligations under the ABL Intercreditor Agreement, together with all such powers as are reasonably incidental thereto.

3. Governing Law and Miscellaneous Provisions. The provisions of Article VII of the ABL Intercreditor Agreement will apply with like effect to this Lien Sharing and Priority Confirmation Joinder.

IN WITNESS WHEREOF, the parties hereto have caused this Lien Sharing and Priority Confirmation Joinder to be executed by their respective officers or representatives as of November 6, 2020.

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as New Representative

By: /s/ William O'Daly
Name: William O'Daly
Title: Authorized Signatory

By: /s/ Christopher Zybrick
Name: Christopher Zybrick
Title: Authorized Signatory

[Signature Page to Joinder to ABL Intercreditor Agreement]

The ABL Agent hereby acknowledges receipt of this Lien Sharing and Priority Confirmation Joinder:

JPMORGAN CHASE BANK, N.A., as ABL Agent

By: /s/ Andrew Rossman
Name: Andrew Rossman
Title: Vice President

[Signature Page to Joinder to ABL Intercreditor Agreement]

Exhibit 10.7

Execution Version

FIRST LIEN INTERCREDITOR AGREEMENT

among

ACADEMY, LTD.,

the other Grantors party hereto,

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as First Lien Collateral Agent for the Credit Agreement Secured Parties,

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH,
as Authorized Representative for the Credit Agreement Secured Parties,

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as the Initial Additional First Lien Collateral Agent,

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as the Initial Additional Authorized Representative,

and

each additional Authorized Representative from time to time party hereto

dated as of November 6, 2020

FIRST LIEN INTERCREDITOR AGREEMENT, dated as of November 6, 2020 (this "Agreement"), among NEW ACADEMY HOLDING COMPANY, LLC, a Delaware corporation ("Holdings"), ASSOCIATED INVESTORS L.L.C. and ACADEMY MANAGING CO., L.L.C., as Texas Intermediate Holdcos (the "Texas Intermediate Holdcos"), ACADEMY, LTD. (the "Borrower"), the other Grantors (as defined below) from time to time party hereto, CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as collateral agent for the Credit Agreement Secured Parties (as defined below) (in such capacity and together with its successors in such capacity, the "Credit Agreement Collateral Agent"), CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Authorized Representative for the Credit Agreement Secured Parties (as each such term is defined below), THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as collateral agent for the Initial Additional First Lien Secured Parties (as defined below) (in such capacity and together with its successors in such capacity, the "Initial Additional First Lien Collateral Agent"), THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Authorized Representative for the Initial Additional First Lien Secured Parties (as defined below) and each additional Collateral Agent and Authorized Representative from time to time party hereto for the other Additional First Lien Secured Parties of the Series (as defined below) with respect to which it is acting in such capacity.

In consideration of the mutual agreements herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Credit Agreement Collateral Agent, the Administrative Agent (for itself and on behalf of the Credit Agreement Secured Parties), the Initial Additional Authorized Representative (for itself and on behalf of the Initial Additional First Lien Secured Parties), the Grantors, each additional Collateral Agent and Authorized Representative (for itself and on behalf of the Additional First Lien Secured Parties of the applicable Series) agree as follows:

ARTICLE I

Definitions

SECTION 1.01 Certain Defined Terms. Capitalized terms used but not otherwise defined herein have the meanings set forth in the Credit Agreement or, if defined in the UCC, the meanings specified therein. As used in this Agreement, the following terms have the meanings specified below:

"ABL Intercreditor Agreement" means that certain ABL Intercreditor Agreement, dated as of July 2, 2015, among the Company, the Guarantors, JPMorgan Chase Bank, N.A., as agent for the ABL Secured Parties (as defined therein) and the Initial First Lien Collateral Agent (as amended, supplemented or modified from time to time).

"ABL Priority Collateral" means the "ABL Priority Collateral" as defined in the ABL Intercreditor Agreement.

"Additional First Lien Collateral Agent" means (x) for so long as the Initial Additional First Lien Obligations are the only Series of Additional First Lien Obligations outstanding, the Initial Additional First Lien Collateral Agent and (y) thereafter, the Collateral Agent for the Series of Additional First Lien Obligations that constitutes the largest outstanding aggregate principal amount of any then outstanding Series of Additional First Lien Obligations.

"Additional First Lien Documents" means, with respect to the Initial Additional First Lien Obligations or any Series of Additional Senior Class Debt, the notes, indentures, credit agreements, security documents and other operative agreements evidencing or governing such indebtedness and liens securing such indebtedness, including the Initial Additional First Lien Documents and the Additional First Lien Security Documents and each other agreement entered into for the purpose of securing the Initial Additional First Lien Obligations or any Series of Additional Senior Class Debt; provided that, in each case, the Indebtedness thereunder (other than the Initial Additional First Lien Obligations) has been designated as Additional Senior Class Debt pursuant to Section 5.12 hereto.

"Additional First Lien Obligations" means (a) all amounts owing pursuant to the terms of any Additional First Lien Document (including the Initial Additional First Lien Documents), including, without limitation, all amounts in respect of any principal, premium, interest (including any interest, fees and expenses accruing subsequent to the commencement of a Bankruptcy Case at the rate provided for in the respective Additional First Lien Document, whether or not such interest, fees and expenses is an allowed or allowable claim under any such proceeding or under applicable state, federal or foreign law), penalties, fees, expenses, indemnifications, reimbursements, damages and other liabilities, and guarantees of the foregoing amounts, (b) any Secured Hedge Obligations secured under the Additional First Lien Security Documents securing the related Series of Additional First Lien Obligations, (c) any Secured Cash Management Obligations secured under the Additional First Lien Security Documents securing the related Series of Additional First Lien Obligations and (d) any renewals or extensions of the foregoing that are not prohibited by each Additional First Lien Document and the Credit Agreement. Additional First Lien Obligations shall include any Permitted Other Indebtedness (as defined in the Credit Agreement) that constitute Additional Senior Class Debt and guarantees thereof by the Grantors issued in exchange therefor.

"Additional First Lien Secured Parties" means the holders of any Additional First Lien Obligations and any Authorized Representative or Collateral Agent with respect thereto, and shall include the Initial Additional First Lien Secured Parties and the Additional Senior Class Debt Parties.

"Additional First Lien Security Documents" means any collateral agreement, security agreement or any other document now existing or entered into after the date hereof that creates, or purports to create, Liens on any assets or properties of any Grantor to secure any Additional First Lien Obligations.

"Additional Senior Class Debt" has the meaning assigned to such term in Section 5.12.

"Additional Senior Class Debt Collateral Agent" has the meaning assigned to such term in Section 5.12.

"Additional Senior Class Debt Parties" has the meaning assigned to such term in Section 5.12.

“Additional Senior Class Debt Representative” has the meaning assigned to such term in Section 5.12.

“Administrative Agent” has the meaning assigned to such term in the definition of Credit Agreement and shall include any successor administrative agent as provided in Section 12 of the Credit Agreement; provided, however, that if the Credit Agreement is Refinanced, then all references herein to the Administrative Agent shall refer to the administrative agent (or trustee) under the Refinancing.

“Agreement” has the meaning assigned to such term in the introductory paragraph of this Agreement.

“Applicable Authorized Representative” means with respect to any Shared Collateral, (i) until the earlier of (x) the Discharge of Credit Agreement Obligations and (y) the Non-Controlling Authorized Representative Enforcement Date, the Administrative Agent and (ii) from and after the earlier of (x) the Discharge of Credit Agreement Obligations and (y) the Non-Controlling Authorized Representative Enforcement Date, the Major Non-Controlling Authorized Representative.

“Authorized Representative” means, at any time, (i) in the case of any Credit Agreement Obligations or the Credit Agreement Secured Parties, the Administrative Agent, (ii) in the case of the Initial Additional First Lien Obligations or the Initial Additional First Lien Secured Parties, the Initial Additional Authorized Representative, and (iii) in the case of any other Series of Additional First Lien Obligations or Additional First Lien Secured Parties that become subject to this Agreement after the date hereof, the Additional Senior Class Debt Representative for such Series named in the applicable Joinder Agreement.

“Bankruptcy Case” has the meaning assigned to such term in Section 2.06(b).

“Bankruptcy Code” means Title 11 of the United States Code, as amended.

“Bankruptcy Law” means the Bankruptcy Code and any similar federal, state or foreign law for the relief of debtors.

“Borrower” has the meaning assigned to such term in the introductory paragraph of this Agreement.

“Cash Management Agreement” means any agreement or arrangement to provide Cash Management Services.

“Cash Management Services” means any one or more of the following types of services or facilities (i) commercial credit cards, merchant card services, purchase or debit cards, including non-card e-payables services, or electronic funds transfer services, (ii) treasury management services (including controlled disbursement, overdraft automatic clearing house fund transfer services, return items, and interstate depository network services), (iii) any other demand deposit or operating account relationships or other cash management services and (iv) and other services related, ancillary or complementary to the foregoing.

"Collateral" means any "Collateral" (as defined in the Credit Agreement or any other Credit Agreement Collateral Documents) or any other assets and properties subject to Liens created pursuant to any First Lien Security Document to secure one or more Series of First Lien Obligations and shall include any property or assets subject to replacement Liens or adequate protection Liens in favor of any First Lien Secured Party.

"Collateral Agent" means (i) in the case of any Credit Agreement Obligations, the Credit Agreement Collateral Agent, (ii) in the case of the Initial Additional First Lien Obligations, the Initial Additional First Lien Collateral Agent and (iii) in the case of any other Series of Additional First Lien Obligations that become subject to this Agreement after the date hereof, the Additional Senior Class Debt Collateral Agent for such Series named in the applicable Joinder Agreement.

"Controlling CF Debt Agent" shall have the meaning assigned to such term in Section 4.02.

"Controlling Collateral Agent" means, with respect to any Shared Collateral, (i) until the earlier of (x) the Discharge of Credit Agreement Obligations and (y) the Non-Controlling Authorized Representative Enforcement Date with respect to such Shared Collateral, the Credit Agreement Collateral Agent; and (ii) from and after the earlier of (x) the Discharge of Credit Agreement Obligations and (y) the Non-Controlling Authorized Representative Enforcement Date with respect to such Shared Collateral, the Collateral Agent for the Controlling Secured Parties (acting on the instructions of the Applicable Authorized Representative).

"Controlling Secured Parties" means, with respect to any Shared Collateral, (i) at any time when the Credit Agreement Collateral Agent is the Controlling Collateral Agent with respect to such Shared Collateral, the Credit Agreement Secured Parties and (ii) at any other time, the Series of First Lien Secured Parties whose Authorized Representative is the Applicable Authorized Representative for such Shared Collateral.

"Credit Agreement" means that certain Term Loan Credit Agreement, dated as of November 6, 2020, among Holdings, the Texas Intermediate Holdcos, the Borrower, the lenders from time to time party thereto, Credit Suisse AG, Cayman Islands Branch, as administrative agent (in such capacity and together with its successors in such capacity, the "Administrative Agent") and collateral agent, and the other parties thereto (as amended, restated, amended and restated, extended, supplemented, refinanced or otherwise modified from time to time).

"Credit Agreement Collateral Agent" has the meaning assigned to such term in the introductory paragraph of this Agreement and shall include any successor collateral agent as provided in Section 12 of the Credit Agreement; provided, however, that if the Credit Agreement is Refinanced, then all references herein to the Credit Agreement Collateral Agent shall refer to the collateral agent (or trustee) under the Refinancing.

"Credit Agreement Collateral Documents" means the Security Documents (as defined in the Credit Agreement or any similar term in any Refinancing thereof) and each other agreement entered into in favor of the Credit Agreement Collateral Agent (or its agent, sub-agent, nominee or "collateral trustee") for the purpose of securing any Credit Agreement Obligations.

“Credit Agreement Obligations” means all “Obligations” as defined in the Credit Agreement (or any similar term in any Refinancing thereof).

“Credit Agreement Secured Parties” means the holders of any Credit Agreement Obligations, including the “Secured Parties” as defined in the Credit Agreement (or any similar term in any Refinancing thereof).

“DIP Financing” has the meaning assigned to such term in Section 2.06(b).

“DIP Financing Liens” has the meaning assigned to such term in Section 2.06(b).

“DIP Lenders” has the meaning assigned to such term in Section 2.06(b).

“Directing Party” has the meaning assigned to such term in Section 5.17(a).

“Discharge” means, with respect to any Shared Collateral and any Series of First Lien Obligations, the date on which (i) such Series of First Lien Obligations is no longer secured by such Shared Collateral pursuant to the terms of the documentation governing such Series of First Lien Obligations or, with respect to any Secured Hedge Obligations or Secured Cash Management Obligations secured by the First Lien Security Documents for such Series of First Lien Obligations, either (x) such Secured Hedge Obligations or Secured Cash Management Obligations have been paid in full and are no longer secured by such Shared Collateral pursuant to the terms of the documentation governing such Series of First Lien Obligations, (y) such Secured Hedge Obligations or Secured Cash Management Obligations shall have been cash collateralized on terms satisfactory to each applicable counterparty (or other arrangements satisfactory to the applicable counterparty shall have been made) or (z) such Secured Hedge Obligations or Secured Cash Management Obligations are no longer secured by such Shared Collateral pursuant to the terms of the documentation governing such Series of First Lien Obligations, (ii) any letters of credit issued under the Additional First Lien Documents governing such Series of Additional First Lien Obligations have terminated or been cash collateralized or backstopped (in the amount and form required under the applicable Additional First Lien Documents) and (iii) all commitments of the First Lien Secured Parties of such Series under their respective Secured Credit Documents have terminated. The term “Discharged” shall have a corresponding meaning.

“Discharge of Credit Agreement Obligations” means, with respect to any Shared Collateral, the Discharge of the Credit Agreement Obligations with respect to such Shared Collateral; provided that the Discharge of Credit Agreement Obligations shall not be deemed to have occurred in connection with a Refinancing of such Credit Agreement Obligations with additional First Lien Obligations secured by such Shared Collateral under an Additional First Lien Document which has been designated in writing by the Administrative Agent (under the Credit Agreement so Refinanced) to the Additional First Lien Collateral Agent and each other Authorized Representative as the “Credit Agreement” for purposes of this Agreement.

“Event of Default” means an “Event of Default” (or similarly defined term) as defined in any Secured Credit Document.

“First Lien Obligations” means, collectively, (i) the Credit Agreement Obligations and (ii) each Series of Additional First Lien Obligations.

“First Lien Secured Parties” means (i) the Credit Agreement Secured Parties and (ii) the Additional First Lien Secured Parties with respect to each Series of Additional First Lien Obligations.

“First Lien Security Documents” means, collectively, (i) the Credit Agreement Collateral Documents and (ii) the Additional First Lien Security Documents.

“Grantors” means Holdings, the Borrower and each Subsidiary or direct or indirect parent company of Holdings which has granted a security interest pursuant to any First Lien Security Document to secure any Series of First Lien Obligations. The Grantors existing on the date hereof are set forth in Annex I hereto.

“Holdings” shall bear the meaning assigned to such term in the Credit Agreement.

“Impairment” has the meaning assigned to such term in Section 1.03.

“Initial Additional Authorized Representative” has the meaning assigned to such term in the definition of Initial Additional First Lien Agreement and shall include any successor trustee as provided in Section 6.10 of the Initial Additional First Lien Agreement; provided, however, that if the Initial Additional First Lien Agreement is Refinanced, then all references herein to the Initial Additional Authorized Representative shall refer to the trustee (or administrative agent) under the Refinancing.

“Initial Additional First Lien Agreement” mean that certain Indenture, dated as of November 6, 2020, among Holdings, the Texas Intermediate Holdcos, the Borrower, the other Grantors party thereto, The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity and together with its successors in such capacity, the “Initial Additional Authorized Representative”), and the Initial Additional First Lien Collateral Agent.

“Initial Additional First Lien Collateral Agent” has the meaning assigned to such term in the introductory paragraph of this Agreement and shall include any successor collateral agent as provided in Section 6.10 of the Initial Additional First Lien Agreement; provided, however, that if the Initial Additional First Lien Agreement is Refinanced, then all references herein to the Initial Additional First Lien Collateral Agent shall refer to the collateral agent under the Refinancing.

“Initial Additional First Lien Collateral Documents” means that certain Security Agreement, dated as of November 6, 2020, by and among the Company, Holdings, Texas Intermediate Holdcos and certain other Subsidiary of the Company party thereto and that certain Pledge Agreement, dated as of November 6, 2020, by and among the Company, Holdings, Texas Intermediate Holdcos and certain other Subsidiary of the Company party thereto (each as defined in the Initial Additional First Lien Agreement) and any other agreement, document or instrument entered into for the purpose of granting a Lien to secure any Initial Additional First Lien Obligations or to perfect such Lien (as each may be amended, restated, amended and restated, supplemented or otherwise modified from time to time).

"Initial Additional First Lien Documents" means the Initial Additional First Lien Agreement, the debt securities or promissory notes issued thereunder, the Initial Additional First Lien Collateral Documents and any security documents and other operative agreements evidencing or governing the Indebtedness thereunder, and the Liens securing such Indebtedness, including any agreement entered into for the purpose of securing the Initial Additional First Lien Obligations.

"Initial Additional First Lien Obligations" means the "Obligations" as such term is defined in the Initial Additional First Lien Collateral Documents (or similar term in any Refinancing thereof).

"Initial Additional First Lien Secured Parties" means the Initial Additional First Lien Collateral Agent, the Initial Additional Authorized Representative and the holders of the Initial Additional First Lien Obligations incurred pursuant to the Initial Additional First Lien Agreement.

"Insolvency or Liquidation Proceeding" means:

(1) any case commenced by or against the Borrower or any other Grantor under any Bankruptcy Law, any other proceeding for the reorganization, recapitalization or adjustment or marshalling of the assets or liabilities of the Borrower or any other Grantor, any receivership or assignment for the benefit of creditors relating to the Company or any other Grantor or any similar case or proceeding relative to the Borrower or any other Grantor or its creditors, as such, in each case whether or not voluntary;

(2) any liquidation, dissolution, marshalling of assets or liabilities or other winding up of or relating to the Borrower or any other Grantor, in each case whether or not voluntary and whether or not involving bankruptcy or insolvency; or

(3) any other proceeding of any type or nature in which substantially all claims of creditors of the Borrower or any other Grantor are determined and any payment or distribution is or may be made on account of such claims.

"Intervening Creditor" has the meaning assigned to such term in Section 2.01(a).

"Joinder Agreement" means a joinder to this Agreement substantially in the form of Annex II hereto required to be delivered by an Additional Senior Class Debt Representative and the related Additional Senior Class Debt Collateral Agent pursuant to Section 5.12 hereof in order to establish an additional Series of Additional Senior Class Debt and add Additional Senior Class Debt Parties hereunder.

"Lien" means, with respect to any asset, any mortgage, lien (statutory or otherwise), pledge, hypothecation, charge, security interest, preference, priority, or encumbrance of any kind in respect of such asset, whether or not filed, recorded, registered, published or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in, and any filing of, or agreement to, give any financing statement under the Uniform Commercial Code (or equivalent statutes) of any jurisdiction; provided that in no event shall an operating lease or a license, sub-license or cross-license to Intellectual Property be deemed to constitute a Lien.

“Major Non-Controlling Authorized Representative” means, with respect to any Shared Collateral, the Authorized Representative of the Series of Additional First Lien Obligations that constitutes the largest outstanding aggregate principal amount of any then outstanding Series of Additional First Lien Obligations (other than the Series whose collateral agent was the then Controlling Collateral Agent) (provided, however, that if there are two outstanding Series of Additional First Lien Obligations which have an equal outstanding principal amount, the Series of Additional First Lien Obligations with the earlier maturity date shall be considered to have the larger outstanding principal amount for purposes of this definition; provided, further, that “principal amount” for purposes of this definition shall be deemed to include the face amount of any outstanding letter of credit issued under the particular Series).

“Non-Controlling Authorized Representative” means, at any time with respect to any Shared Collateral, any Authorized Representative that is not the Applicable Authorized Representative at such time with respect to such Shared Collateral.

