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OPERATOR: Good morning ladies and gentlemen. Thank you for standing by. Welcome to The Forzani Group Third Quarter Fiscal 2007 Conference Call. At this time all participants are in a listen-only mode. Following the presentation, we will conduct the question and answer session. Instructions will be provided at that time for you to queue up for questions. If anyone has any difficulties hearing the conference, please press star followed by zero for operator assistance at any time. I would like to remind everyone that this conference call is being recorded on Friday, December 8, 2006 at 9 a.m., Eastern. I will now turn the conference over to Mr. Bob Sartor, Chief Executive Officer. Please go ahead sir.

BOB SARTOR, (CHIEF EXECUTIVE OFFICER): Thank you Karen. And good morning to all and welcome to the Forzani Group Limited Q3 fiscal '07 conference call. With me today in the order that they will be speaking are Richard Burnet, our CFO; Bill Gregson, President and COO; and Tom Quinn, President of our Franchise businesses. Now, before I move in further, I would like our CFO to make few Safe Harbor comments.

RICHARD BERNET, (CHIEF FINANCIAL OFFICER): Thanks Bob. As we conduct this conference call, there are remarks that we will make

about future expectations, plans and prospects for the company, which will constitute forward-looking statements. These statements reflect current expectations. They are subject to the number of risks and uncertainties including, but not limited to changes in general market conditions. You should understand that FGL cannot offer assurance with the current expectations reflected in any forward-looking statements will be met. Additional information about the material factors that could cause actual results to differ materially and certain expectations is contained in our Company's public record including our annual and interim MD&A, which is available on SEDAR.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thanks Richard. Those of you who follow our company closely would remember our Q2 conference call where our costs were slow, we indicated back-to-school type of they come later and later each year. So there was quite a bit of ringing in the hands as to whether or not we would be able to comp. Well, the third quarter after that slow back-to-school start, we really picked up momentum as we had expected and signaled.

Revenues, EBITDA margins, earnings, and earnings per share were all records for our company in all of our businesses and all of our vendors performs. There was a much speculation in a comment made subsequent to the conference call, about the back half of the year with a common

refrain that the front half was a – probably a lay off due to re-comps last year which certainly we can't argue with that. And that the true matter of FGL refers would be to produce meaningful results in the back half. I believe we've answered that question in the third quarter, obviously the fourth quarter remains to be seen.

I won't dwell on the numbers as our CFO will cover those off in just a second, but I can tell you that I am particularly happy that in vision to our solid comps store sales increases, we achieve record EBITDA margins and I think 9.1% for Q3 for us is very good performance and honestly we believe that additional year-over-year margin expansion is available in the fourth quarter as well, in fact we are seeing it day-in and day-out.

I am going to ask Richard now to provide additional financial details on both our P&L and balance sheet. Richard?

RICHARD BURNET, (CHIEF FINANCIAL OFFICER): Thanks Bob. Ladies and gentlemen, the press release was reasonably detailed; I'll limit my comments to highlights. For the third quarter, retail systems sales were $339.5 million against last year's $307.6, a 10.4% increase. The current year's figures include approximately $4.9 million of sales from the Fitness Source, which we acquired on January 31, 2006.

Corporate same stores sales were up 6.6% and franchise up 9.9% for an overall comparable stores sales increase up 7.7%. Total revenues

were $346.3 million versus last years 305.4 million, a 13.4% increase. And breaking out revenues, corporate store revenues of $228.4 million were up 8.6%, and wholesale sales of $118 million were 24.1% ahead of last year's third quarter.

Consolidated margins for the quarter were 34.5%, 140 basis points above last year. Corporate store operating expenses, as a percent of retail revenues, were 25.6%, a decrease of 130 basis points over the prior year, and on a comp store basis expenses were 24.5% versus 25.6% last year.

G&A expenses at $29.6 million were 8.5% of consolidated revenues versus the prior year's 7.5%. The rate and dollar increase year-over-year and G&A as a result of a accruals for performance-based compensation in the form of bonus and stock-based compensation and in fiscal 2006, the accrual for bonus payouts was minimal as the majority of bonuses are paid based on a combination of company and personal targets. No company targets were reached in fiscal 2006, resulting in that relatively minimal accrual.

Similarly, the majority of our stock-based compensation programs are performance based, and again given the company's results of the third quarter mark of last year and ultimately for the fiscal '06 year as a whole, there was little to indicate that performance targets would be hit at that time. As such no accruals were made for performance related stock-based compensation in fiscal 2006.

Based on the current year's performance to-date, we believe the