“Non-Controlling Authorized Representative Enforcement Date” means, with respect to any Non-Controlling Authorized Representative, the date which is 180 consecutive days (throughout which consecutive 180 day period such Non-Controlling Authorized Representative was the Major Non-Controlling Authorized Representative) after the occurrence of both (i) an Event of Default (under and as defined in the Additional First Lien Document under which such Non-Controlling Authorized Representative is the Authorized Representative) and (ii) each Collateral Agent’s and each other Authorized Representative’s receipt of written notice from such Non-Controlling Authorized Representative certifying that (x) such Non-Controlling Authorized Representative is the Major Non-Controlling Authorized Representative and that an Event of Default (under and as defined in the Additional First Lien Document under which such Non-Controlling Authorized Representative is the Authorized Representative) has occurred and is continuing and (y) the Additional First Lien Obligations of the Series with respect to which such Non-Controlling Authorized Representative is the Authorized Representative are currently due and payable in full (whether as a result of acceleration thereof or otherwise) in accordance with the terms of the applicable Additional First Lien Document; provided that the Non-Controlling Authorized Representative Enforcement Date shall be stayed and shall not occur and shall be deemed not to have occurred with respect to any Shared Collateral (1) at any time the Administrative Agent, the Applicable Authorized Representative or the Controlling Collateral Agent (acting at the direction of the Applicable Authorized Representative) has commenced and is diligently pursuing any enforcement action (including delivery by the Controlling Collateral Agent of a notice to the ABL Agent (as such term is defined in the ABL Intercreditor Agreement) that commences any standstill period thereunder with respect to the ABL Priority Collateral) with respect to such any or all of Shared Collateral, (2) at any time the Controlling Collateral Agent is stayed under the ABL Intercreditor Agreement from pursuing enforcement actions with respect to the ABL Priority Collateral or (3) at any time the Grantor which has granted a security interest in such Shared Collateral is then a debtor under or with respect to (or otherwise subject to) any Insolvency or Liquidation Proceeding. If the Non-Controlling Authorized Representative or any other Non-Controlling Secured Party exercises any rights or remedies with respect to the Shared Collateral in accordance with the immediately preceding sentence of this paragraph and thereafter the Controlling Collateral Agent or any other Controlling Secured Party commences (or attempts to commence) the exercise of any of its rights or remedies with respect to the Shared Collateral (including seeking relief from the automatic stay or any other stay in any Insolvency or Liquidation Proceeding), the Non-Controlling Authorized Representative Enforcement Date shall be deemed not to have occurred and the Non-Controlling Authorized Representative or any other Non-Controlling Secured Party shall be required to stop exercising any such rights or remedies with respect to the Shared Collateral.

"Non-Controlling Secured Parties" means, with respect to any Shared Collateral, the First Lien Secured Parties which are not Controlling Secured Parties with respect to such Shared Collateral.

"Other Intercreditor Agreements" means the ABL Intercreditor Agreement and, if in effect, the Second Lien Intercreditor Agreement.

"Person" means any individual, partnership (including limited partnership), joint venture, firm, corporation, limited liability company, association, joint stock company, unincorporated organization, trust, or other enterprise or any Governmental Authority.

"Possessory Collateral" means any Shared Collateral in the possession of a Collateral Agent (or its agents or bailees), to the extent that possession thereof perfects a Lien thereon under the Uniform Commercial Code of any jurisdiction. Possessory Collateral includes, without limitation, any Certificated Securities, Promissory Notes, Instruments, and Chattel Paper, in each case, delivered to or in the possession of the Collateral Agent under the terms of the First Lien Security Documents.

"Proceeds" has the meaning assigned to such term in Section 2.01(a).

"Refinance" means, in respect of any indebtedness, to refinance, extend, renew, defease, amend, increase, modify, supplement, restructure, refund, replace or repay such indebtedness, or to issue other indebtedness or enter alternative financing arrangements, in exchange or replacement for such indebtedness (in whole or in part), including by adding or replacing lenders, creditors, agents, borrowers and/or guarantors, and including in each case, but not limited to, after the original instrument giving rise to such indebtedness has been terminated and including, in each case, through any credit agreement, indenture or other agreement. "Refinanced" and "Refinancing" have correlative meanings.

"Second Lien Intercreditor Agreement" means the "Second Lien Intercreditor Agreement" substantially in the form of Exhibit I-2 to the Credit Agreement (as such Credit Agreement is in effect on the date hereof).

"Secured Cash Management Obligations" shall mean obligations of a Grantor under Cash Management Agreements with a First Lien Secured Party that are intended under the applicable First Lien Security Document to be secured by Shared Collateral.

"Secured Hedge Obligations" shall mean obligations of a Grantor under Hedge Agreements with a First Lien Secured Party that are intended under the applicable First Lien Security Document to be secured by Shared Collateral.

“Secured Credit Document” means (i) the Credit Agreement and each Credit Document (as defined in the Credit Agreement), (ii) each Initial Additional First Lien Document, and (iii) each Additional First Lien Document.

“Series” means (a) with respect to the First Lien Secured Parties, each of (i) the Credit Agreement Secured Parties (in their capacities as such), (ii) the Initial Additional First Lien Secured Parties (in their capacities as such), and (iii) the Additional First Lien Secured Parties that become subject to this Agreement after the date hereof that are represented by a common Authorized Representative (in its capacity as such for such Additional First Lien Secured Parties) and (b) with respect to any First Lien Obligations, each of (i) the Credit Agreement Obligations, (ii) the Initial Additional First Lien Obligations, and (iii) the Additional First Lien Obligations incurred pursuant to any Additional First Lien Document, which pursuant to any Joinder Agreement, are to be represented hereunder by a common Authorized Representative (in its capacity as such for such Additional First Lien Obligations).

“Shared Collateral” means, at any time, Collateral in which the holders (or their Collateral Agent or Authorized Representative on behalf of such holders) of two or more Series of First Lien Obligations hold or purport to hold, or are required to hold, pursuant to the Secured Credit Documents in respect of such Series, a valid and perfected security interest at such time. If more than two Series of First Lien Obligations are outstanding at any time and the holders of less than all Series of First Lien Obligations hold or purport to hold, or are required to hold, pursuant to the Secured Credit Documents in respect of such Series, a valid and perfected security interest in any Collateral at such time, then such Collateral shall constitute Shared Collateral for those Series of First Lien Obligations that hold or purport to hold, or are required to hold, pursuant to the Secured Credit Documents in respect of such Series, a valid and perfected security interest in such Collateral at such time and shall not constitute Shared Collateral for any Series which does not hold or purport to hold, or are required to hold, pursuant to the Secured Credit Documents in respect of such Series, a valid and perfected security interest in such Collateral at such time.

“UCC” means the Uniform Commercial Code as from time to time in effect in the State of New York; provided, however, that in the event that, by reason of mandatory provisions of law, any or all of the perfection or priority of, or remedies with respect to, 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 “UCC” 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 perfection, priority or remedies.

SECTION 1.02 Interpretive Provision. The interpretive provisions contained in Section 1 of the Credit Agreement are incorporated herein, *mutatis mutandis*, as if a part hereof.

SECTION 1.03 Impairments. It is the intention of the First Lien Secured Parties of each Series that the holders of First Lien Obligations of such Series (and not the First Lien Secured Parties of any other Series) bear the risk of (i) any determination by a court of competent jurisdiction that (x) any of the First Lien Obligations of such Series are unenforceable under applicable law or are subordinated to any other obligations (other than another Series of First Lien Obligations), (y) any of the First Lien Obligations of such Series do not have an enforceable security interest in any of the Collateral securing any other Series of First Lien

Obligations and/or (z) any intervening security interest exists securing any other obligations (other than another Series of First Lien Obligations) on a basis ranking prior to the security interest of such Series of First Lien Obligations but junior to the security interest of any other Series of First Lien Obligations or (ii) the existence of any Collateral for any other Series of First Lien Obligations that is not Shared Collateral for such Series (any such condition referred to in the foregoing clauses (i) or (ii) with respect to any Series of First Lien Obligations, an "Impairment" of such Series); provided that the existence of a maximum claim with respect to any Mortgage (as defined in the Credit Agreement) that applies to all First Lien Obligations shall not be deemed to be an Impairment of any Series of First Lien Obligations. In the event of any Impairment with respect to any Series of First Lien Obligations, the results of such Impairment shall be borne solely by the holders of such Series of First Lien Obligations, and the rights of the holders of such Series of First Lien Obligations (including, without limitation, the right to receive distributions in respect of such Series of First Lien Obligations pursuant to Section 2.01) set forth herein shall be modified to the extent necessary so that the effects of such Impairment are borne solely by the holders of the Series of such First Lien Obligations subject to such Impairment. Additionally, in the event the First Lien Obligations of any Series are modified pursuant to applicable law (including, without limitation, pursuant to Section 1129 of the Bankruptcy Code), any reference to such First Lien Obligations or the First Lien Security Documents governing such First Lien Obligations shall refer to such obligations or such documents as so modified.

ARTICLE II

Priorities and Agreements with Respect to Shared Collateral

SECTION 2.01 Priority of Claims.

(a) Anything contained herein or in any of the Secured Credit Documents to the contrary notwithstanding (but subject to Section 1.03), if an Event of Default or an event of default under any document governing a Series of First Lien Obligations has occurred and is continuing, and the Controlling Collateral Agent is taking action to enforce rights in respect of any Shared Collateral, or any distribution is made in respect of any Shared Collateral in any Insolvency or Liquidation Proceeding of the Borrower or any other Grantor or any First Lien Secured Party receives any payment pursuant to any intercreditor agreement (other than this Agreement but including the Other Intercreditor Agreements) with respect to any Shared Collateral, the proceeds of any sale, collection or other liquidation of any such Shared Collateral by the Controlling Collateral Agent or received by the Controlling Collateral Agent or any First Lien Secured Party pursuant to any such intercreditor agreement with respect to such Shared Collateral and proceeds of any such distribution (subject, in the case of any such distribution, to the sentence immediately following) to which the First Lien Obligations are entitled under any intercreditor agreement (other than this Agreement but including the Other Intercreditor Agreements) (all proceeds of any sale, collection or other liquidation of any Shared Collateral and any payment or distribution made in respect of Shared Collateral pursuant to any intercreditor agreement (including the Other Intercreditor Agreements) or in an Insolvency or Liquidation Proceeding being collectively referred to as "Proceeds"), shall be applied, subject to the terms of the ABL Intercreditor Agreement with respect to ABL Priority Collateral (and subject to Section 1.03), (i) FIRST, to the payment of all amounts owing to each Collateral

Agent (in its capacity as such) pursuant to the terms of any Secured Credit Document, (ii) SECOND, subject to Section 1.03, to the payment in full of the First Lien Obligations of each Series on a ratable basis, with such Proceeds to be applied to the First Lien Obligations of a given Series in accordance with the terms of the applicable Secured Credit Documents and (iii) THIRD, after payment of all First Lien Obligations, to the Borrower and the other Grantors or their successors or assigns, as their interests may appear, or to whomsoever may be lawfully entitled to receive the same pursuant to the Second Lien Intercreditor Agreement, if in effect, or otherwise, as a court of competent jurisdiction may direct. If, despite the provisions of this Section 2.01(a), any First Lien Secured Party shall receive any payment or other recovery in excess of its portion of payments on account of the First Lien Obligations to which it is then entitled in accordance with this Section 2.01(a), such First Lien Secured Party shall hold such payment or recovery in trust for the benefit of all First Lien Secured Parties for distribution in accordance with this Section 2.01(a). Notwithstanding the foregoing, with respect to any Shared Collateral for which a third party (other than a First Lien Secured Party) has a lien or security interest that is junior in priority to the security interest of any Series of First Lien Obligations, after giving effect to the Second Lien Intercreditor Agreement, if applicable, but senior (as determined by appropriate legal proceedings in the case of any dispute) to the security interest of any other Series of First Lien Obligations (such third party, an "Intervening Creditor"), the value of any Shared Collateral or Proceeds allocated to such Intervening Creditor shall be deducted on a ratable basis solely from the Shared Collateral or Proceeds to be distributed in respect of the Series of First Lien Obligations with respect to which such Impairment exists.

(b) It is acknowledged that the First Lien Obligations of any Series may, subject to the limitations set forth in the then extant Secured Credit Documents, be increased, extended, renewed, replaced, restated, supplemented, restructured, repaid, refunded, Refinanced or otherwise amended or modified from time to time, all without affecting the priorities of claims and applicable of proceeds set forth in Section 2.01(a) or the provisions of this Agreement defining the relative rights of the First Lien Secured Parties of any Series.

(c) Notwithstanding the date, time, method, manner or order of grant, attachment or perfection of any Liens securing any Series of First Lien Obligations granted on the Shared Collateral and notwithstanding any provision of the Uniform Commercial Code of any jurisdiction, or any other applicable law or the Secured Credit Documents or any defect or deficiencies in the Liens securing the First Lien Obligations of any Series or any other circumstance whatsoever (but, in each case, subject to Section 1.03), each First Lien Secured Party hereby agrees that the Liens securing each Series of First Lien Obligations on any Shared Collateral shall be of equal priority.

SECTION 2.02 [Reserved].

SECTION 2.03 Actions with Respect to Shared Collateral; Prohibition on Contesting Liens.

(a) Subject to the terms of the ABL Intercreditor Agreement with respect to ABL Priority Collateral, only the Controlling Collateral Agent shall act or refrain from acting with respect to any Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral). At any time when the Credit Agreement Collateral Agent is the

Controlling Collateral Agent, no Additional First Lien Secured Party shall or shall instruct any Collateral Agent to, and neither the Initial Additional First Lien Collateral Agent nor any other Collateral Agent that is not the Controlling Collateral Agent shall, commence any judicial or nonjudicial foreclosure or realization proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral), whether under any Additional First Lien Security Document, applicable law or otherwise; it being agreed that, subject to the terms of the ABL Intercreditor Agreement with respect to ABL Priority Collateral, at any time when the Credit Agreement Collateral Agent is the Controlling Collateral Agent, only the Credit Agreement Collateral Agent (or a person authorized by it), acting in accordance with the Credit Agreement Collateral Documents, shall be entitled to take any such actions or exercise any such remedies with respect to Shared Collateral at such time and the Initial Additional First Lien Collateral Agent will have not rights to take any action under this Agreement with respect to the Shared Collateral (unless and until it becomes the Controlling Collateral Agent).

(b) With respect to any Shared Collateral at any time when the Credit Agreement Collateral Agent is not the Controlling Collateral Agent with respect thereto, (i) the Controlling Collateral Agent shall act only on the instructions of the Applicable Authorized Representative, (ii) the Controlling Collateral Agent shall not follow any instructions with respect to such Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral) from any Non-Controlling Authorized Representative (or any other First Lien Secured Party other than the Applicable Authorized Representative) and (iii) no Non-Controlling Authorized Representative or other First Lien Secured Party (other than the Applicable Authorized Representative) shall or shall instruct the Controlling Collateral Agent to, commence any judicial or non-judicial foreclosure proceedings with respect to, seek to have a trustee, receiver, liquidator or similar official appointed for or over, attempt any action to take possession of, exercise any right, remedy or power with respect to, or otherwise take any action to enforce its security interest in or realize upon, or take any other action available to it in respect of, any Shared Collateral (including with respect to any intercreditor agreement with respect to any Shared Collateral), whether under any First Lien Security Document, applicable law or otherwise, it being agreed that only the Controlling Collateral Agent (or a person authorized by it), acting on the instructions of the Applicable Authorized Representative and in accordance with the applicable First Lien Security Documents shall be entitled to take any such actions or exercise any such remedies with respect to such Shared Collateral.

(c) Notwithstanding the equal priority of the Liens securing each Series of First Lien Obligations with respect to any Shared Collateral, the Controlling Collateral Agent with respect thereto (acting on the instructions of the Applicable Authorized Representative if it is not the Credit Agreement Collateral Agent) may deal with such Shared Collateral as if such Controlling Collateral Agent had a senior Lien on such Collateral. No Non-Controlling Authorized Representative or Non-Controlling Secured Party in respect of any Shared Collateral will contest, protest or object to any foreclosure proceeding or action brought by the Controlling Collateral Agent, the Applicable Authorized Representative or any other Controlling Secured Party or any other exercise by the Controlling Collateral Agent, the Applicable Authorized

Representative or a Controlling Secured Party of any rights and remedies relating to such Shared Collateral, or to cause the Controlling Collateral Agent to do so. The foregoing shall not be construed to limit the rights and priorities of any First Lien Secured Party, Collateral Agent or any Authorized Representative with respect to any Collateral not constituting Shared Collateral.

(d) Each of the First Lien Secured Parties agrees that it will not (and hereby waives any right to) question or contest or support any other Person in contesting, in any proceeding (including any Insolvency or Liquidation Proceeding), the perfection, priority, allowability, validity, attachment or enforceability of a Lien held by or on behalf of any of the First Lien Secured Parties in all or any part of the Collateral, or the provisions of this Agreement; provided that nothing in this Agreement shall be construed to prevent or impair the rights of any Collateral Agent or any Authorized Representative to enforce this Agreement; provided, further that no such action is, or could reasonably be expected to be, inconsistent with the terms of the ABL Intercreditor Agreement.

SECTION 2.04 No Interference; Payment Over.

(a) Each First Lien Secured Party agrees that (i) it will not challenge or question in any proceeding the validity or enforceability of any First Lien Obligations of any Series or any First Lien Security Document or the validity, attachment, perfection or priority of any Lien under any First Lien Security Document or the validity or enforceability of the priorities, rights or duties established by or other provisions of this Agreement; (ii) it will not take or cause to be taken any action the purpose or intent of which is, or could be, to interfere, hinder or delay, in any manner, whether by judicial proceedings or otherwise, any sale, transfer or other disposition of any Shared Collateral by the Controlling Collateral Agent, (iii) except as provided in Section 2.03, it shall have no right to (A) direct the Controlling Collateral Agent or any other First Lien Secured Party to exercise, and shall not exercise, any right, remedy or power with respect to any Shared Collateral (including pursuant to any intercreditor agreement) or (B) consent to the exercise by the Controlling Collateral Agent or any other First Lien Secured Party of any right, remedy or power with respect to any Shared Collateral, (iv) it will not institute any suit or assert in any suit, bankruptcy, insolvency or other proceeding any claim against the Controlling Collateral Agent or any other First Lien Secured Party seeking damages from or other relief by way of specific performance, instructions or otherwise with respect to any Shared Collateral, and none of the Controlling Collateral Agent, any Applicable Authorized Representative or any other First Lien Secured Party shall be liable for any action taken or omitted to be taken by the Controlling Collateral Agent, such Applicable Authorized Representative or other First Lien Secured Party with respect to any Shared Collateral in accordance with the provisions of this Agreement, (v) if not the Controlling Collateral Agent, it will not seek, and hereby waives any right, to have any Shared Collateral or any part thereof marshaled upon any foreclosure or other disposition of such Shared Collateral and (vi) it will not attempt, directly or indirectly, whether by judicial proceedings or otherwise, to challenge the enforceability of any provision of this Agreement; provided that nothing in this Agreement shall be construed to prevent or impair the rights of any of the Controlling Collateral Agent or any other First Lien Secured Party to enforce this Agreement.

(b) Each First Lien Secured Party hereby agrees that if it shall obtain possession of any Shared Collateral or shall realize any Proceeds or payment in respect of any such Shared Collateral, pursuant to any First Lien Security Document or by the exercise of any rights available to it under applicable law or in any Insolvency or Liquidation Proceeding or through any other exercise of remedies (including pursuant to any intercreditor agreement), at any time prior to the Discharge of each Series of First Lien Obligations, then it shall hold such Shared Collateral, Proceeds or payment in trust for the other First Lien Secured Parties having a security interest in such Shared Collateral and promptly transfer such Shared Collateral, Proceeds or payment, as the case may be, to the Controlling Collateral Agent, to be distributed in accordance with the provisions of Section 2.01 hereof.

SECTION 2.05 Automatic Release of Liens; Amendments to First Lien Security Documents.

(a) If, at any time the Controlling Collateral Agent forecloses upon or otherwise exercises remedies against any Shared Collateral resulting in a sale or disposition thereof, then (whether or not any Insolvency or Liquidation Proceeding is pending at the time) the Liens in favor of each other Collateral Agent for the benefit of each Series of First Lien Secured Parties upon such Shared Collateral will automatically be released and discharged as and when, but only to the extent, such Liens of the Controlling Collateral Agent on such Shared Collateral are released and discharged; provided that any Proceeds of any Shared Collateral realized therefrom shall be allocated and applied pursuant to Section 2.01.

(b) Each Collateral Agent and Authorized Representative agrees to execute and deliver (at the sole cost and expense of the Grantors) all such authorizations and other instruments as shall reasonably be requested by the Controlling Collateral Agent to evidence and confirm any release of Shared Collateral provided for in this Section.

SECTION 2.06 Certain Agreements with Respect to Bankruptcy or Insolvency Proceedings.

(a) This Agreement shall continue in full force and effect notwithstanding the commencement of any proceeding under the Bankruptcy Code or any other Bankruptcy Law by or against Holdings, the Borrower or any of their respective Subsidiaries. The parties hereto acknowledge that the provisions of this Agreement are intended to be and shall be enforceable as contemplated by Section 510(a) of the Bankruptcy Code.

(b) If the Borrower and/or any other Grantor shall become subject to a case (a "Bankruptcy Case") under the Bankruptcy Law and shall, as debtor(s)-in-possession, move for approval of financing (the "DIP Financing") to be provided by one or more lenders (the "DIP Lenders") under Section 364 of the Bankruptcy Code or any equivalent provision of any other Bankruptcy Law or the use of cash collateral under Section 363 of the Bankruptcy Code or any equivalent provision of any other Bankruptcy Law, each First Lien Secured Party (other than any Controlling Secured Party or the Authorized Representative of any Controlling Secured Party) agrees that it will raise no objection to any such financing or to the Liens on the Shared Collateral securing the same ("DIP Financing Liens") or to any use of cash collateral that constitutes Shared Collateral, unless the Controlling Collateral Agent (in the case of any Collateral Agent other than the Credit Agreement Collateral Agent, acting on the instructions of the Applicable Authorized Representative) shall then oppose or object to such DIP Financing or such DIP Financing Liens or use of cash collateral (and (i) to the extent that such DIP Financing Liens are senior to the Liens on any such Shared Collateral for the benefit of the Controlling Secured Parties, each Non-Controlling Secured Party will subordinate its Liens with respect to such Shared Collateral on the same terms as the Liens of the Controlling Secured Parties (other than any Liens of any First Lien Secured Parties constituting DIP Financing Liens) are subordinated thereto, and (ii) to the extent that such DIP Financing Liens rank pari passu with the Liens on any such Shared Collateral granted to secure the First Lien Obligations of the Controlling Secured Parties, each Non-Controlling Secured Party will confirm the priorities with respect to such Shared Collateral as set forth herein), in each case so long as (A) the First Lien Secured Parties of each Series retain the benefit of their Liens on all such Shared Collateral pledged to the DIP Lenders, including proceeds thereof arising after the commencement of such proceeding, with the same priority vis-à-vis all the other First Lien Secured Parties (other than any Liens of the First Lien Secured Parties constituting DIP Financing Liens) as existed prior to the commencement of the Bankruptcy Case, (B) the First Lien Secured Parties of each Series are granted Liens on any additional collateral pledged to any First Lien Secured Parties as adequate protection or otherwise in connection with such DIP Financing and/or use of cash collateral (in each case, except to the extent a Lien on additional collateral is granted to one Series in consideration of Collateral of such Series that is not Shared Collateral for a Series that does not receive a Lien on such additional collateral), with the same priority vis-à-vis the First Lien Secured Parties (other than any Liens of the First Lien Secured Parties constituting DIP Financing Liens) as set forth in this Agreement, (C) if any amount of such DIP Financing and/or cash collateral is applied to repay any of the First Lien Obligations, such amount is applied pursuant to Section 2.01 (in each case, except to the extent a payment is made to one Series in consideration of Collateral of such Series that is not Shared Collateral for a Series that does not receive such payment), and (D) if any First Lien Secured Parties are granted adequate protection, including in the form of periodic payments, in connection with such DIP Financing and/or use of cash collateral, the proceeds of such adequate protection are applied pursuant to Section 2.01 (in each case, except to the extent such adequate protection is granted to one Series in consideration of Collateral of such Series that is not Shared Collateral for a Series that does not receive such adequate protection); provided that the First Lien Secured Parties of each Series shall have a right to object to the grant of a Lien to secure the DIP Financing over any Collateral subject to Liens in favor of the First Lien Secured Parties of such Series or its Authorized Representative that shall not constitute Shared Collateral; and provided, further, that the First Lien Secured Parties receiving adequate protection shall not object to any other First Lien Secured Party receiving adequate protection comparable to any adequate protection granted to such First Lien Secured Parties (other than as a provider of DIP Financing) in connection with a DIP Financing and/or use of cash collateral.

SECTION 2.07 Reinstatement. In the event that any of the First Lien Obligations shall be paid in full and such payment or any part thereof shall subsequently, for whatever reason (including an order or judgment for disgorgement of a preference under the Bankruptcy Code, or any similar law, or the settlement of any claim in respect thereof), be required to be returned or repaid, the terms and conditions of this Article II shall be fully applicable thereto until all such First Lien Obligations shall again have been paid in full in cash.

SECTION 2.08 Insurance. As between the First Lien Secured Parties, the Controlling Collateral Agent (acting at the direction of the Applicable Authorized Representative) shall have the right to adjust or settle any insurance policy or claim covering or constituting Shared Collateral in the event of any loss thereunder and to approve any award granted in any condemnation or similar proceeding affecting the Shared Collateral.

SECTION 2.09 Refinancings. The First Lien Obligations of any Series may be Refinanced, in whole or in part, in each case, without notice to, or the consent (except to the extent a consent is otherwise required to permit the Refinancing transaction under any Secured Credit Document) of any First Lien Secured Party of any other Series, all without affecting the priorities provided for herein or the other provisions hereof; provided that the Authorized Representative and Collateral Agent of the holders of any such Refinancing indebtedness shall have executed a Joinder Agreement on behalf of the holders of such Refinancing indebtedness.

SECTION 2.10 Possessory Collateral Agent as Gratuitous Bailee for Perfection.

(a) Possessory Collateral shall be delivered to the Controlling Collateral Agent and the Controlling Collateral Agent agrees to hold all Possessory Collateral that is in its possession or control (or in the possession or control of its agents or bailees) as gratuitous bailee (such bailment being intended, among other things, to satisfy the requirements of Section 8-301(a)(2) and 9-313(c) of the Uniform Commercial Code, to the extent applicable) for the benefit of each other First Lien Secured Party for which such Possessory Collateral is Shared Collateral and any assignee solely for the purpose of perfecting the security interest granted in such Possessory Collateral, if any, pursuant to the applicable First Lien Security Documents, in each case, subject to the terms and conditions of this Section 2.10 and the ABL Intercreditor Agreement with respect to ABL Priority Collateral; provided that at any time a Collateral Agent ceases to be Controlling Collateral Agent with respect to any Possessory Collateral, such former Controlling Collateral Agent shall, at the request of the new Controlling Collateral Agent, promptly deliver all such Possessory Collateral that is in the possession of such former Controlling Collateral Agent to such new Controlling Collateral Agent together with any necessary endorsements (or otherwise allow such new Controlling Collateral Agent to obtain control of such Possessory Collateral). The Borrower shall take such further action as is required to effectuate the transfer contemplated hereby and shall indemnify each Collateral Agent for loss or damage suffered by such Collateral Agent as a result of such transfer except for loss or damage suffered by such Collateral Agent as a result of its own gross negligence or willful misconduct as determined by a final nonappealable judgment of a court of competent jurisdiction.

(b) The Controlling Collateral Agent agrees to hold any Shared Collateral constituting Possessory Collateral, from time to time in its possession, as gratuitous bailee (such bailment being intended, among other things, to satisfy the requirements of Section 8-301(a)(2) and 9-313(c) of the Uniform Commercial Code, to the extent applicable) for the benefit of each other First Lien Secured Party and any assignee, solely for the purpose of perfecting the security interest granted in such Possessory Collateral, if any, pursuant to the applicable First Lien Security Documents, in each case, subject to the terms and conditions of this Section 2.10.

(c) The duties or responsibilities of each Collateral Agent under this Section 2.10 shall be limited solely to holding any Shared Collateral constituting Possessory Collateral as gratuitous bailee (such bailment being intended, among other things, to satisfy the requirements of Section 8-301(a)(2) and 9-313(c) of the Uniform Commercial Code, to the extent applicable) for the benefit of each other First Lien Secured Party for purposes of perfecting the Lien held by such First Lien Secured Parties thereon.

SECTION 2.11 Amendments to Security Documents.

(a) Without the prior written consent of the Credit Agreement Collateral Agent, each Additional First Lien Secured Party agrees that no Additional First Lien Security Document may be amended, restated, supplemented or otherwise modified or entered into to the extent such amendment, restatement, supplement or modification, or the terms of any new Additional First Lien Security Document would contravene any of the terms of this Agreement.

(b) Without the prior written consent of the Additional First Lien Collateral Agent, the Credit Agreement Collateral Agent agrees that no Credit Agreement Collateral Document may be amended, restated, supplemented or otherwise modified or entered into to the extent such amendment, restated, supplement or modification, or the terms of any new Credit Agreement Collateral Document would contravene any of the terms of this Agreement.

(c) In making determinations required by this Section 2.11, each Collateral Agent may conclusively rely on a certificate of an Authorized Officer of the Borrower.

ARTICLE III

Existence and Amounts of Liens and Obligations

SECTION 3.01 Determinations with Respect to Amounts of Liens and Obligations. Whenever a Collateral Agent or any Authorized Representative shall be required, in connection with the exercise of its rights or the performance of its obligations hereunder, to determine the existence or amount of any First Lien Obligations of any Series, or the Shared Collateral subject to any Lien securing the First Lien Obligations of any Series, it may request that such information be furnished to it in writing by each other Authorized Representative or Collateral Agent and shall be entitled to make such determination or not make any determination on the basis of the information so furnished; provided, however, that if an Authorized Representative or a Collateral Agent shall fail or refuse reasonably promptly to provide the requested information, the requesting Collateral Agent or Authorized Representative shall be entitled to make any such determination by such method as it may, in the exercise of its good faith judgment, determine, including by reliance upon a certificate of the Borrower. Each Collateral Agent and each Authorized Representative may rely conclusively, and shall be fully protected in so relying, on any determination made by it in accordance with the provisions of the preceding sentence (or as otherwise directed by a court of competent jurisdiction) and shall have no liability to any Grantor, any First Lien Secured Party or any other Person as a result of such determination.

ARTICLE IV

The Controlling Collateral Agent

SECTION 4.01 Authority.

(a) Notwithstanding any other provision of this Agreement, nothing herein shall be construed to impose any fiduciary or other duty on any Controlling Collateral Agent to any Non-Controlling Secured Party or give any Non-Controlling Secured Party the right to direct any Controlling Collateral Agent, except that each Controlling Collateral Agent shall be obligated to distribute Proceeds of any Shared Collateral in accordance with Section 2.01 hereof.

(b) In furtherance of the foregoing, each Non-Controlling Secured Party acknowledges and agrees that the Controlling Collateral Agent shall be entitled, for the benefit of the First Lien Secured Parties, to sell, transfer or otherwise dispose of or deal with any Shared Collateral as provided herein and in the First Lien Security Documents, as applicable, pursuant to which the Controlling Collateral Agent is the collateral agent for such Shared Collateral, without regard to any rights to which the Non-Controlling Secured Parties would otherwise be entitled as a result of the First Lien Obligations held by such Non-Controlling Secured Parties. Without limiting the foregoing, each Non-Controlling Secured Party agrees that none of the Controlling Collateral Agent, the Applicable Authorized Representative or any other First Lien Secured Party shall have any duty or obligation first to marshal or realize upon any type of Shared Collateral (or any other Collateral securing any of the First Lien Obligations), or to sell, dispose of or otherwise liquidate all or any portion of such Shared Collateral (or any other Collateral securing any First Lien Obligations), in any manner that would maximize the return to the Non-Controlling Secured Parties, notwithstanding that the order and timing of any such realization, sale, disposition or liquidation may affect the amount of Proceeds actually received by the Non-Controlling Secured Parties from such realization, sale, disposition or liquidation. Each of the First Lien Secured Parties waives any claim it may now or hereafter have against any Collateral Agent or the Authorized Representative of any other Series of First Lien Obligations or any other First Lien Secured Party of any other Series arising out of (i) any actions in accordance with this Agreement which any Collateral Agent, Authorized Representative or the First Lien Secured Parties take or omit to take (including, actions with respect to the creation, perfection or continuation of Liens on any Collateral, actions with respect to the foreclosure upon, sale, release or depreciation of, or failure to realize upon, any of the Collateral and actions with respect to the collection of any claim for all or any part of the First Lien Obligations from any account debtor, guarantor or any other party) in accordance with the First Lien Security Documents or any other agreement related thereto or to the collection of the First Lien Obligations or the valuation, use, protection or release of any security for the First Lien Obligations, (ii) any election in accordance with this Agreement by any Applicable Authorized Representative or any holders of First Lien Obligations, in any proceeding instituted under the Bankruptcy Code, of the application of Section 1111(b) of the Bankruptcy Code or (iii) subject to Section 2.06, any borrowing by, or grant of a security interest or administrative expense priority under Section 364 of the Bankruptcy Code or any equivalent provision of any other Bankruptcy Law, by the Borrower or any of their Subsidiaries, as debtor-in-possession. Notwithstanding any other provision of this Agreement, the Controlling Collateral Agent shall not accept any Shared Collateral in full or partial satisfaction of any First Lien Obligations pursuant to Section 9-620 of the Uniform Commercial Code of any jurisdiction, without the consent of each Authorized Representative representing holders of First Lien Obligations for whom such Collateral constitutes Shared Collateral.

SECTION 4.02 Appointment. Each of the First Lien Secured Parties hereby irrevocably appoints and authorizes the Controlling Collateral Agent to take such actions on its behalf and to exercise such powers as are delegated to the Controlling Collateral Agent by the terms hereof, together with such powers and discretion as are reasonably incidental thereto. Each of the First Lien Secured Parties also authorizes the Controlling Collateral Agent, at the request of the Borrower, to (x) if applicable, execute and deliver the Second Lien Intercreditor Agreement in the capacity as “Designated Senior Representative,” or the equivalent agent, however referred to for the First Lien Secured Parties under such agreement and authorizes the Controlling Collateral Agent, in accordance with the provisions of this Agreement, to take such actions on its behalf and to exercise such powers as are delegated to, or otherwise given to, the Designated Senior Representative by the terms of the Second Lien Intercreditor Agreement, together with such powers and discretion as are reasonably incidental thereto and (y) execute and deliver the ABL Intercreditor Agreement in the capacity as “Controlling CF Debt Agent,” or the equivalent agent, however referred to for the First Lien Secured Parties under such agreement (the “Controlling CF Debt Agent”) and authorizes the Controlling Collateral Agent, in accordance with the provisions of this Agreement, to take such actions on its behalf and to exercise such powers as are delegated to, or otherwise given to, the Controlling CF Debt Agent by the terms of the ABL Intercreditor Agreement, together with such powers and discretion as are reasonably incidental thereto. In this connection, the Controlling Collateral Agent and any co-agents, sub-agents and attorneys-in-fact appointed by the Controlling Collateral Agent, as the case may be, pursuant to the applicable Secured Credit Documents for purposes of holding or enforcing any Lien on the Collateral (or any portion thereof) granted under any of the First Lien Security Documents, or for exercising any rights and remedies thereunder or under any of the Other Intercreditor Agreements at the direction of the Controlling Collateral Agent, as the case may be, shall be entitled to the benefits of all provisions of this Section 4.02 and Section 12 of the Credit Agreement and the equivalent provision of any Additional First Lien Document (as though such co-agents, sub-agents and attorneys-in-fact were the “Collateral Agent” named therein) as if set forth in full herein with respect thereto. Without limiting the foregoing, each of the First Lien Secured Parties, and each Collateral Agent, hereby agrees to provide such cooperation and assistance as may be reasonably requested by the Controlling Collateral Agent to facilitate and effect actions taken or intended to be taken by the Controlling Collateral Agent pursuant to this Section 4.02, such cooperation to include execution and delivery of notices, instruments and other documents as are reasonably deemed necessary by the Controlling Collateral Agent to effect such actions, and joining in any action, motion or proceeding initiated by the Controlling Collateral Agent for such purposes.

ARTICLE V

Miscellaneous

SECTION 5.01 Notices. All notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile, as follows:

(a) if to the Borrower or any Grantor, to the Borrower at Academy, Ltd., 1540 North Mason Road, Katy, TX, 77449 Attention: General Counsel;

(b) if to the Credit Agreement Collateral Agent or the Administrative Agent, to it at Eleven Madison Avenue, New York, New York 10010, Attention of Agency Manager (Fax No.: (212) 322-2291, agency.loanops@creditsuisse.com);

(c) if to the Initial Additional Authorized Representative or the Initial Additional First Lien Collateral Agent, to it at The Bank of New York Mellon Trust Company, N.A., 601 Travis Street, The Chase Center, Houston, TX 77002, Attention of Corporate Trust Administration (Fax No. (713) 483-6954); or

(d) if to any other Authorized Representative or Collateral Agent, to it at the address set forth in the applicable Joinder Agreement.

Any party hereto may change its address or facsimile number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt (if a Business Day) and on the next Business Day thereafter (in all other cases) if delivered by hand or overnight courier service or sent by facsimile or on the date three Business Days after dispatch by certified or registered mail if mailed, in each case delivered, sent or mailed (properly addressed) to such party as provided in this Section 5.01 or in accordance with the latest unrevoked direction from such party given in accordance with this Section 5.01. As agreed to in writing among each Collateral Agent and each Authorized Representative from time to time, notices and other communications may also be delivered by e-mail to the e-mail address of a representative of the applicable Person provided from time to time by such Person.

SECTION 5.02 Waivers; Amendment; Joinder Agreements.

(a) No failure or delay on the part of any party hereto in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the parties hereto are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by any party therefrom shall in any event be effective unless the same shall be permitted by Section 5.02(b), and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any party hereto in any case shall entitle such party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Agreement nor any provision hereof may be terminated, waived, amended or modified (other than pursuant to any Joinder Agreement) except pursuant to an agreement or agreements in writing entered into by each Authorized Representative, each Collateral Agent and the Grantors.

(c) Notwithstanding the foregoing, without the consent of any First Lien Secured Party, any Authorized Representative may become a party hereto by execution and delivery of a Joinder Agreement in accordance with Section 5.12 and upon such execution and delivery, such Authorized Representative and the Additional First Lien Secured Parties and Additional First Lien Obligations of the Series for which such Authorized Representative is acting shall be subject to the terms hereof.

(d) Notwithstanding the foregoing, in connection with any Refinancing of First Lien Obligations of any Series, or the incurrence of Additional First Lien Obligations of any Series, the Collateral Agents and the Authorized Representatives then party hereto shall enter (and are hereby authorized to enter without the consent of any other First Lien Secured Party or any Loan Party), at the request of any Collateral Agent, any Authorized Representative or the Borrower, into such amendments or modifications of this Agreement as are reasonably necessary to reflect such Refinancing or such incurrence and are reasonably satisfactory to each such Collateral Agent and each such Authorized Representative, provided that any Collateral Agent or Authorized Representative may condition its execution and delivery of any such amendment or modification on a receipt of a certificate from an Authorized Officer of the Borrower to the effect that such Refinancing or incurrence is permitted by the then existing Secured Credit Documents.

SECTION 5.03 Parties in Interest. This Agreement and the rights and benefits hereof shall inure to the benefit of each of the parties hereto and their respective successors and assigns and shall inure to the benefit of and bind each of the First Lien Secured Parties. Nothing in this Agreement is intended to or shall impair the obligations of any Grantor, which are absolute and unconditional, to pay the First Lien Obligations as and when the same shall become due and payable in accordance with their terms.

SECTION 5.04 Survival of Agreement. All covenants, agreements, representations and warranties made by any party in this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement.

SECTION 5.05 Counterparts. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile or other electronic transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. Delivery of an executed signature page of this Agreement by facsimile or other electronic transmission (e.g., “pdf” or “tif” format) shall be effective as delivery of a manually executed counterpart hereof. Any signature to this Agreement may be delivered by facsimile, electronic mail (including pdf) or any electronic signature complying with the U.S. federal ESIGN Act of 2000 or the New York Electronic Signature and Records Act or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes to the fullest extent permitted by applicable law. Each of the parties hereto hereby represents and warrants to each other party hereto that it has the corporate capacity and authority to execute this Agreement through electronic means and there are no restrictions for doing so in that party’s constitutive documents.

SECTION 5.06 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall not invalidate the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 5.07 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

SECTION 5.08 Submission to Jurisdiction Waivers; Consent to Service of Process. Each Collateral Agent and each Authorized Representative, on behalf of itself and the First Lien Secured Parties of the Series for whom it is acting, irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement to which it is a party to the exclusive general jurisdiction of the courts of the State of New York or the courts of the United States for the Southern District of New York, in each case sitting in New York City in the Borough of Manhattan, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives (to the extent permitted by applicable law) any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same or to commence or support any such action or proceeding in any other courts;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Person at its address set forth in Section 5.01;

(d) agrees that nothing herein shall affect the right of any other party hereto (or any Secured Party) to effect service of process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against Holdings or the Borrower or any other Credit Party in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 5.08 any special, exemplary, punitive or consequential damages.

SECTION 5.09 WAIVER OF JURY TRIAL. EACH PARTY HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVE (TO THE EXTENT PERMITTED BY APPLICABLE LAW) TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR FOR ANY COUNTERCLAIM THEREIN.

SECTION 5.10 Headings. Article, Section and Annex headings used herein are included for convenience of reference only and shall not affect the interpretation of this Agreement.

SECTION 5.11 Conflicts. In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any of the First Lien Security Documents, any of the other Secured Credit Documents, the provisions of this Agreement shall control.

SECTION 5.12 Additional Senior Debt. To the extent, but only to the extent, permitted by the provisions of the Credit Agreement and the Additional First Lien Documents, the Borrower may incur additional indebtedness after the date hereof that is permitted by the Credit Agreement and the Additional First Lien Documents to be incurred and secured on an equal and ratable basis by the Liens securing the First Lien Obligations (such indebtedness referred to as "Additional Senior Class Debt"). Any such Additional Senior Class Debt, together with obligations relating thereto, may be secured by such Liens if and subject to the condition that the trustee, administrative agent or similar representative for the holders of such Additional Senior Class Debt (each, an "Additional Senior Class Debt Representative"), and the collateral agent, collateral trustee or similar representative for the holders of such Additional Senior Class Debt (each, an "Additional Senior Class Debt Collateral Agent" and, together with the holders of such Additional Senior Class Debt and the related Additional Senior Class Debt Representative, the "Additional Senior Class Debt Parties"), in each case acting on behalf of the holders of such Additional Senior Class Debt, become a party to this Agreement by satisfying the conditions set forth in clauses (i) through (iv) of the immediately succeeding paragraph.

In order, with respect to any Additional Senior Class Debt, for an Additional Senior Class Debt Representative and the related Additional Senior Class Debt Collateral Agent to become a party to this Agreement,

(i) such Additional Senior Class Debt Representative and Additional Senior Class Debt Collateral Agent, each Collateral Agent, each Authorized Representative and each Grantor shall have executed and delivered an instrument substantially in the form of Annex II (with such changes as may be reasonably approved by such Authorized Representatives and such Additional Senior Class Debt Representative) pursuant to which such Additional Senior Class Debt Representative becomes an "Authorized Representative" hereunder, such Additional Senior Class Debt Collateral Agent becomes a "Collateral Agent" hereunder and such Additional Senior Class Debt and the related Additional Senior Class Debt Parties become subject hereto and bound hereby;

(ii) the Borrower shall have (x) delivered to each Authorized Representative true and complete copies of each of the Additional First Lien Documents relating to such Additional Senior Class Debt, certified as being true and correct by an Authorized Officer of the Borrower and (y) identified in a certificate of an Authorized Officer of the Borrower such Additional Senior Class Debt, stating the initial aggregate principal amount or face amount thereof, and the obligations to be designated as Additional First Lien Obligations and certified that such obligations are permitted to be incurred and secured on a pari passu basis with Liens securing the then-extant First Lien Obligations and by the terms of the then-extant Secured Credit Documents;

(iii) all filings, recordations and/or amendments or supplements to the First Lien Security Documents necessary or desirable in the reasonable judgment of such Additional Senior Class Debt Representative to confirm and perfect the Liens securing the relevant obligations relating to such Additional Senior Class Debt shall have been made, executed and/or delivered (or, with respect to any such filings or recordations, acceptable provisions to perform such filings or recordations shall have been taken in the reasonable judgment of such Additional Senior Class Debt Representative), and all fees and taxes in connection therewith shall have been paid (or acceptable provisions to make such payments have been taken in the reasonable judgment of such Additional Senior Class Debt Representative); and

(iv) the Additional First Lien Documents, as applicable, relating to such Additional Senior Class Debt shall provide, in a manner reasonably satisfactory to each Collateral Agent, that each Additional Senior Class Debt Party with respect to such Additional Senior Class Debt will be subject to and bound by the provisions of this Agreement in its capacity as a holder of such Additional Senior Class Debt.

SECTION 5.13 Agent Capacities. Except as expressly provided herein or in the Credit Agreement Collateral Documents, Credit Suisse AG, Cayman Islands Branch is acting in the capacities of Administrative Agent and Credit Agreement Collateral Agent solely for the Credit Agreement Secured Parties. Except as expressly provided herein or in the Initial Additional First Lien Security Documents, The Bank of New York Mellon Trust Company, N.A. is acting in the capacities of Initial Additional Authorized Representative and Initial Additional First Lien Collateral Agent solely for the Initial Additional First Lien Secured Parties. Except as expressly provided herein or in the Additional First Lien Security Documents in respect of any Series of Additional Senior Class Debt, the Additional Senior Class Debt Representative and Additional Senior Class Debt Collateral Agent in respect of such Series of Additional Senior Class Debt is acting solely in such capacities for the Additional Senior Class Debt Parties in respect of such Series of Additional Senior Class Debt. Except as expressly set forth herein, none of the Administrative Agent, the Credit Agreement Collateral Agent, the Initial Additional Authorized Representative, the Initial Additional First Lien Collateral Agent, any other Authorized Representative or any other Collateral Agent shall have any duties or obligations in respect of any of the Collateral, all of such duties and obligations, if any, being subject to and governed by the applicable Secured Credit Documents. The Administrative Agent and the Credit Agreement Collateral Agent shall have no liability for any actions in any role under this Agreement to anyone other than the Credit Agreement Secured Parties and only then in accordance with the Credit Agreement Collateral Documents.

SECTION 5.14 Additional Grantors. In the event any Subsidiary or a Grantor shall have granted a Lien on any of its assets to secure any First Lien Obligations, such Grantor shall cause such Subsidiary, if not already a party hereto, to become a party hereto as a “Grantor”. Upon the execution and delivery by any Subsidiary of a Grantor of a Grantor Joinder Agreement in substantially the form of Annex III hereof, any such Subsidiary shall become a party hereto and a Grantor hereunder with the same force and effect as if originally named as such herein. The execution and delivery of any such instrument shall not require the consent of any other party hereto. The rights and obligations of each party hereto shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Agreement.

SECTION 5.15 Integration. This Agreement together with the other Secured Credit Documents and the First Lien Security Documents represents the agreement of each of the Grantors and the First Lien Secured Parties with respect to the subject matter hereof and there are no promises, undertakings, representations or warranties by any Grantor, the Credit Agreement Collateral Agent, or any other First Lien Secured Party relative to the subject matter hereof not expressly set forth or referred to herein or in the other Secured Credit Documents or the First Lien Security Documents.

SECTION 5.16 ABL Intercreditor Agreement. Notwithstanding anything herein to the contrary, the exercise of any right or remedy by any Collateral Agent or First Lien Secured Party hereunder with respect to ABL Priority Collateral is subject to the terms of the ABL Intercreditor Agreement and in the event of any conflict or inconsistency between this Agreement and the ABL Intercreditor Agreement with respect to the ABL Priority Collateral, the ABL Intercreditor Agreement shall govern.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as First Lien Collateral Agent for the Credit Agreement Secured Parties

By: /s/ William O'Daly
Name: William O'Daly
Title: Authorized Signatory

By: /s/ Christopher Zybrick
Name: Christopher Zybrick
Title: Authorized Signatory

CREDIT SUISSE AG, CAYMAN ISLANDS BRANCH, as Authorized Representative for the Credit Agreement Secured Parties

By: /s/ William O'Daly
Name: William O'Daly
Title: Authorized Signatory

By: /s/ Christopher Zybrick
Name: Christopher Zybrick
Title: Authorized Signatory

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Initial Additional First Lien Collateral Agent for the Initial Additional First Lien Secured Parties

By: /s/ Lawrence M. Kusch
Name: Lawrence M. Kusch
Title: Vice President

[Signature Page to First Lien Intercreditor Agreement]

ACADEMY, LTD.,

By: Academy Managing Co., L.L.C., its General Partner

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

NEW ACADEMY HOLDING COMPANY, LLC,

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

ASSOCIATED INVESTORS, L.L.C.,

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

ACADEMY MANAGING CO., L.L.C.,

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

[Signature Page to First Lien Intercreditor Agreement]

Exhibit 10.13

EXECUTION VERSION

NOTES SECURITY AGREEMENT

THIS SECURITY AGREEMENT, dated as of November 6, 2020 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "Security Agreement"), among Academy, Ltd., a Texas limited partnership (the "Issuer"), each of the entities listed on the signature pages hereto or that becomes a party hereto pursuant to Section 8.14 hereof (each such entity being a "Guarantor" and, collectively, the "Guarantors"), and The Bank of New York Mellon Trust Company, N.A., as collateral agent (in such capacity, the "Collateral Agent") for the benefit of the Secured Parties.

W I T N E S S E T H:

WHEREAS, the Issuer and each of the Guarantors are party to the Indenture, dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), by and among the Issuer, the Guarantors, and The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee (in such capacity, together with any successor trustee, the "Trustee") and as Collateral Agent, pursuant to which the Issuer issued $400,000,000 aggregate principal amount of its 6.000% Senior Secured Notes due 2027 (the "Notes"), and may from time to time issue additional Notes upon the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to the Indenture, each of the Guarantors has agreed to unconditionally and irrevocably guarantee (the "Guarantees"), as primary obligor and not merely as surety, the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations;

WHEREAS, the ABL Intercreditor Agreement, dated as of July 2, 2015, and the joinder, dated as of the date hereof, among, *inter alios*, the Collateral Agent, the Term Loan Collateral Agent and the ABL Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time, the "ABL Intercreditor Agreement") governs the relative rights and priorities of the Term Loan Secured Parties (as defined therein), the ABL Secured Parties (as defined therein) and Additional Debt Secured Parties (as defined therein) in respect of the Collateral and the ABL Priority Collateral (and with respect to certain other matters as described therein);

WHEREAS, the First Lien Intercreditor Agreement, dated as of the date hereof, between, *inter alios*, the Collateral Agent and the Term Loan Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time, the "First Lien Intercreditor Agreement") governs the relative rights and priorities of the First Lien Secured Parties (as defined therein) in respect of the Collateral (and with respect to certain other matters as described therein);

WHEREAS, each Grantor is the Issuer or a Guarantor;

WHEREAS, the proceeds of the Notes will be used in part to enable the Issuer to make valuable transfers to the other Grantors in connection with the operation of their respectiev businesses; and

WHEREAS, each Grantor acknowledges that it will derive substantial direct and indirect benefit from the sale and issuance of the Notes and the provision of the Guarantees.

NOW, THEREFORE, in consideration of the premises and to induce the Trustee and the Collateral Agent to enter into the Indenture and to induce the Holders to purchase and hold the Notes, the Grantors hereby agree with the Collateral Agent, for the benefit of the Secured Parties, as follows:

1. DEFINED TERMS.

(a) Unless otherwise defined herein, terms defined in the Indenture and used herein shall have the meanings given to them in the Indenture.

(b) Terms used herein without definition that are defined in the UCC have the meanings given to them in the UCC, including the following terms (which are capitalized herein): Account, Chattel Paper, Commercial Tort Claims, Commodity Contract, Deposit Accounts, Documents, Fixtures, Goods, Instruments, Inventory, Letter-of-Credit Right, Securities, Securities Accounts, Security Entitlement, Software, Supporting Obligation and Tangible Chattel Paper.

(c) The following terms shall have the following meanings:

"ABL Priority Collateral" shall have the meaning assigned to that term in the ABL Intercreditor Agreement.

"Collateral" shall have the meaning provided in Section 2.

"Collateral Account" shall mean any collateral account established by the Collateral Agent as provided in Section 5.1 or Section 5.3.

"Collateral Agent" shall have the meaning provided in the preamble hereto.

"Control" shall mean "control," as such term is defined in Section 9-104 or 9-106, as applicable, of the UCC.

"Copyrights" shall mean, with respect to any Person, all of the following now owned or hereafter acquired by such Person: (i) all copyrights arising under the laws of the United States, whether as author, assignee, transferee, licensee or otherwise, including copyrights in Software, and (ii) all registrations and applications for registration of any such copyright in the United States, including registrations, recordings, supplemental registrations and pending applications for registration in the United States Copyright Office, including those U.S. registered copyrights owned by any Grantor and listed on Schedule 1.

"Default" or "Event of Default" shall mean a "default" or "event of default" under the Indenture.

"Equipment" shall mean all "equipment," as such term is defined in Article 9 of the UCC, now or hereafter owned by any Grantor or to which any Grantor has rights and, in any event, shall include all machinery, equipment, furnishings, movable trade fixtures and vehicles now or hereafter owned by any Grantor or to which any Grantor has rights and any and all Proceeds, additions, substitutions and replacements of any of the foregoing, wherever located, together with all attachments, components, parts, equipment and accessories installed thereon or affixed thereto; but excluding any Excluded Assets.

"Excluded Assets" shall mean the following:

(1) (x) all leasehold interests in real property and (y) any parcel of real estate and the improvements thereto owned in fee by a Grantor not constituting Mortgaged Property (but not any Collateral located thereon);

(2) motor vehicles and other assets subject to certificates of title, Letter-of-Credit Rights (other than to the extent such rights can be perfected by filing a UCC-1) and Commercial Tort Claims with a claim value of less than the greater of (a) $45,000,000 and (b) 10.0% of Consolidated EBITDA of the Issuer for the Applicable Measurement Period;

(3) those assets over which the granting of security interests in such assets would be prohibited by applicable law or regulation (in each case, except to the extent such prohibition is unenforceable after giving effect to applicable provisions of the Uniform Commercial Code of any applicable jurisdiction, other than proceeds thereof, the assignment of which is expressly deemed effective under the Uniform Commercial Code of any applicable jurisdiction notwithstanding such prohibitions) or to the extent that such security interests would require obtaining the consent of any Governmental Authority (except to the extent such consent has been obtained) or would result in materially adverse tax consequences as reasonably determined by the Issuer in consultation with the Term Loan Collateral Agent;

(4) margin stock and, to the extent requiring the consent of one or more third parties or prohibited by the terms of any applicable organizational documents, joint venture agreement or shareholders' agreement, Equity Interests in any Person (other than Wholly-Owned Subsidiaries that are Restricted Subsidiaries) after giving effect to the applicable anti-assignment provisions of the Uniform Commercial Code of any applicable jurisdiction;

(5) those assets as to which the Term Loan Collateral Agent and the Issuer reasonably determine in writing that the cost of obtaining such a security interest or perfection thereof are excessive in relation to the benefit to the lenders and/or Holders of the security to be afforded thereby;

(6) any intent-to-use trademark application filed in the United States Patent and Trademark Office prior to the filing and acceptance of a "Statement of Use" or "Amendment to Allege Use" with respect thereto;

(7) any contract, lease, license or other agreement or any property subject to a purchase money security interest, Capitalized Lease Obligation or similar arrangement permitted under the Senior Credit Facilities and/or the Indenture, as the case may be, in each case, to the extent that a grant of a security interest therein would violate or invalidate such contract lease, license or agreement or purchase money, Capitalized Lease Obligation

or similar arrangement or create a right of termination in favor of any other party thereto (other than a Grantor) after giving effect to the applicable anti-assignment provisions of the Uniform Commercial Code of any applicable jurisdiction), other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under the Uniform Commercial Code of any applicable jurisdiction notwithstanding such prohibition; and

(8) any property that is subject to a Lien permitted pursuant to clause (17) of the definition of "Permitted Liens" in the Indenture if the contract or other agreement in which such Lien is granted (or the documentation providing for Indebtedness subject to such Lien) prohibits the creation of any other Lien on such property or creates a right of termination in favor of any other party thereto (other than a Grantor) as a result of the creation of any such Lien;

provided further that proceeds and products from any and all of the foregoing that would constitute Excluded Assets shall also not be considered Collateral and proceeds and products from any and all of the foregoing that do not constitute Excluded Assets shall be considered Collateral.

"General Intangibles" shall mean all "general intangibles" as such term is defined in Article 9 of the UCC and, in any event, including with respect to any Grantor, all contracts, agreements, instruments and indentures in any form, and portions thereof, to which such Grantor is a party or under which such Grantor has any right, title or interest or to which such Grantor or any property of such Grantor is subject, as the same may from time to time be amended, supplemented or otherwise modified, including (a) all rights of such Grantor to receive moneys due and to become due to it thereunder or in connection therewith, (b) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guarantee with respect thereto, (c) all claims of such Grantor for damages arising out of any breach of or default thereunder and (d) all rights of such Grantor to terminate, amend, supplement, modify or exercise rights or options thereunder.

"Grantors" shall mean the Issuer and the Guarantors, and "Grantor" shall mean each of them.

"Intellectual Property" shall mean all U.S. intellectual property, including all (i) (a) Patents, inventions, processes, developments, technology and know-how; (b) Copyrights, graphics, advertising materials, labels, package designs and photographs; (c) Trademarks; (d) trade secrets, designs, intellectual property rights in Software, data, databases and confidential, proprietary or non-public information; and (e) all other intellectual property rights, and (ii) all rights, priorities and privileges related thereto and all rights to sue at law or in equity for any infringement or other impairment thereof, including the right to receive all Proceeds therefrom.

"Intercreditor Agreement" means the ABL Intercreditor Agreement, the First Lien Intercreditor Agreement and/or, if executed, any Junior Lien Intercreditor Agreement, as the context may require (each, an "Intercreditor Agreement" and collectively, the "Intercreditor Agreements").

"Investment Property" shall mean all Securities (whether certificated or uncertificated), Security Entitlements and Commodity Contracts of any Grantor (other than Excluded Stock and Stock Equivalents).

"Notes Documents" shall mean the collective reference to the Indenture, the Notes, the Guarantee and the Security Documents (as defined in the Indenture).

"Obligations" shall mean the Notes Obligations (as defined in the Indenture).

"Patents" shall mean, with respect to any Person, all of the following now owned or hereafter acquired by such Person and arising under the laws of the United States: (a) all patents and pending applications in the United States Patent and Trademark Office, and (b) all reissues, reexaminations, continuations, divisionals, continuations-in-part, or extensions thereof, and the inventions, discoveries or designs disclosed or claimed therein, including those U.S. patents and applications therefor owned by any Grantor and listed on Schedule 2.

"Proceeds" shall mean all "proceeds" as such term is defined in Article 9 of the UCC and, in any event, shall include with respect to any Grantor, any consideration received from the sale, exchange, license, lease or other disposition of any asset or property that constitutes Collateral, any value received as a consequence of the possession of any Collateral and any payment received from any insurer or other Person or entity as a result of the destruction, loss, theft, damage or other involuntary conversion of whatever nature of any asset or property that constitutes Collateral, and shall include (a) all cash and negotiable instruments received by or held on behalf of the Collateral Agent, (b) any claim of any Grantor against any third party for (and the right to sue and recover for and the rights to damages or profits due or accrued arising out of or in connection with) (i) past, present or future infringement of any Patent now or hereafter owned by any Grantor, (ii) past, present or future infringement or dilution of any Trademark now or hereafter owned by any Grantor or injury to the goodwill associated with or symbolized thereby, (iii) past, present or future infringement of any Copyright now or hereafter owned by any Grantor and (c) any and all other amounts from time to time paid or payable under or in connection with any of the Collateral.

"Registered Intellectual Property" shall mean all Copyrights, Patents and Trademarks issued by, registered with, renewed by or the subject of a pending application before the United States Patent and Trademark Office or the United States Copyright Office.

"Secured Parties" shall mean the "Notes Secured Parties" as defined in the Indenture.

"Security Agreement" shall have the meaning provided in the preamble hereto.

"Security Interest" shall have the meaning provided in Section 2.

"Short-form Intellectual Property Security Agreement" shall have the meaning assigned to such term in Section 3.2(b).

"Termination Date" shall have the meaning provided in Section 6.5(a).

"Trademarks" shall mean, with respect to any Person, all of the following now owned or hereafter acquired by such Person and arising under the laws of the United States: (i) all trademarks, service marks, trade names, brand names, domain names, corporate names, company names, business names, fictitious business names, trade dress, logos, other source or business identifiers and designs, all registrations and recordings thereof (if any), and all registrations and applications filed in connection therewith in the United States Patent and Trademark Office or any similar offices in any State of the United States, and all extensions or renewals thereof, including those U.S. registered trademarks and applications therefor owned by any Grantor and listed on Schedule 3 hereto, and (ii) all goodwill associated therewith or symbolized thereby.

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

Sections 1.01, 1.13 and 1.14 of the Indenture are incorporated herein by reference, *mutatis mutandis*.

2. GRANT OF SECURITY INTEREST.

(a) Each Grantor hereby grants to the Collateral Agent, for the benefit of the Secured Parties, a lien on and security interest in (the "Security Interest"), all of its right, title and interest in, to and under all of the following property now owned or at any time hereafter acquired by such Grantor or in which such Grantor now has or at any time in the future may acquire any right, title or interest (collectively, the "Collateral"), as collateral security for the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations:

(i) all Accounts;

(ii) all Chattel Paper;

(iii) all Commercial Tort Claims described on Schedule 4 (as such Schedule may be amended from time to time);

(iv) all Documents;

(v) all Equipment, Fixtures and Goods;

(vi) all General Intangibles;

(vii) all Instruments;

(viii) all Intellectual Property;

(ix) all Inventory;

(x) all Investment Property;

(xi) all cash and Deposit Accounts;

(xii) all Supporting Obligations;

(xiii) all books and records pertaining to the Collateral; and

(xiv) the extent not otherwise included, all Proceeds and products of any and all of the foregoing;

provided that the Collateral (or any defined term used in the definition thereof) for any Obligations shall not include any (x) Excluded Stock and Stock Equivalents with respect to such Obligations or (y) Excluded Assets; provided, however, that Collateral shall include any Proceeds, substitutions or replacements of any assets referred to in the foregoing clauses (x) and (y) (unless such Proceeds, substitutions or replacements would constitute assets referred to in clause (x) or (y)).

(b) Each Grantor hereby irrevocably authorizes (but does not obligate) the Collateral Agent and its Affiliates, counsel and other representatives, at any time and from time to time, to file or record financing statements, amendments to financing statements and, with notice to the applicable Grantors, other filing or recording documents or instruments with respect to the Collateral in such form and in such offices appropriate to perfect the Security Interests of the Collateral Agent under this Security Agreement, and such financing statements and amendments may describe the Collateral covered thereby as "all assets", "all assets now owned or hereafter acquired" or words of similar effect, provided that with respect to fixtures the Collateral Agent shall only file or record financing statements in the jurisdiction of organization of a Grantor, except in connection with a Mortgage. Each Grantor hereby also authorizes, but does not obligate, the Collateral Agent and its Affiliates, counsel and other representatives, at any time and from time to time, to file continuation statements with respect to previously filed financing statements.

Subject to the limitations contained herein and in the Indenture, each Grantor hereby agrees to provide to the Collateral Agent, promptly upon request, any information reasonably necessary to effectuate the filings or recordings authorized by this Section 2(b).

The Collateral Agent is further authorized (but not obligated) to file with the United States Patent and Trademark Office or United States Copyright Office (or any successor office), with the signature of each applicable Grantor, such documents as may be necessary or advisable for the purpose of perfecting, confirming, continuing, enforcing or protecting the Security Interest granted hereunder by each Grantor and naming any Grantor or the Grantors as debtors and the Collateral Agent, as the case may be, as secured party.

The Security Interests are granted as security only and shall not subject the Collateral Agent or any other Secured Party to, or in any way alter or modify, any obligation or liability of any Grantor with respect to or arising out of the Collateral.

No perfection through control, control agreements or other control arrangements (other than delivery of certificated Equity Interests and Instruments to the extent required hereunder and control over Collateral Account) shall be required, including with respect to Deposit Accounts, Securities Accounts and Commodities Accounts; provided that, to the extent any Deposit Accounts and Securities Accounts are under the control of the collateral agent under the ABL Credit Agreement at any time pursuant to the terms of the ABL Intercreditor Agreement, the collateral agent under the ABL Credit Agreement shall act as agent and gratuitous bailee for the Collateral Agent for the purpose of perfecting the Collateral Agent's liens in such Deposit Accounts and Security Accounts.

3. REPRESENTATIONS AND WARRANTIES.

Each Grantor hereby represents and warrants to the Collateral Agent and each Secured Party on the date hereof that:

3.1 Title; No Other Liens. Except for (a) the Security Interest granted to the Collateral Agent for the benefit of the Secured Parties pursuant to this Security Agreement and the Pledge Agreement and (b) the Liens permitted by the Indenture (and which, in the case of Liens permitted in respect of the ABL Credit Agreement and the Term Loan Facility, are subject to the Intercreditor Agreements, as applicable), such Grantor owns, or has valid leaseholds in or the right to use, each item of the Collateral free and clear of any and all Liens. To the knowledge of such Grantor, no security agreement, financing statement or other public notice with respect to all or any part of the Collateral that evidences a Lien securing any material Indebtedness is on file or of record in any public office, except such as (i) have been filed in favor of the Collateral Agent for the benefit of the Secured Parties pursuant to this Security Agreement, (ii) are permitted by the Indenture (and which, in the case of Liens permitted in respect of the ABL Credit Agreement and the Term Loan Facility, are subject to the Intercreditor Agreements, as applicable) or (iii) relate to obligations no longer outstanding or are in respect of commitments to lend which have been terminated and, in each case, with respect to which the Grantors have provided to the Collateral Agent a payoff letter and UCC-3 termination statements and other releases as required by applicable law and satisfactory to the Collateral Agent.

3.2 Perfected Liens.

(a) After giving effect to the Transactions, this Security Agreement is effective to create in favor of the Collateral Agent, for its benefit and for the benefit of the Secured Parties, legal, valid and enforceable Security Interests in the Collateral (with respect to Collateral consisting of Capital Stock of Foreign Subsidiaries, Stock Equivalents issued by Foreign Subsidiaries and Indebtedness of Foreign Subsidiaries, to the extent the enforceability of such Security Interest is governed by the UCC), subject to the effects of bankruptcy, insolvency or similar laws affecting creditors' rights generally, general equitable principles, and principles of good faith and fair dealing.

(b) Subject to the limitations set forth in clause (c) of this Section 3.2, the Security Interests granted pursuant to this Security Agreement (i) will constitute valid and perfected Security Interests in the Collateral (to the extent perfection may be obtained by the filings or other actions described in clause (A), (B) or (C) of this paragraph) in favor of the Collateral

Agent, for the benefit of the Secured Parties, as collateral security for the Obligations, upon (A) with respect to Collateral in which perfection can be obtained by filing a financing statement, the filing in the applicable filing offices of all financing statements, in each case, naming each Grantor as "debtor" and the Collateral Agent as "secured party" and describing the Collateral, (B) with respect to Instruments, Chattel Paper, Certificated Securities and negotiable Documents, delivery to the Collateral Agent (or its bailee) of all Instruments, Chattel Paper, Certificated Securities and negotiable Documents in each case, properly endorsed for transfer in blank and (C) with respect to Intellectual Property that is not Excluded Assets, completion or recordation of the filing of a fully executed agreement substantially in the form of Annex B hereof (the "Short-form Intellectual Property Security Agreement") and containing a description of all Collateral constituting Registered Intellectual Property in the United States Patent and Trademark Office, with respect to U.S. registered and applied for Patents and Trademarks, within 90 days from the execution date of such Short-form Intellectual Property Security Agreement, or in the United States Copyright Office, with respect to U.S. registered Copyrights, within thirty (30) days from the execution date of such Short-form Intellectual Property Security Agreement, as applicable and (ii) are prior to all other Liens on the Collateral other than Liens permitted pursuant to Section 10.12 of the Indenture (and which, in the case of Liens permitted in respect of the ABL Credit Agreement and the Term Loan Facility, are subject to the Intercreditor Agreements, as applicable).

(c) Notwithstanding anything to the contrary herein, no Grantor shall be required to perfect the Security Interests granted by this Security Agreement or the Pledge Agreement by any means other than by (i) filings pursuant to the Uniform Commercial Code of the relevant State(s), (ii) filings approved or required by United States federal government offices with respect to Registered Intellectual Property under applicable United States law, (iii) delivery to the Collateral Agent (or its bailee) to be held in its possession of all Collateral consisting of (y) Pledged Shares and Pledged Debt (each as defined in the Pledge Agreement) and (z) Tangible Chattel Paper, Instruments or Certificated Securities (other than Pledged Shares and Pledged Debt) with a fair market value in excess of the greater of (a) $45,000,000 and (b) 10% of Consolidated EBITDA of the Issuer for the Applicable Measurement Period; and (iv) actions to perfect a security interest in Commercial Tort Claims to the extent set forth in Section 4.1(f). No additional actions shall be required hereunder with respect to any assets that are located outside of the United States or assets that require action under the law of any non-U.S. jurisdiction to create or perfect a security interest in such assets; it being understood, for the avoidance of doubt, that there shall be no requirement to execute any security agreement or pledge agreement governed by the laws of any non-U.S. jurisdiction.

(d) It is understood and agreed that the Security Interests in cash and Investment Property created hereunder shall not prevent the Grantors from using such assets in the ordinary course of their respective businesses.

3.3 Schedules

(a) As of the Closing Date, Schedule 1 sets forth a true and complete list of all of each Grantor's United States registered and applied for Copyrights, including the name of the registered owner and the registration number.

(b) As of the Closing Date, Schedule 2 and Schedule 3 set forth a true and complete list of all of each Grantor's Patents and Trademarks, respectively, applied for or registered with the United States Patent and Trademark Office, including the name of the registered owner or applicant and the registration, application, or publication number, as applicable, of each United States Patent or United States registered Trademark owned by each Grantor.

(c) As of the Closing Date, Schedule 5(a) sets forth, with respect to each Grantor, (i) its exact legal name, as such name appears in its respective certificate of incorporation or formation or any other organizational document filed in its jurisdiction of incorporation, formation or organization, (ii) its type of organization, (iii) its organizational identification number, if any, (iv) its jurisdiction of formation and (v) the address of its chief executive office. As of the Closing Date, set forth in Schedule 5(b) hereto is a list of (w) any other corporate or organizational legal names each Grantor has had, together with the date of the relevant change, (x) all other names used by each Grantor, (y) any other business or organization to which each Grantor became the successor by merger, consolidation or acquisition, (other than any merger or consolidation with, or acquisition from, any other Grantor), and in each case to the extent such merger, consolidation or acquisition exceeded the greater of (a) $45,000,000 and (b) 10% of Consolidated EBITDA of the Issuer for the Applicable Measurement Period, and any changes in the form, nature or jurisdiction of organization or otherwise, and (z) all other names used by each Grantor on any filings with the Internal Revenue Service, in the case of each of clauses (w) through (z), at any time in the past five years. As of the Closing Date, except as set forth in Schedule 5(c), no Grantor has changed is jurisdiction of organization at any time during the past four months.

4. COVENANTS.

Each Grantor hereby covenants and agrees with the Collateral Agent and the Secured Parties that, from and after the date of this Security Agreement until the Termination Date:

4.1 Maintenance of Perfected Security Interest; Further Documentation.

(a) Except as otherwise permitted in the Notes Documents, such Grantor shall maintain the Security Interest created by this Security Agreement as a perfected Security Interest having at least the priority described in Section 3.2(b) and shall use commercially reasonable efforts to defend such Security Interest against the material claims and demands of all Persons (except to the extent that the Agent and the Issuer agree that the cost of such defense is excessive in relation to the benefit to the Secured Parties of the security interest and priority), in each case other than a Security Interest in assets of such Grantor subject to a disposition permitted by the Indenture to a Person that is not a Grantor, and in each case subject to Section 3.2(c).

(b) Such Grantor will furnish to the Collateral Agent and the Holders from time to time statements and schedules further identifying and describing the Collateral of such Grantor and such other reports in connection therewith to the extent provided to the Term Loan Collateral Agent under the security agreement relating to the Term Loan Facility (acting at the direction of the Holders).

(c) Such Grantor will (A) furnish to the Collateral Agent at the time of the delivery of the financial statements provided for in Section 10.09(a) of the Indenture: a schedule setting forth any new or additional Registered Intellectual Property owned by any Grantor, which has not been previously disclosed to the Collateral Agent, following the Closing Date (or following the date of the last supplement provided to the Collateral Agent pursuant to this Section 4.1(c)), all in reasonable detail, and (B) within thirty (30) days following the delivery of such financial statements, execute and file appropriate supplement agreements in substantially the same form as the Short-form Intellectual Property Security Agreement with the United States Patent and Trademark Office or the United States Copyright Office, as applicable, evidencing the Collateral Agent's security interest in such new or additional Registered Intellectual Property.

(d) Subject to clause (e) below, Section 3.2(c) and Section 4.1(a), each Grantor agrees that at any time and from time to time, at the expense of such Grantor, it will execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements and other documents, including all applicable documents required under Section 3.2(b)(C)), which may be required under any applicable law, or which, subject to the terms of the Intercreditor Agreements the Collateral Agent may reasonably request (acting at the direction of the Holders), in order (i) to grant, preserve, protect and perfect the validity and priority of the Security Interests created or intended to be created hereby or (ii) to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral, including the filing of any financing or continuation statements under the Uniform Commercial Code in effect in any jurisdiction with respect to the Security Interests created hereby and all applicable documents required under Section 3.2(b)(C), all at the expense of such Grantor.

(e) Notwithstanding anything in this Section 4.1 to the contrary, (i) with respect to any assets acquired by such Grantor after the date hereof that are required by the Indenture to be subject to the Lien created hereby or (ii) with respect to any Person that, subsequent to the date hereof, becomes a Subsidiary that is required by the Indenture to become a party hereto, the relevant Grantor after the acquisition or creation thereof shall promptly take all actions required by the Indenture and this Section 4.1.

(f) As of the date hereof, each Grantor hereby represents and warrants that it holds no Commercial Tort Claims with a claim value of the greater of (a) $45,000,000 and (b) 10% of Consolidated EBITDA of the Issuer for the Applicable Measurement Period, or more, other than those listed in Schedule 4. If any Grantor shall at any time hold or acquire a Commercial Tort Claim with a claim value of the greater of (a) $45,000,000 and (b) 10% of Consolidated EBITDA of the Issuer for the Applicable Measurement Period, or more, such Grantor shall promptly (and in any event within thirty (30) days upon obtaining knowledge thereof, or such longer period as the Collateral Agent (acting at the direction of the Holders) may reasonably agree) notify the Collateral Agent in a writing signed by such Grantor of the brief details thereof which writing shall serve to supplement Schedule 4 hereto.

(g) With respect to each material item of its Intellectual Property included in the Collateral, each Grantor agrees to take, at its expense, all commercially reasonable steps, including, without limitation, in the United States Patent and Trademark Office and the United States Copyright Office, to (i) maintain the validity and enforceability of such material Intellectual Property and maintain such material Intellectual Property in full force and effect, and (ii) pursue the registration and maintenance of each material patent, trademark or service mark registration or application, or copyright registration or application, now or hereafter included in such material Intellectual Property of such Grantor, including, without limitation, the payment of required fees and taxes, the filing of responses to office actions issued by the United States Patent and Trademark Office and the United States Copyright Office, the filing of affidavits under Sections 8 and 15 of the U.S. Trademark Act, and the payment of maintenance fees. Each Grantor shall take all commercially reasonable steps which it, or the Collateral Agent (during the continuation of an Event of Default acting at the direction of the Holders), deems reasonable and appropriate under the circumstances to preserve and protect each material item of its Intellectual Property included in the Collateral, including, without limitation, maintaining the quality of any and all products or services used or provided in connection with any of the material Trademarks, at least consistent with the quality of the products and services as of the date hereof, and taking all commercially reasonable steps to ensure that all licensed users of any of the material Trademarks use such consistent standards of quality. Notwithstanding the foregoing or any other provision of this Security Agreement, nothing in this Security Agreement prevents or shall be deemed to prevent any Grantor from disposing of, discontinuing the use or maintenance of, failing to pursue, or otherwise allowing to lapse, terminate or be put into the public domain, any of its Intellectual Property to the extent permitted by the Indenture if such Grantor determines in its reasonable business judgment that such discontinuance is desirable in the conduct of its business.

4.2 Changes in Locations, Name, etc. Each Grantor will furnish to the Collateral Agent promptly (and in any event within thirty (30) days (or such longer period as the Collateral Agent may reasonably agree) of such change) a written notice of any change (i) in its legal name, (ii) in its jurisdiction of organization or, if not a registered organization, location for purposes of the UCC, (iii) in its type of organization or corporate structure which would impair the perfection and priority of the Security Interest granted hereby; or (iv) in its organizational identification number (if any). Each Grantor agrees promptly to provide the Collateral Agent with certified organizational documents reflecting any of the changes described in the first sentence of this paragraph and, subject to Section 3.2(c), take all other action reasonably necessary to maintain the perfection and priority of the security interest of the Collateral Agent for the benefit of the Secured Parties in the Collateral.

5. REMEDIAL PROVISIONS.

5.1 Certain Matters Relating to Accounts.

(a) At any time after the occurrence and during the continuance of an Event of Default and after giving reasonable notice to the Issuer and any other relevant Grantor, the Collateral Agent shall have the right, but not the obligation, to make test verifications of the Accounts in any manner and through any medium that the Collateral Agent reasonably considers advisable, and each Grantor shall furnish all such assistance and information as the Collateral Agent (acting at the direction of the Holders) may require in connection with such test verifications. The Collateral Agent shall have the absolute right to share any information it gains from such inspection or verification with any Secured Party.

(b) The Collateral Agent hereby authorizes each Grantor to collect such Grantor's Accounts and the Collateral Agent may curtail or terminate said authority at any time after the occurrence and during the continuance of an Event of Default and after giving reasonable prior notice to the Issuer and any other relevant Grantor. If required in writing by the Collateral Agent at any time after the occurrence and during the continuance of an Event of Default, any payments of Accounts, when collected by any Grantor, (i) shall be forthwith (and, in any event, within two (2) Business Days) deposited by such Grantor in the exact form received, duly endorsed by such Grantor to the Collateral Agent if required, in a Collateral Account maintained under the sole dominion and control of and on terms and conditions reasonably satisfactory to the Collateral Agent, subject to withdrawal by the Collateral Agent for the account of the Secured Parties only as provided in Section 5.4 and (ii) until so turned over, shall be held by such Grantor in trust for the Collateral Agent and the Secured Parties, segregated from other funds of such Grantor. Each such deposit of Proceeds of Accounts shall be accompanied by a report identifying in reasonable detail the nature and source of the payments included in the deposit.

(c) At the Collateral Agent's request at any time after the occurrence and during the continuance of an Event of Default, subject to the terms of the Indenture and the Intercreditor Agreements, each Grantor shall deliver to the Collateral Agent all original (if available) and other documents evidencing, and relating to, the agreements and transactions which gave rise to the Accounts, including all original (if available) orders, invoices and shipping receipts.

(d) Each Grantor hereby grants to the Collateral Agent, to be exercised solely upon the occurrence and during the continuance of an Event of Default, subject to the terms of the Indenture and the Intercreditor Agreements, solely for the purpose of enabling Agent to exercise rights and remedies under this Article 5, and solely to the extent such grant would not constitute or result in the abandonment, termination, acceleration, invalidation of or rendering unenforceable any right, title or interest therein or result in a breach of the terms of, or constitute a breach or default under such Intellectual Property, a non-exclusive, fully paid-up, royalty-free, worldwide license to use, license or sublicense (on a non-exclusive basis) any of the Intellectual Property included in the Collateral and now owned or hereafter acquired by such Grantor (subject to the rights of any person or entity under any pre-existing license or other agreement); provided, however, that nothing in this Section 5.1 shall require any Grantor to grant any license that is prohibited by any rule of law, statute or regulation or is prohibited by, or constitutes a breach of default under or results in the termination of or gives rise to any right of acceleration, modification or cancellation under any contract, license, agreement, instrument or other document evidencing, giving rise to a right to use or theretofore granted with respect to such property, provided, further, that such licenses to be granted hereunder with respect to Trademarks shall be subject to reasonable quality control standards applicable to each such Trademark as in effect as of the date such licenses hereunder are granted. Any license granted pursuant to this Section 5.1(d) shall be exercisable solely during the continuance of an Event of Default.

5.2 Communications with Secured Parties; Grantors Remain Liable.

(a) The Collateral Agent in its own name or in the name of others may at any time after the occurrence and during the continuance of an Event of Default, subject to the terms of the Indenture and the Intercreditor Agreements, after giving reasonable notice to the relevant Grantor of its intent to do so, communicate with obligors under the Accounts to verify with them to the Collateral Agent's satisfaction the existence, amount and terms of any Accounts. The Collateral Agent shall have the absolute right to share any information it gains from such inspection or verification with any Secured Party.

(b) Upon the written request of the Collateral Agent at any time after the occurrence and during the continuance of an Event of Default, subject to the terms of the Indenture and the Intercreditor Agreements, each Grantor shall notify obligors on the Accounts that the Accounts have been assigned to the Collateral Agent for the benefit of the Secured Parties and that payments in respect thereof shall be made directly to the Collateral Agent.

(c) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each of the Accounts to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. Unless the Collateral Agent has expressly in writing assumed the obligations and liabilities with respect thereto, and released the Grantors therefrom, neither the Collateral Agent nor any Secured Party shall have any obligation or liability under any Account (or any agreement giving rise thereto) by reason of or arising out of this Security Agreement or the receipt by the Collateral Agent or any Secured Party of any payment relating thereto, nor shall the Collateral Agent or any Secured Party be obligated in any manner to perform any of the obligations of any Grantor under or pursuant to any Account (or any agreement giving rise thereto), to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or time.

5.3 Proceeds to be Turned Over To Collateral Agent. In addition to the rights of the Collateral Agent and the Secured Parties specified in Section 5.1 with respect to payments of Accounts, if an Event of Default shall occur and be continuing and the Collateral Agent, subject to the terms of the Indenture and the Intercreditor Agreements, so requires by notice in writing to the relevant Grantor, all Proceeds received by any Grantor consisting of cash, checks and other near cash items shall be held by such Grantor in trust for the Collateral Agent and the Secured Parties, segregated from other funds of such Grantor, and shall, forthwith upon receipt by such Grantor, be turned over to the Collateral Agent in the exact form received by such Grantor (duly endorsed by such Grantor to the Collateral Agent, if required). All Proceeds received by the Collateral Agent hereunder shall be held by the Collateral Agent in a Collateral Account maintained under its dominion and control and on terms and conditions reasonably satisfactory to the Collateral Agent. All Proceeds while held by the Collateral Agent in a Collateral Account (or by such Grantor in trust for the Collateral Agent and the Secured Parties) shall continue to be held as collateral security for all the Obligations and shall not constitute payment thereof until applied as provided in Section 5.4.

5.4 Application of Proceeds. Subject to the Indenture and the Intercreditor Agreements then in effect, the Collateral Agent shall apply the proceeds of any collection or sale of the Collateral as well as any Collateral consisting of cash, at any time after receipt in the order set forth in Article Five of the Indenture.

If, despite the provisions of this Security Agreement, any Secured Party shall receive any payment or other recovery in excess of its portion of payments on account of the Obligations to which it is then entitled in accordance with this Security Agreement, such Secured Party shall, hold such payment or other recovery in trust for the benefit of all Secured Parties hereunder for distribution in accordance with this Section 5.4.

5.5 Code and Other Remedies. Subject to the terms of the Indenture and the Intercreditor Agreements, if an Event of Default shall occur and be continuing, and after giving prior notice to the Issuer and any applicable Grantor, the Collateral Agent may exercise in respect of the Collateral, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC or any other applicable law (whether or not the UCC applies to the affected Collateral) and also may with notice to the relevant Grantor, sell the Collateral or any part thereof in one or more parcels at public or private sale or sales, at any exchange, broker's board, office of the Collateral Agent or any Secured Party or elsewhere for cash or on credit or for future delivery at such price or prices and upon such other terms as are commercially reasonable irrespective of the impact of any such sales on the market price of the Collateral. The Collateral Agent shall be authorized at any such sale (if it deems it advisable to do so) to restrict the prospective bidders or purchasers of such Collateral to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and, upon consummation of any such sale, the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Collateral so sold. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Grantor, and each Grantor hereby waives (to the extent permitted by law) all rights of redemption, stay and/or appraisal that it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Collateral Agent and any Secured Party shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, and the Collateral Agent or such Secured Party may pay the purchase price by crediting the amount thereof against the Obligations. Each Grantor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to such Grantor 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 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 therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. To the extent permitted by law, each Grantor hereby waives any claim against the Collateral Agent arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and does not offer such Collateral to more than one offeree. Each Grantor further agrees, at the Collateral Agent's request, to assemble the Collateral and make it available to the Collateral Agent, at places which the Collateral Agent shall reasonably select, whether at such Grantor's premises or elsewhere. The Collateral Agent shall apply the net proceeds of any action taken by it pursuant to this Section 5.5 in accordance with the provisions of Section 5.4. The Collateral Agent shall incur no liability as a result of the sale (whether public or private) of the Collateral or any part thereof at any sale pursuant to this Security Agreement conducted in a commercially reasonable manner. Each of the Grantors and Secured Parties hereby waive any claims against the Collateral Agent arising by reason of the fact that the price at which the Collateral may have been sold at such sale (whether public or private) was less than the price that might have been obtained otherwise, even if the Collateral Agent accepts the first offer received and does not offer the Collateral to more than one offeree, so long as such sale is conducted in a commercially reasonable manner. Each of the Grantors and Secured Parties hereby agree that in respect of any sale of any of the Collateral pursuant to the terms hereof, Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, and the Grantors and Secured Parties further agree that such compliance shall not, in and of itself, result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Collateral Agent be liable or accountable to the Pledgors or Secured Parties for any discount allowed by reason of the fact that the Collateral or any part thereof is sold in compliance with any such limitation or restriction.

5.6 Deficiency. Each Grantor shall remain liable for any deficiency if the proceeds of any sale or other disposition of the Collateral are insufficient to pay its Obligations and the reasonable and documented fees and disbursements of any attorneys employed by the Collateral Agent or any Secured Party to collect such deficiency (in each case subject to the limitations set forth in Sections 6.07 and 14.08 of the Indenture).

5.7 Amendments, etc. with Respect to the Obligations; Waiver of Rights. Each Grantor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Grantor and without notice to or further assent by any Grantor, (a) any demand for payment of any of the Obligations made by the Collateral Agent or any other Secured Party may be rescinded by such party and any of the Obligations continued, (b) the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Collateral Agent or any other Secured Party, (c) the Indenture, the other Notes Documents and any other documents executed and delivered in connection therewith may, in accordance with Article Nine of the Indenture, be amended, modified, supplemented or terminated, in whole or in part, from time to time and (d) any collateral security, guarantee or right of offset at any time held by the Collateral Agent or any other Secured Party for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither the Collateral Agent nor any other Secured Party shall have any obligation to protect, secure, perfect or insure any Lien at any time held by it as security for the Obligations or for this Security Agreement or any property subject thereto. When making any demand hereunder against any Grantor, the Collateral Agent or any other Secured Party may, but shall be under no obligation to, make a similar demand on any Grantor or any other Person, and any failure by the Collateral Agent or any other Secured Party to make any such demand or to collect any payments from any Grantor or any other Person or any release of any Grantor or any other Person shall not relieve any Grantor in respect of which a demand or collection is not made or any Grantor not so released of its several obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Collateral Agent or any other Secured Party against any Grantor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

6. THE COLLATERAL AGENT.

6.1 Collateral Agent's Appointment as Attorney-in-Fact, etc.

(a) Each Grantor hereby appoints, which appointment is irrevocable and coupled with an interest, and shall automatically terminate with respect to such Grantor on the Termination Date or, if sooner, upon the termination or release of such Grantor hereunder pursuant to Section 6.5, effective upon the occurrence and during the continuance of an Event of Default, the Collateral Agent and any officer or agent thereof, with full power of substitution, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or otherwise, for the purpose of carrying out the terms of this Security Agreement, to take any and all appropriate action and to execute any and all documents and instruments that may be necessary or advisable to accomplish the purposes of this Security Agreement, and, without limiting the generality of the foregoing, each Grantor hereby gives the Collateral Agent the power and right, on behalf of such Grantor, either in the Collateral Agent's name or in the name of such Grantor or otherwise, without assent by such Grantor, to do any or all of the following, in each case after the occurrence and during the continuance of an Event of Default and after written notice by the Collateral Agent to the Issuer and any applicable Grantor of its intent to do so:

(i) take possession of and endorse and collect any checks, drafts, notes, acceptances or other instruments for the payment of moneys due under any Account constituting Collateral or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Collateral Agent for the purpose of collecting any and all such moneys due under any Account constituting Collateral or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property, execute and deliver, and have recorded, any and all agreements, instruments, documents and papers as the Collateral Agent may reasonably request to evidence the Collateral Agent's and the Secured Parties' Security Interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) upon at least three (3) Business Days' prior written notice, pay or discharge taxes and Liens levied or placed on or threatened against the Collateral (other than taxes not required to be discharged under the Indenture and other than Permitted Liens);

(iv) execute, in connection with any sale provided for in Section 5.5, any endorsements, assignments or other instruments of conveyance or transfer with respect to the Collateral;

(v) obtain and adjust insurance required to be maintained by such Grantor pursuant to Section 14.10 of the Indenture;

(vi) direct any party liable for any payment under any of the Collateral to make payment of any and all moneys due or to become due thereunder directly to the Collateral Agent or as the Collateral Agent shall direct;

(vii) ask or demand for, collect and receive payment of and receipt for, any and all moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral;

(viii) sign and endorse any invoices, freight or express bills, bills of lading, storage or warehouse receipts, drafts against debtors, assignments, verifications, notices and other documents in connection with any of the Collateral;

(ix) commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Collateral or any portion thereof and to enforce any other right in respect of any Collateral;

(x) defend any suit, action or proceeding brought against such Grantor with respect to any Collateral (with such Grantor's consent to the extent such action or its resolution could materially affect such Grantor or any of its Affiliates in any manner other than with respect to its continuing rights in such Collateral);

(xi) settle, compromise or adjust any such suit, action or proceeding with respect to the Collateral and, in connection therewith, give such discharges or releases as the Collateral Agent may deem appropriate (with such Grantor's consent to the extent such action or its resolution could materially affect such Grantor or any of its Affiliates in any manner other than with respect to its continuing rights in such Collateral); and

(xii) generally, sell, transfer, pledge and make any agreement with respect to or otherwise deal with any of the Collateral as fully and completely as though the Collateral Agent were the absolute owner thereof for all purposes, and do, at the Collateral Agent's option and such Grantor's expense, at any time, or from time to time, all acts and things that the Collateral Agent deems necessary to protect, preserve or realize upon the Collateral and the Collateral Agent's and the Secured Parties' Security Interests therein and to effect the intent of this Security Agreement, all as fully and effectively as such Grantor might do.

Anything in this Section 6.1(a) to the contrary notwithstanding, the Collateral Agent agrees that it will not exercise any rights under the power of attorney provided for in this Section 6.1(a) unless an Event of Default shall have occurred and be continuing and after the expiration of any notice periods otherwise required hereunder or under any other Notes Document.

(b) Subject to any limitations of the Collateral Agent to take actions as set forth in clause (a), if any Grantor fails to perform or comply with any of its agreements contained herein within a reasonable period of time after the Collateral Agent has requested it to do so, the Collateral Agent, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such agreement.

(c) The reasonable and documented out-of-pocket expenses of the Collateral Agent, in each case subject to the limitations on reimbursement of costs and expenses set forth in Sections 6.07 and 14.08 of the Indenture, incurred in connection with actions undertaken as provided in this Section 6.1 , shall be payable by such Grantor to the Collateral Agent within ten (10) Business Days of receipt by the Issuer of an invoice setting forth such expense in reasonable detail.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue hereof. All powers, authorizations and agencies contained in this Security Agreement are coupled with an interest and are irrevocable until this Security Agreement is terminated and the Security Interests created hereby are released.

6.2 Duty of Collateral Agent. The Collateral Agent's sole duty with respect to the custody, safekeeping and physical preservation of the Collateral in its possession, under Section 9-207 of the UCC or otherwise, shall be to exercise reasonable care. The Collateral Agent shall be deemed to have exercised reasonable care in the custody and preservation of any Collateral in its possession if such Collateral is accorded treatment in accordance with the Collateral Agent's standard of care set forth herein and in the Indenture. Neither the Collateral Agent, any Secured Party nor any of their respective officers, directors, employees or agents shall be liable for failure to demand, collect or realize upon any of the Collateral or for any delay in doing so or shall be under any obligation to sell or otherwise dispose of any Collateral upon the request of any Grantor or any other Person or to take any other action whatsoever with regard to the Collateral or any part thereof. The powers conferred on the Collateral Agent and the Secured Parties hereunder are solely to protect the Collateral Agent's and the Secured Parties' interests in the Collateral and shall not impose any duty upon the Collateral Agent or any Secured Party to exercise any such powers. The Collateral Agent and the Secured Parties shall be accountable only for amounts that they actually receive as a result of the exercise of such powers, and neither they nor any of their officers, directors, employees or agents shall be responsible to any Grantor for any act or failure to act hereunder, except for their own respective gross negligence or willful misconduct as determined in a final non-appealable judgment of a court of competent jurisdiction. The Collateral Agent shall not be responsible for or have any duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Collateral Agent's Lien thereon, or any certificate prepared by any Grantor in connection therewith, nor shall the Collateral Agent be responsible or liable to the Secured Parties for any failure to monitor or maintain any portion of the Collateral.

6.3 Authority of Collateral Agent. Each Grantor acknowledges that the rights and responsibilities of the Collateral Agent under this Security Agreement with respect to any action taken by the Collateral Agent or the exercise or non-exercise by the Collateral Agent of any option, voting right, request, judgment or other right or remedy provided for herein or resulting or arising out of this Security Agreement shall, as between the Collateral Agent and the Secured Parties, be governed by the Intercreditor Agreements and the Indenture, and by such other agreements with respect thereto as may exist from time to time among them, but, as between the Collateral Agent and the Grantors, the Collateral Agent shall be conclusively presumed to be acting as agent for the applicable Secured Parties with full and valid authority so to act or refrain from acting, and no Grantor shall be under any obligation, or entitlement, to make any inquiry respecting such authority.

6.4 Security Interest Absolute. All rights of the Collateral Agent hereunder, the Security Interest and all obligations of the Grantors hereunder shall be absolute and unconditional.

6.5 <u>Continuing Security Interest; Assignments Under the Indenture; Release</u>.

(a) This Security Agreement shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon each Grantor and the successors and assigns thereof and shall inure to the benefit of the Collateral Agent and the other Secured Parties and their respective successors, endorsees, transferees and assigns permitted under the Indenture until the date on which all Obligations (other than, in each case, any contingent indemnity obligations not then due) shall have been satisfied by payment in full (such date, the "<u>Termination Date</u>"), notwithstanding that from time to time during the term of the Indenture, the Grantors may be free from any Obligations.

(b) A Grantor shall automatically be released from its obligations hereunder as it relates to the Obligations if it ceases to be a Grantor in accordance with Article Eight and Section 12.08 of the Indenture.

(c) The Security Interest granted hereby in any Collateral shall automatically be released as it relates to the Obligations (i) to the extent provided in Article Fourteen of the Indenture and (ii) upon the effectiveness of any written consent to the release of the Security Interest granted hereby in such Collateral pursuant to Article Nine of the Indenture. Any such release in connection with any sale, transfer or other disposition of such Collateral permitted under the Indenture to a Person that is not a Grantor shall result in such Collateral being sold, transferred or disposed of, as applicable, free and clear of the Lien and Security Interest created hereby.

(d) In connection with any termination or release pursuant to paragraph (a), (b) or (c), the Collateral Agent shall execute and deliver to any Grantor, at such Grantor's expense, all documents that such Grantor shall reasonably request to evidence such termination or release subject to the Collateral Agent's receipt of a certification by the Issuer and the applicable Grantor stating that such transaction is in compliance with the Indenture and the other Notes Documents and all conditions precedent to such transaction have been satisfied (upon which the Collateral Agent may conclusively rely). Any execution and delivery of documents pursuant to this <u>Section 6.5</u> shall be without recourse to or warranty by the Collateral Agent.

6.6 <u>Reinstatement</u>. Each Grantor further agrees that, if any payment made by any Grantor or other Person and applied to the Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of Collateral are required to be returned by any Secured Party to such Grantor, its estate, trustee, receiver or any other Person, including any Grantor, under any bankruptcy law, state, federal or foreign law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made or, if prior thereto the Lien granted hereby or other Collateral securing such liability hereunder shall have been released or terminated by virtue of such cancellation or surrender, such Lien or other Collateral shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect any Lien or other Collateral securing the obligations of any Grantor in respect of the amount of such payment.

7. COLLATERAL AGENT AS AGENT.

(a) The Bank of New York Mellon Trust Company, N.A. has been appointed to act as the Collateral Agent under the Indenture. The Collateral Agent shall have the right hereunder, to make demands, to give notices, to exercise or refrain from exercising any rights, and to take or refrain from taking any action (including the release or substitution of Collateral), solely in accordance with this Security Agreement, and the Indenture, provided that the Collateral Agent shall exercise, or refrain from exercising, any remedies provided for in Section 5 in accordance with the instructions of Holders. In furtherance of the foregoing provisions of this Section 7(a), each Secured Party, by its acceptance of the benefits hereof and under the Indenture, agrees that it shall have no right individually to realize upon any of the Collateral hereunder, except to the extent specifically set forth in Section 5 of the Guarantee, it being understood and agreed by such Secured Party that all rights and remedies hereunder may be exercised solely by the Collateral Agent for the ratable benefit of the applicable Holders and Secured Parties in accordance with the terms of this Section 7(a), the Indenture and the Intercreditor Agreements.

(b) The Collateral Agent shall at all times be the same Person that is the Collateral Agent under the Indenture. Written notice of resignation by the Collateral Agent pursuant to Article Fourteen of the Indenture shall also constitute notice of resignation as Collateral Agent under this Security Agreement; removal of the Collateral Agent shall also constitute removal under this Security Agreement; and appointment of a Collateral Agent pursuant to Article Fourteen of the Indenture shall also constitute appointment of a successor Collateral Agent under this Security Agreement. Upon the acceptance of any appointment as Collateral Agent under Article Fourteen of the Indenture by a successor Collateral Agent, that successor Collateral Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring or removed Collateral Agent, upon payment of all sums owed to it, under this Security Agreement, and the retiring or removed Collateral Agent under this Security Agreement shall promptly (i) transfer to such successor Collateral Agent all sums, securities and other items of Collateral held hereunder, together with all records and other documents necessary or appropriate in connection with the performance of the duties of the successor Collateral Agent under this Security Agreement and (ii) execute and deliver to such successor Collateral Agent or otherwise authorize the filing of such amendments to financing statements and take such other actions, as may be necessary or appropriate in connection with the assignment to such successor Collateral Agent of the Security Interests created hereunder, whereupon such retiring or removed Collateral Agent shall be discharged from its duties and obligations under this Security Agreement. After any retiring or removed Collateral Agent's resignation or removal hereunder as Collateral Agent, the provisions of this Security Agreement shall inure to its benefit as to any actions taken or omitted to be taken by it under this Security Agreement while it was Collateral Agent hereunder.

(c) Neither the Collateral Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be liable to any party for any action taken or omitted to be taken by any of them under or in connection with this Security Agreement or any Security Document (except for its or such other Person's own gross negligence or willful misconduct, as determined in a final non-appealable judgment of a court of competent jurisdiction).

8. MISCELLANEOUS.

8.1 Intercreditor Agreements. Notwithstanding anything herein to the contrary, the liens and security interests granted to the Collateral Agent pursuant to this Security Agreement and the exercise of any right or remedy by the Collateral Agent hereunder, are subject to the provisions of any Intercreditor Agreement then in effect. In the event of any conflict between the terms of any Intercreditor Agreement then in effect and the terms of this Security Agreement, the terms of such Intercreditor Agreement shall govern and control. No right, power or remedy granted to the Collateral Agent hereunder shall be exercised by the Collateral Agent, and no direction shall be given by the Collateral Agent, in contravention of the Indenture or any such Intercreditor Agreement. So long as the ABL Intercreditor Agreement is outstanding, any requirement in this Security Agreement to deliver any ABL Priority Collateral to the Collateral Agent (or any representation or warranty having the effect of requiring the same) shall be deemed satisfied (or any such representation or warranty shall be deemed true) by delivery of such ABL Priority Collateral to the ABL Collateral Agent. So long as the First Lien Intercreditor Agreement is outstanding, any requirement in this Security Agreement to deliver Term Loan Priority Collateral to the Collateral Agent (or any representation or warranty having the effect of requiring the same) shall be deemed satisfied (or any such representation or warranty shall be deemed true) by delivery of such Term Loan Priority Collateral to the Controlling Collateral Agent (as defined in the First Lien Intercreditor Agreement).

8.2 Amendments in Writing. None of the terms or provisions of this Security Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the affected Grantor and the Collateral Agent in accordance with Article Nine of the Indenture.

8.3 Notices. All notices, requests and demands pursuant hereto shall be made in accordance with Sections 1.06 and 1.07 of the Indenture. All communications and notices hereunder to (i) any Grantor shall be given to it in care of the Issuer at Issuer's address set forth on Section 1.06 of the Indenture. All notices, approvals, consents, requests and any communications hereunder must be in writing (provided that any communications sent to the Collateral Agent hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by DocuSign (or such other digital signature provider as specified in writing to Collateral Agent by the authorized representative), in English. Each Grantor and Noteholder (by acceptance of the Notes) agrees to assume all risks arising out of the use of using digital signatures and electronic methods to submit communications to Collateral Agent, including without limitation the risk of Collateral Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

8.4 No Waiver by Course of Conduct; Cumulative Remedies. Neither the Collateral Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 8.2), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any other Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any other Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Collateral Agent or such other Secured Party would otherwise have on any future occasion. The rights, remedies, powers and privileges herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

8.5 Enforcement Expenses; Indemnification.

(a) Each Grantor agrees to pay any and all reasonable and documented out of pocket expenses (including all reasonable and documented fees and disbursements of counsel, experts, nominees and agents) that may be paid or incurred by any Secured Party in enforcing, or obtaining advice of counsel or relevant experts in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, such Grantor under this Security Agreement, in each case subject to the limitations on reimbursement of costs and expenses set forth in Sections 6.07 and 14.08 of the Indenture.

(b) Each Grantor agrees to pay, and to save the Collateral Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Security Agreement (including enforcing the indemnity obligation set forth herein) to the extent the Guarantors would be required to do so pursuant to Sections 6.07 and 14.08 of the Indenture.

(c) The agreements in this Section 8.5 shall survive repayment of the Obligations and all other amounts payable under the Indenture and the other Notes Documents and the resignation or removal of the Collateral Agent.

8.6 Successors and Assigns. The provisions of this Security Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Grantor may assign, transfer or delegate any of its rights or obligations under this Security Agreement without the prior written consent of the Collateral Agent except pursuant to a transaction permitted by the Indenture.

8.7 Counterparts. This Security Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. The exchange of signature pages by facsimile or electronic format (i.e., “pdf” or “tif”) transmission shall constitute effective execution and delivery of this Security Agreement. Signatures of the parties hereto transmitted by facsimile or electronic format (i.e., “pdf” or “tif”) shall be deemed to be their original signatures for all purposes.

8.8 Severability. Any provision of this Security Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

8.9 Section Headings. The Section headings used in this Security Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

8.10 Integration. This Security Agreement together with the other Notes Documents represents the agreement of each of the Grantors with respect to the subject matter hereof and there are no promises, undertakings, representations or warranties by the Collateral Agent or any other Secured Party relative to the subject matter hereof not expressly set forth herein or in the other Notes Documents.

8.11 GOVERNING LAW. THIS SECURITY AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

8.12 Submission To Jurisdiction Waivers. Each party hereto hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Security Agreement and the other Notes Documents to which it is a party to the exclusive general jurisdiction of the courts of the State of New York or the courts of the United States for the Southern District of New York, in each case sitting in New York City in the Borough of Manhattan, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives (to the extent permitted by applicable law) any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same or to commence or support any such action or proceeding in any other courts;

(c) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 8.12 any special, exemplary, punitive or consequential damages; and

(d) agrees that nothing herein shall affect the right of any other party hereto (or any Secured Party) to effect service of process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any Grantor in any other jurisdiction.

Each of the Grantors hereby irrevocably and unconditionally agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Person at its address referred to in Section 8.3 or at such other address of which the Collateral Agent shall have been notified pursuant thereto.

8.13 Acknowledgments. Each party hereto hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Security Agreement and the other Notes Documents to which it is a party;

(b) neither the Collateral Agent nor any other Secured Party has any fiduciary relationship with or duty to any Grantor arising out of or in connection with this Security Agreement or any of the other Notes Documents, and the relationship between the Grantors, on the one hand, and the Collateral Agent and the other Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Notes Documents or otherwise exists by virtue of the transactions contemplated hereby among the Holders and any other Secured Party or among the Grantors and the Holders and any other Secured Party.

8.14 Additional Grantors. Each Subsidiary that is required to become a party to this Security Agreement pursuant to the Indenture shall become a Grantor, with the same force and effect as if originally named as a Grantor herein, for all purposes of this Security Agreement upon execution and delivery by such Subsidiary of a written supplement substantially in the form of Annex A hereto. The execution and delivery of any instrument adding an additional Grantor as a party to this Security Agreement shall not require the consent of any other Grantor hereunder. The rights and obligations of each Grantor hereunder shall remain in full force and effect notwithstanding the addition of any new Grantor as a party to this Security Agreement.

8.15 WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES (TO THE EXTENT PERMITTED BY APPLICABLE LAW) TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS SECURITY AGREEMENT, ANY OTHER NOTES DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

8.16 Collateral Agent Capacity. The Bank of New York Mellon Trust Company, N.A., is executing this Security Agreement, not in its individual capacity but solely in its capacity as Collateral Agent under that certain Indenture dated as of November 6, 2020. In acting hereunder, the Collateral Agent shall be entitled to all the rights, powers, protections, immunities, and indemnities afforded to it under the Indenture as if the same were set forth herein, *mutatis mutandis*. The permissive rights, benefits and powers granted to the Collateral Agent hereunder (including the power to exercise any remedies following an Event of Default) shall not be construed as duties. All discretionary acts hereunder (including the exercise of any remedies) shall be taken by the Collateral Agent pursuant and subject to the terms of the Indenture (including the Collateral Agent's right to be adequately indemnified and directed). The Collateral Agent shall be entitled to exercise its rights, powers and duties hereunder through agents, experts or designees and shall not be responsible for the acts of any such parties appointed with due care. Notwithstanding anything herein to the contrary, the Collateral Agent shall have no responsibility for preparing, recording, filing, re-recording, or re-filing any financing statement, perfection statement, continuation statement or other instrument in any public office or for otherwise ensuring the perfection or maintenance of any security interest granted pursuant to this Security Agreement, the Indenture or any Note Document.

[*Remainder of page intentionally left blank; Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

ACADEMY, LTD.,
as Grantor

By: Academy Managing Co., L.L.C., its
General Partner

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

NEW ACADEMY HOLDING COMPANY, LLC,
as Grantor

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

ACADEMY MANAGING CO., L.L.C.,
as Grantor

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

ASSOCIATED INVESTORS, L.L.C.,
as Grantor

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

[*Signature Page for Notes Security Agreement*]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as the Collateral Agent

By: /s/ Lawrence M. Kusch
Name: Lawrence M. Kusch
Title: Vice President

[*Signature Page for Notes Security Agreement*]

Exhibit 10.14

EXECUTION VERSION

NOTES PLEDGE AGREEMENT

THIS PLEDGE AGREEMENT, dated as of November 6, 2020 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "Pledge Agreement"), among Academy, Ltd., a Texas limited partnership (the "Issuer"), each of the entities listed on the signature pages hereto or that becomes a party hereto pursuant to Section 28 hereof (each such entity being a "Guarantor Pledgor" and, collectively, the "Guarantor Pledgors"), and The Bank of New York Mellon Trust Company, N.A., not in its individual capacity but solely as collateral agent under the Indenture (as defined below) (in such capacity, the "Collateral Agent") for the benefit of the Secured Parties.

W I T N E S S E T H:

WHEREAS, the Issuer and each of the Guarantor Pledgors are party to the Indenture, dated as of the date hereof (as the same may be amended, restated, supplemented or otherwise modified from time to time, the "Indenture"), by and among the Issuer, the Guarantor Pledgors, and The Bank of New York Mellon Trust Company, N.A., as trustee (in such capacity, the "Trustee") and as Collateral Agent, pursuant to which the Issuer issued $400,000,000 aggregate principal amount of its 6.000% Senior Secured Notes due 2027 (the "Notes"), and may from time to time issue additional Notes upon the terms and subject to the conditions set forth therein;

WHEREAS, pursuant to the Indenture, each of the Guarantor Pledgors has agreed to unconditionally and irrevocably guarantee (the "Guarantees"), as primary obligor and not merely as surety, the prompt and complete payment and performance when due (whether at the stated maturity, by acceleration or otherwise) of the Obligations;

WHEREAS, the ABL Intercreditor Agreement, dated as of July 2, 2015, and the joinder, dated as of the date hereof, among, *inter alios*, the Collateral Agent, the Term Loan Collateral Agent and the ABL Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time, the "ABL Intercreditor Agreement") governs the relative rights and priorities of the Term Loan Secured Parties (as defined therein), the ABL Secured Parties (as defined therein) and Additional Debt Secured Parties (as defined therein) in respect of the Collateral and the ABL Priority Collateral (and with respect to certain other matters as described therein);

WHEREAS, the First Lien Intercreditor Agreement, dated as of the date hereof, between, *inter alios*, the Collateral Agent and the Term Loan Collateral Agent (as amended, restated, supplemented or otherwise modified from time to time, the "First Lien Intercreditor Agreement") governs the relative rights and priorities of the First Lien Secured Parties (as defined therein) in respect of the Collateral (and with respect to certain other matters as described therein);

WHEREAS, the proceeds of the Notes will be used in part to enable the Issuer to make valuable transfers to the other Pledgors in connection with the operation of their respective businesses;

WHEREAS, each Pledgor acknowledges that it will derive substantial direct and indirect benefit from the sale and issuance of the Notes and the provision of the Guarantees; and

WHEREAS, as of the date hereof, (a) the Pledgors are the legal and beneficial owners of the Equity Interests described in Schedule 1 hereto and issued by the entities named therein (such Equity Interests, together with any Equity Interests of the issuer of such Equity Interests or any other issuer directly held by any Pledgor hereafter, in each case, except to the extent excluded from the Collateral for the Obligations pursuant to the last paragraph of Section 2 below, referred to collectively herein as the "Pledged Shares") and (b) each of the Pledgors is the legal and beneficial owner of the Indebtedness evidenced by a promissory note in excess of the greater of (a) $45,000,000 and (b) 10% of Consolidated EBITDA of the Issuer for the Applicable Measurement Period and described in Schedule 1 hereto (together with any other Indebtedness owed to any Pledgor on the date hereof and any time hereafter, including the promissory notes required to be pledged pursuant to Section 14.10 of the Indenture, referred to collectively herein as the "Pledged Debt").

NOW, THEREFORE, in consideration of the premises and to induce the Trustee and the Collateral Agent to enter into the Indenture and to induce the Holders to purchase and hold the Notes, the Pledgors hereby agree with the Collateral Agent, for the benefit of the Secured Parties, as follows:

1. Defined Terms.

(a) Unless otherwise defined herein, terms defined in the Indenture and used herein shall have the meanings given to them in the Indenture. Any term used herein or in the Indenture without definition that is defined in the UCC has the meaning given to it in the UCC.

(b) "ABL Priority Collateral" shall have the meaning assigned that term in the ABL Intercreditor Agreement.

(c) "Collateral" shall have the meaning provided in Section 2.

(d) "Collateral Agent" shall have the meaning provided in the preamble hereto.

(e) "Equity Interests" shall mean, collectively, Capital Stock and Stock Equivalents.

(f) "Excluded Assets" shall have the meaning assigned to that term in the Security Agreement.

(g) "Guarantee" shall have the meaning provided in the recitals hereto.

(h) "Guarantor Pledgor" shall have the meaning provided in the recitals hereto.

(i) "Intercreditor Agreement" means the ABL Intercreditor Agreement, the First Lien Intercreditor Agreement and/or, if executed, the Junior Lien Intercreditor Agreement and/or, as the context may require (each, an "Intercreditor Agreement" and collectively, the "Intercreditor Agreements").

(j) "Notes Documents" shall mean the collective reference to the Indenture, the Notes, the Guarantee and the Security Documents (as defined in the Indenture).

(k) "Obligations" shall mean the Notes Obligations (as defined in the Indenture).

(l) "Pledge Agreement" shall have the meaning provided in the preamble hereto.

(m) "Pledged Debt" shall have the meaning provided in the recitals hereto.

(n) "Pledged Shares" shall have the meaning provided in the recitals hereto.

(o) "Pledgors" shall mean the Issuer and the Guarantor Pledgors.

(p) "Proceeds" has the meaning given to it in the UCC.

(q) "Secured Parties" shall mean the "Notes Secured Parties" as defined in the Indenture.

(r) "Security Agreement" means that certain security agreement dated as of November 6, 2020, by and among the Issuer, each of the other Grantors (defined therein) from time to time party thereto, each of the other parties thereto and the Collateral Agent for the benefit of itself and the Secured Parties as defined therein (together with all amendments and modifications, if any, from time to time thereafter made thereto).

(s) "Security Interest" shall have the meaning provided in Section 2.

(t) "Termination Date" shall have the meaning ascribed thereto in Section 13(a).

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

(v) Sections 1.01, 1.13 and 1.14 of the Indenture are incorporated herein by reference, *mutatis mutandis*.

2. Grant of Security. As collateral security for the payment and performance when due of all of the Obligations, each Pledgor hereby collaterally assigns and pledges to the Collateral Agent, for the benefit of the Secured Parties, and grants to the Collateral Agent, for the benefit of the Secured Parties, a lien on and a security interest in (the "Security Interest") all of such Pledgor's right, title and interest in, to and under the following, whether now owned or existing or at any time hereafter acquired or existing (collectively, the "Collateral"):

(a) the Pledged Shares held by such Pledgor and the certificates representing such Pledged Shares and any interest of such Pledgor in the entries on the books of the issuer of the Pledged Shares or any financial intermediary pertaining to the Pledged Shares and all dividends, cash, warrants, rights, instruments and other property or Proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of the Pledged Shares;

(b) the Pledged Debt and the instruments evidencing the Pledged Debt owed to such Pledgor, and all interest, cash, instruments and other property or Proceeds from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such Pledged Debt; and

(c) to the extent not covered by clauses (a) and (b) above, respectively, all Proceeds of any or all of the foregoing Collateral.

Notwithstanding the foregoing, the Collateral (and any defined term used in the definition thereof) for the Obligations shall not include any Excluded Stock and Stock Equivalents or any Excluded Assets.

3. Delivery of the Collateral. Subject to Section 25 hereof, all certificates or instruments, if any, representing or evidencing the Collateral shall be (a) in the case of such Collateral existing as of the date hereof, delivered on the date hereof and (b) in the case of such Collateral acquired after the date hereof, promptly (and in any event within 90 days of the acquisition thereof (or such longer period as the Collateral Agent (or its bailee) may reasonably agree)), delivered by the applicable Pledgor to and held by or on behalf of the Collateral Agent (or its bailee) pursuant hereto 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 reasonably satisfactory to the Collateral Agent (or its bailee). The Collateral Agent (or its bailee) shall have the right, at any time after the occurrence and during the continuance of an Event of Default, subject to the Intercreditor Agreements, and upon at least 3 Business Days' prior written notice to the relevant Pledgor, to transfer to or to register in the name of the Collateral Agent (or its bailee) or any of its nominees any or all of the Pledged Shares.

4. Representations and Warranties. Each Pledgor represents and warrants, after giving effect to the Transactions, as follows:

(a) Schedule 1 hereto (i) correctly represents as of the Closing Date (A) the issuer, the certificate number, the Pledgor and the record and beneficial owner, the number and class and the percentage of the issued and outstanding Equity Interests of such class of all Pledged Shares and (B) the issuer, the initial principal amount, the Pledgor and holder, date of issuance and maturity date of all Pledged Debt and (ii) together with the comparable schedule to each supplement hereto, includes all Equity Interests, debt securities and promissory notes required to be pledged hereunder. Except as set forth on Schedule 1, and except for Excluded Stock and Stock Equivalents, the Pledged Shares represent all (or 66% in the case of pledges of the Voting Stock of Foreign Subsidiaries of any Domestic Subsidiary) of the issued and outstanding Equity Interests of each class of Equity Interests in the issuer on the Closing Date.

(b) Such Pledgor is the legal and beneficial owner of the Collateral pledged or collaterally assigned by such Pledgor hereunder free and clear of any Lien, except for Liens permitted by the Indenture (and which, in the case of Liens permitted by the Indenture in respect of the ABL Credit Agreement and the Term Loan Facility, are subject to the Intercreditor Agreements, as applicable) and the Lien created by this Pledge Agreement.

(c) As of the Closing Date, the Pledged Shares pledged by such Pledgor hereunder have been duly authorized and validly issued and, in the case of Pledged Shares issued by a corporation, are fully paid and non-assessable, in each case, to the extent such concepts are applicable in the jurisdiction of organization of the respective issuer.

(d) The execution and delivery by such Pledgor of this Pledge Agreement and the pledge of the Collateral pledged by such Pledgor hereunder pursuant hereto create a legal, valid and enforceable security interest in such Collateral (with respect to Collateral consisting of the Equity Interests or Pledged Debt of Foreign Subsidiaries, to the extent the creation of such Security Interest is governed by the Uniform Commercial Code of any applicable jurisdiction) and, upon delivery of such Collateral to the Collateral Agent or filing of UCC financing statements, shall constitute a fully perfected Lien on and security interest in the Collateral, securing the payment of the Obligations, in favor of the Collateral Agent for the benefit of the Secured Parties (with respect to Collateral consisting of the Equity Interests or Pledged Debt of Foreign Subsidiaries, to the extent the creation and perfection of such Security Interest is governed by the Uniform Commercial Code of any applicable jurisdiction), except as enforceability thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and subject to general principles of equity and principles of good faith and fair dealing.

(e) Such Pledgor has full organizational power, authority and legal right to pledge all the Collateral pledged by such Pledgor pursuant to this Pledge Agreement and this Pledge Agreement constitutes a legal, valid and binding obligation of each Pledgor (with respect to Collateral consisting of the Equity Interests or Pledged Debt of Foreign Subsidiaries, to the extent the enforceability of such Security Interest is governed by the Uniform Commercial Code of any applicable jurisdiction), enforceable in accordance with its terms, except as enforceability thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and subject to general principles of equity and principles of good faith and fair dealing.

5. <u>Certification of Limited Liability Company, Limited Partnership Interests, Equity Interests in Foreign Subsidiaries and Pledged Debt</u>.

(a) With respect to any Equity Interests in any Subsidiary constituting Collateral that are not a security as defined in Section 8-102(a)(15) of the Uniform Commercial Code of any applicable jurisdiction or pursuant to Section 8-103 of the Uniform Commercial Code of any applicable jurisdiction, if any Pledgor shall take any action that, under such sections, converts such Equity Interests into a security, such Pledgor shall give prompt written notice thereof to the Collateral Agent and cause the issuer thereof to issue to it certificates or instruments evidencing such Equity Interests, which it shall promptly deliver to the Collateral Agent as provided in <u>Section 3.</u>

(b) [Reserved].

(c) In the event that any Equity Interests in any Foreign Subsidiary constituting Collateral are not represented by a certificate, the Pledgors agree not to permit such Foreign Subsidiary to issue Equity Interests represented by a certificate to any other Person.

6. Further Assurances. Subject to the terms and limitations of Article Fourteen of the Indenture and 3.2(c) of the Security Agreement, each Pledgor agrees that at any time and from time to time, at the expense of such Pledgor, it will execute or otherwise authorize the filing of any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, deeds of trust and other documents), which may be required under any applicable law in order (x) to perfect and protect any pledge, assignment or security interest granted or purported to be granted hereby (including the priority thereof) or (y) to enable the Collateral Agent to exercise and enforce its rights and remedies hereunder with respect to any Collateral. Each Pledgor hereby irrevocably authorizes the Collateral Agent and its Affiliates, counsel and other representatives, at any time and from time to time, to file or record financing statements (including financing statements describing collateral as "all assets" or words of similar effect), amendments to financing statements and, with notice to the applicable Pledgors, other filing or recording documents or instruments with respect to the Collateral in such form and in such offices appropriate to perfect the Security Interest of the Collateral Agent under this Pledge Agreement.

7. Voting Rights; Dividends and Distributions; Etc.

(a) So long as no Event of Default shall have occurred and be continuing:

(i) Each Pledgor shall be entitled to exercise any and all voting and other consensual rights pertaining to the Collateral or any part thereof for any purpose not prohibited by the terms of this Pledge Agreement or the other Notes Documents.

(ii) The Collateral Agent shall execute and deliver (or cause to be executed and delivered) to each Pledgor all such proxies and other instruments as such Pledgor may reasonably request for the purpose of enabling such Pledgor to exercise the voting and other rights that it is entitled to exercise pursuant to paragraph (i) above.

(b) Subject to paragraph (c) below, each Pledgor shall be entitled to receive and retain and use, free and clear of the Lien created by this Pledge Agreement, any and all dividends, distributions, principal and interest made or paid in respect of the Collateral to the extent permitted by the Indenture, as applicable; provided, however, that any and all noncash dividends, interest, principal or other distributions that would constitute Pledged Shares or Pledged Debt, whether resulting from a subdivision, combination or reclassification of the outstanding Equity Interests of the issuer of any Pledged Shares or received in exchange for Pledged Shares or Pledged Debt or any part thereof, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer may be a party or otherwise, shall be, and shall be forthwith delivered to the Collateral Agent to hold as, Collateral and shall, if received by such Pledgor, be received in trust for the benefit of the Collateral Agent, be segregated from the other property or funds of such Pledgor and be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement).

(c) Upon at least three Business Days' prior written notice to a Pledgor by the Collateral Agent that the Collateral Agent is exercising its rights under this Section 7(c), following the occurrence and during the continuance of an Event of Default, subject to the terms of the Intercreditor Agreements,

(i) all rights of such Pledgor to exercise or refrain from exercising the voting and other consensual rights that it would otherwise be entitled to exercise pursuant to Section 7(a)(i) shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall thereupon have the sole right to exercise or refrain from exercising such voting and other consensual rights during the continuance of such Event of Default, provided that, upon being directed by the Holders, the Collateral Agent shall have the right from time to time following the occurrence and during the continuance of an Event of Default, subject to the terms of the Intercreditor Agreements, to permit the Pledgors to exercise such rights. After all Events of Default have been cured or waived, each Pledgor will have the right to exercise the voting and consensual rights that such Pledgor would otherwise be entitled to exercise pursuant to the terms of Section 7(a)(i) (and the obligations of the Collateral Agent under Section 7(a)(ii) shall be reinstated);

(ii) all rights of such Pledgor to receive the dividends, distributions and principal and interest payments that such Pledgor would otherwise be authorized to receive and retain pursuant to Section 7(b) shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which, subject to the terms of the Intercreditor Agreements, shall thereupon have the sole right to receive and hold as Collateral such dividends, distributions and principal and interest payments during the continuance of such Event of Default. After all Events of Default have been cured or waived, the Collateral Agent shall repay to each Pledgor (without interest) all dividends, distributions and principal and interest payments still in its possession and not otherwise applied in accordance with Section 11(b) that such Pledgor would otherwise be permitted to receive, retain and use pursuant to the terms of Section 7(b);

(iii) all dividends, distributions and principal and interest payments that are received by such Pledgor contrary to the provisions of Section 7(b) shall be received in trust for the benefit of the Collateral Agent and segregated from other property or funds of such Pledgor and shall forthwith be delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsements); and

(iv) in order to permit the Collateral Agent to receive all dividends, distributions and principal and interest payments to which it may be entitled under Section 7(b) above, to exercise the voting and other consensual rights that it may be entitled to exercise pursuant to Section 7(c)(i) above, and to receive all dividends, distributions and principal and interest payments that it may be entitled to under Sections 7(c)(ii) and (c)(iii) above, such Pledgor shall from time to time execute and deliver to the Collateral Agent, appropriate proxies, dividend payment orders and other instruments as the Collateral Agent may reasonably request in writing, subject to the terms of the Intercreditor Agreements. The exercise of any remedies by the Collateral Agent pursuant to this provision shall not cause the Collateral Agent to be considered, or assume any obligations or liabilities of, a member or principal of any Guarantor.

8. Transfers and Other Liens; Additional Collateral; Etc. Subject to the terms of the Intercreditor Agreements, each Pledgor shall:

(a) not (i) except as permitted by the Indenture, sell or otherwise dispose of, or grant any option or warrant with respect to, any of the Collateral or (ii) create or suffer to exist any consensual Lien upon or with respect to any of the Collateral, except for Liens permitted by the Indenture (and which, in the case of Liens permitted by the Indenture in respect of the ABL Credit Agreement and the Term Loan Facility, are subject to the Intercreditor Agreements, as applicable) and the Lien created by this Pledge Agreement; provided that, subject to the provisions of the Intercreditor Agreements then in effect, in the event such Pledgor sells or otherwise disposes of assets as permitted by the Indenture to a Person that is not a Guarantor, and such assets are or include any of the Collateral, the Lien created by this Pledge Agreement shall be automatically released concurrently with the consummation of such sale, and upon the request of the applicable Pledgor and the provisions of such documents required by the Indenture, the Collateral Agent shall evidence such release of such Collateral to such Pledgor; and

(b) use commercially reasonable efforts to defend its and the Collateral Agent's title or interest in and to all the Collateral (and in the Proceeds thereof) against any and all Liens (other than Liens permitted by the Indenture (and which, in the case of Liens permitted by the Indenture in respect of the ABL Credit Agreement and the Term Loan Facility, are subject to the Intercreditor Agreements, as applicable) and the Lien created by this Pledge Agreement), however arising, and any and all Persons whomsoever (except to the extent that the Collateral Agent and the Issuer agree that the cost of such defense is excessive in relation to the benefit to the Holders thereof).

9. Collateral Agent Appointed Attorney-in-Fact. Each Pledgor hereby appoints, which appointment is irrevocable and coupled with an interest, and shall automatically terminate with respect to such Pledgor on the Termination Date or, if sooner, upon the release of such Pledgor hereunder pursuant to Section 13, the Collateral Agent as such Pledgor's attorney-in-fact, with full authority in the place and stead of such Pledgor and in the name of such Pledgor or otherwise to take any action and to execute any instrument, in each case solely after the occurrence and during the continuance of an Event of Default (and upon prior written notice to such Pledgor that the Collateral Agent intends to take such action), that the Collateral Agent may deem reasonably necessary or advisable to accomplish the purposes of this Pledge Agreement, including to receive, indorse and collect all instruments made payable to such Pledgor representing any dividend, distribution or principal or interest payment in respect of the Collateral or any part thereof and to give full discharge for the same.

10. The Collateral Agent's Duties. The powers conferred on the Collateral Agent hereunder are solely to protect its interest in the Collateral and shall not impose any duty upon it to exercise any such powers. Except for the safe custody of any Collateral in its possession and the accounting for moneys actually received by it hereunder, the Collateral Agent shall have no duty as to any Collateral, as to ascertaining or taking action with respect to calls, conversions, exchanges, maturities, tenders or other matters relative to any Pledged Shares, whether or not the Collateral Agent or any other Secured Party has or is deemed to have knowledge of such matters, or as to the taking of any necessary steps to preserve rights against any parties or any other rights pertaining to any Collateral. The Collateral Agent shall be deemed to have exercised reasonable

care in the custody and preservation of any Collateral in its possession if it treats such Collateral in accordance with the Collateral Agent's standard of care set forth herein and in the Indenture. The Collateral Agent shall not be responsible for or have a duty to ascertain or inquire into any representation or warranty regarding the existence, value or collectability of the Collateral, the existence, priority or perfection of the Collateral Agent's Lien thereon, or any certificate prepared by any Guarantor in connection therewith, nor shall the Collateral Agent be responsible or liable to the Secured Parties for any failure to monitor or maintain any portion of the Collateral.

11. Remedies. Subject to the terms of the Intercreditor Agreements, if any Event of Default shall occur and be continuing, and after giving prior notice to the Issuer and any applicable Pledgor:

(a) The Collateral Agent may exercise in respect of the Collateral, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party upon default under the UCC or any other applicable law (whether or not the UCC applies to the affected Collateral) and also may with notice to the relevant Pledgor, sell the Collateral or any part thereof in one or more parcels at public or private sale or sales, at any exchange broker's board or office of the Collateral Agent or any Secured Party or elsewhere, for cash, on credit or for future delivery, at such price or prices and upon such other terms as are commercially reasonable irrespective of the impact of any such sales on the market price of the Collateral. The Collateral Agent shall be authorized at any such sale of Pledged Shares or Pledged Debt (if it deems it advisable to do so) to restrict the prospective bidders or purchasers of such Collateral to Persons who will represent and agree that they are purchasing the Collateral for their own account for investment and not with a view to the distribution or sale thereof, and, upon consummation of any such sale, the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Pledged Shares or Pledged Debt so sold. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of any Pledgor, and each Pledgor hereby waives (to the extent permitted by law) all rights of redemption, stay and/or appraisal that it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. The Collateral Agent and any Secured Party shall have the right upon any such public sale, and, to the extent permitted by law, upon any such private sale, to purchase all or any part of the Collateral so sold, and the Collateral Agent or such Secured Party may pay the purchase price by crediting the amount thereof against the Obligations. Each Pledgor agrees that, to the extent notice of sale shall be required by law, at least ten days' notice to such Pledgor 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 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 therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. To the extent permitted by law, each Pledgor hereby waives any claim against the Collateral Agent arising by reason of the fact that the price at which any Collateral may have been sold at such a private sale was less than the price that might have been obtained at a public sale, even if the Collateral Agent accepts the first offer received and does not offer such Collateral to more than one offeree. The Collateral Agent shall incur no liability as a result of the sale (whether public or private) of the Collateral or any part thereof at any sale pursuant to this Agreement conducted in a commercially reasonable manner. Each of the Pledgors and Secured Parties hereby waive any claims against the Collateral Agent arising by reason of the fact that the price at which the Collateral may have been sold at such sale (whether public or private) was less than the price that might have been obtained otherwise, even if the Collateral Agent accepts the first offer received and does not offer the Collateral to more than one offeree, so long as such sale is conducted in a commercially reasonable manner. Each of the Pledgors and Secured Parties hereby agree that in respect of any sale of any of the Collateral pursuant to the terms hereof, Collateral Agent is hereby authorized to comply with any limitation or restriction in connection with such sale as it may be advised by counsel is necessary in order to avoid any violation of applicable laws, or in order to obtain any required approval of the sale or of the purchaser by any governmental authority or official, and the Pledgors and Secured Parties further agree that such compliance shall not, in and of itself, result in such sale being considered or deemed not to have been made in a commercially reasonable manner, nor shall the Collateral Agent be liable or accountable to the Pledgors or Secured Parties for any discount allowed by reason of the fact that the Collateral or any part thereof is sold in compliance with any such limitation or restriction.

(b) Subject to the Intercreditor Agreements then in effect, the Collateral Agent shall apply the Proceeds of any collection or sale of the Collateral as well as any Collateral consisting of cash, at any time after receipt in the order set forth in Section 5.06 of the Indenture.

Upon any sale of the Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

(c) All payments received by any Pledgor in respect of the Collateral after the occurrence and during the continuance of an Event of Default, shall be received in trust for the benefit of the Collateral Agent shall be segregated from other property or funds of such Pledgor and shall be forthwith delivered to the Collateral Agent as Collateral in the same form as so received (with any necessary endorsement).

12. Amendments, etc. with Respect to the Obligations; Waiver of Rights. Each Pledgor shall remain obligated hereunder notwithstanding that, without any reservation of rights against any Pledgor and without notice to or further assent by any Pledgor, (a) any demand for payment of any of the Obligations made by the Collateral Agent or any other Secured Party may be rescinded by such party and any of the Obligations continued, (b) the Obligations, or the liability of any other party upon or for any part thereof, or any collateral security or guarantee therefor or right of offset with respect thereto, may, from time to time, in whole or in part, be renewed, extended, amended, modified, accelerated, compromised, waived, surrendered or released by the Collateral Agent or any other Secured Party, (c) the Indenture, the other Notes Documents and any other documents executed and delivered in connection therewith may be amended, modified, supplemented or terminated, in whole or in part from time to time and (d) any collateral security, guarantee or right of offset at any time held by the Collateral Agent or any other Secured Party for the payment of the Obligations may be sold, exchanged, waived, surrendered or released. Neither the Collateral Agent nor any other Secured Party shall have any obligation to protect, secure,

perfect or insure any Lien at any time held by it as security for the Obligations or for this Pledge Agreement or any property subject thereto. When making any demand hereunder against any Pledgor, the Collateral Agent or any other Secured Party may, but shall be under no obligation to, make a similar demand on any Pledgor or any other Person, and any failure by the Collateral Agent or any other Secured Party to make any such demand or to collect any payments from any Pledgor or any other Person or any release of the Issuer or any Pledgor or any other Person shall not relieve any Pledgor in respect of which a demand or collection is not made or any Pledgor not so released of its several obligations or liabilities hereunder, and shall not impair or affect the rights and remedies, express or implied, or as a matter of law, of the Collateral Agent or any other Secured Party against any Pledgor. For the purposes hereof "demand" shall include the commencement and continuance of any legal proceedings.

13. Continuing Security Interest; Assignments Under the Indenture; Release.

(a) This Pledge Agreement shall remain in full force and effect and be binding in accordance with and to the extent of its terms upon each Pledgor and the successors and assigns thereof, and shall inure to the benefit of the Collateral Agent and the other Secured Parties and their respective successors, endorsees, transferees and assigns permitted under the Indenture until the date on which all Obligations (other than, in each case, any contingent indemnity obligations not then due) shall have been satisfied by payment in full (such date, the "Termination Date"), notwithstanding that from time to time during the term of the Indenture the Guarantors may be free from any Obligations.

(b) Any Pledgor shall automatically be released from its obligations hereunder and the Collateral of such Pledgor shall be automatically released as it relates to the Obligations upon such Pledgor ceasing to be a Guarantor in accordance with Article Eight and Section 12.08 of the Indenture. Any such release in connection with any sale, transfer or other disposition of such Collateral permitted under the Indenture to a Person that is not a Guarantor shall result in such Collateral being sold, transferred or disposed of, as applicable, free and clear of the Liens of this Pledge Agreement.

(c) The Collateral shall be automatically released from the Liens of this Pledge Agreement as it relates to the Obligations (i) to the extent provided for in Article Fourteen of the Indenture and (ii) upon the effectiveness of any written consent to the release of the security interest granted in such Collateral pursuant to Article Nine of the Indenture.

(d) In connection with any termination or release pursuant to the foregoing paragraph (a), (b) or (c), the Collateral Agent shall execute and deliver to any Pledgor or authorize the filing of, at such Pledgor's expense, all documents that such Pledgor shall reasonably request to evidence such termination or release subject to the Collateral Agent's receipt of a certification by the Issuer and the applicable Pledgor stating that such transaction is in compliance with the Indenture and the other Notes Documents and all conditions precedent to such transaction have been satisfied (upon which the Collateral Agent may conclusively rely). Any execution and delivery of documents pursuant to this Section 13 shall be without recourse to or warranty by the Collateral Agent.

14. Reinstatement. Each Pledgor further agrees that, if any payment made by any Guarantor or other Person and applied to the Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the Proceeds of Collateral are required to be returned by any Secured Party to such Guarantor, its estate, trustee, receiver or any other Person, including any Pledgor, under any bankruptcy law, state, federal or foreign law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made or, if prior thereto the Lien granted hereby or other Collateral securing such liability hereunder shall have been released or terminated by virtue of such cancellation or surrender, such Lien or other Collateral shall be reinstated in full force and effect, and such prior cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect any Lien or other Collateral securing the obligations of any Pledgor in respect of the amount of such payment.

15. Notices. All notices, requests and demands pursuant hereto shall be made in accordance with Section 1.06 and 1.07 of the Indenture. All communications and notices hereunder to any Pledgor shall be given to it in care of Holdings at Holdings' address set forth in Section 1.06 of the Indenture. All notices, approvals, consents, requests and any communications hereunder must be in writing (provided that any communications sent to the Collateral Agent hereunder must be in the form of a document that is signed manually or by way of a digital signature provided by Docusign (or such other digital signature provider as specified in writing to Collateral Agent by the authorized representative), in English. Each Pledgor and Noteholder (by acceptance of the Notes) agrees to assume all risks arising out of the use of using digital signatures and electronic methods to submit communications to Collateral Agent, including without limitation the risk of Collateral Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

16. Counterparts. This Pledge Agreement may be executed by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument. The exchange of signature pages by facsimile or electronic format (i.e., "pdf" or "tif") transmission shall constitute effective execution and delivery of this Pledge Agreement. Signatures of the parties hereto transmitted by facsimile or electronic format (i.e., "pdf" or "tif") shall be deemed to be their original signatures for all purposes.

17. Severability. Any provision of this Pledge Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. The parties hereto shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

18. Integration. This Pledge Agreement together with the other Notes Documents represents the agreement of each of the Pledgors with respect to the subject matter hereof and there are no promises, undertakings, representations or warranties by the Collateral Agent or any other Secured Party relative to the subject matter hereof not expressly set forth herein or in the other Notes Documents.

19. Amendments in Writing; No Waiver; Cumulative Remedies.

(a) None of the terms or provisions of this Pledge Agreement may be waived, amended, supplemented or otherwise modified except by a written instrument executed by the affected Pledgor and the Collateral Agent in accordance with Article Nine of the Indenture.

(b) Neither the Collateral Agent nor any Secured Party shall by any act (except by a written instrument pursuant to Section 19(a)), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default or in any breach of any of the terms and conditions hereof. No failure to exercise, nor any delay in exercising, on the part of the Collateral Agent or any other Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Collateral Agent or any other Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Collateral Agent or such other Secured Party would otherwise have on any future occasion.

(c) The rights, remedies, powers and privileges herein provided are cumulative, may be exercised singly or concurrently and are not exclusive of any other rights or remedies provided by law.

20. Section Headings. The Section headings used in this Pledge Agreement are for convenience of reference only and are not to affect the construction hereof or be taken into consideration in the interpretation hereof.

21. Successors and Assigns. This Pledge Agreement shall be binding upon the successors and assigns of each Pledgor and shall inure to the benefit of the Collateral Agent and the other Secured Parties and their respective successors and permitted assigns, except that no Pledgor may assign, transfer or delegate any of its rights or obligations under this Pledge Agreement without the prior written consent of the Collateral Agent except pursuant to a transaction permitted by the Indenture.

22. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES (TO THE EXTENT PERMITTED BY APPLICABLE LAW) TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS PLEDGE AGREEMENT, ANY OTHER NOTES DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

23. Submission to Jurisdiction; Waivers. Each party hereto hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Pledge Agreement and the other Notes Documents to which it is a party to the exclusive general jurisdiction of the courts of the State of New York or the courts of the United States for the Southern District of New York, in each case sitting in New York City in the Borough of Manhattan, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives (to the extent permitted by applicable law) any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same or to commence or support any such action or proceeding in any other courts;

(c) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this Section 23 any special, exemplary, punitive or consequential damages; and

(d) agree that nothing herein shall affect the right of any other party hereto (or any Secured Party) to effect service of process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against any Pledgor in any other jurisdiction.

Each of the Pledgors hereby irrevocably and unconditionally agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to such Person at its address referred to in Section 15 or at such other address of which the Collateral Agent shall have been notified pursuant thereto.

24. **GOVERNING LAW. THIS PLEDGE AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.**

25. Intercreditor Agreements. Notwithstanding anything herein to the contrary, the liens and security interests granted to the Collateral Agent pursuant to this Pledge Agreement and the exercise of any right or remedy by the Collateral Agent hereunder, are subject to the provisions of any Intercreditor Agreement then in effect. In the event of any conflict between the terms of any Intercreditor Agreement then in effect and the terms of this Pledge Agreement, the terms of such Intercreditor Agreement shall govern and control. No right, power or remedy granted to the Collateral Agent hereunder shall be exercised by the Collateral Agent, and no direction shall be given by the Collateral Agent, in contravention of any such Intercreditor Agreement. So long as the ABL Intercreditor Agreement is outstanding, any requirement in this Pledge Agreement to deliver any ABL Priority Collateral to the Collateral Agent (or any representation or warranty having the effect of requiring the same) shall be deemed satisfied (or any such representation or warranty shall be deemed true) by delivery of such ABL Priority Collateral to the ABL Collateral Agent. So long as the First Lien Intercreditor Agreement is outstanding, any requirement in this Pledge Agreement to deliver Term Loan Priority Collateral to the Collateral Agent (or any representation or warranty having the effect of requiring the same) shall be deemed satisfied (or any such representation or warranty shall be deemed true) by delivery of such Term Loan Priority Collateral to the Controlling Collateral Agent (as defined in the First Lien Intercreditor Agreement).

26. Enforcement Expenses; Indemnification.

(a) Each Pledgor agrees to pay any and all reasonable and documented out of pocket expenses (including all reasonable and documented fees and disbursements of counsel, experts, nominees and agents) that may be paid or incurred by any Secured Party in enforcing, or obtaining advice of counsel or relevant experts in respect of, any rights with respect to, or collecting, any or all of the Obligations and/or enforcing any rights with respect to, or collecting against, such Pledgor under this Pledge Agreement, in each case subject to the limitations on reimbursement of costs and expenses set forth in Sections 6.07 and 14.08 of the Indenture.

(b) Each Pledgor agrees to pay, and to save the Collateral Agent and the Secured Parties harmless from, any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Pledge Agreement (including enforcing the indemnity obligations set forth herein) to the extent the Issuer would be required to do so pursuant to Sections 6.07 and 14.08 of the Indenture.

(c) The agreements in this Section 26 shall survive repayment of the Obligations and all other amounts payable under the Indenture and the other Notes Documents and the resignation and removal of the Collateral Agent.

27. Acknowledgments. Each party hereto hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Pledge Agreement and the other Notes Documents to which it is a party;

(b) neither the Collateral Agent nor any other Secured Party has any fiduciary relationship with or duty to any Pledgor arising out of or in connection with this Pledge Agreement or any of the other Notes Documents, and the relationship between the Pledgors, on the one hand, and the Collateral Agent and the other Secured Parties, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Notes Documents or otherwise exists by virtue of the transactions contemplated hereby among the Holders and any other Secured Party or among the Pledgors and the Holders and any other Secured Party.

28. Additional Pledgors. Each Subsidiary of the Issuer that is required to become a party to this Pledge Agreement pursuant to Section 12.03 of the Indenture shall become a Guarantor Pledgor, with the same force and effect as if originally named as a Pledgor herein, for all purposes of this Pledge Agreement, upon execution and delivery by such Subsidiary of a written supplement substantially in the form of Annex A hereto. The execution and delivery of any instrument adding an additional Pledgor as a party to this Pledge Agreement shall not require the consent of any other Pledgor hereunder. The rights and obligations of each Pledgor hereunder shall remain in full force and effect notwithstanding the addition of any new Pledgor as a party to this Pledge Agreement.

29. Collateral Agent Capacity. The Bank of New York Mellon Trust Company, N.A., is executing this Pledge Agreement, not in its individual capacity but solely in its capacity as Collateral Agent under that certain Indenture dated as of November 6, 2020. In acting hereunder, the Collateral Agent shall be entitled to all the rights, powers, protections, immunities, and indemnities afforded to it under the Indenture as if the same were set forth herein, *mutatis mutandis*. The permissive rights, benefits and powers granted to the Collateral Agent hereunder (including the power to exercise any remedies following an Event of Default) shall not be construed as duties. All discretionary acts hereunder (including the exercise of any remedies) shall be taken by the Collateral Agent pursuant and subject to the terms of the Indenture (including the Collateral Agent's right to be adequately indemnified and directed). The Collateral Agent shall be entitled to exercise its rights, powers and duties hereunder through agents, experts or designees and shall not be responsible for the acts of any such parties appointed with due care. Notwithstanding anything herein to the contrary, the Collateral Agent shall have no responsibility for preparing, recording, filing, re-recording, or re-filing any financing statement, perfection statement, continuation statement or other instrument in any public office or for otherwise ensuring the perfection or maintenance of any security interest granted pursuant to this Pledge Agreement, the Indenture or any Security Document.

[*Remainder of page intentionally left blank; Signature pages follow*]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the day and year first above written.

ACADEMY, LTD., as Grantor

By: Academy Managing Co., L.L.C., its General Partner

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

NEW ACADEMY HOLDING COMPANY, LLC, as Grantor

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

ACADEMY MANAGING CO., L.L.C., as Grantor

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

ASSOCIATED INVESTORS, L.L.C., as Grantor

By: /s/ Rene Casares
Name: Rene Casares
Title: Senior Vice President and General Counsel

[*Signature Page for the Notes Pledge Agreement*]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as the Collateral Agent

By: /s/ Lawrence M. Kusch
Name: Lawrence M. Kusch
Title: Vice President

[*Signature Page for the Notes Pledge Agreement*]

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-1 of our report dated July 10, 2020 relating to the financial statements of New Academy Holding Company, LLC. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Deloitte & Touche LLP

Houston, Texas
January 25, 2021

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form S-1 of our report dated July 10, 2020 relating to the financial statements of Academy Sports and Outdoors, Inc. We also consent to the reference to us under the heading “Experts” in such Registration Statement.

/s/ Deloitte & Touche LLP

Houston, Texas
January 25, 2021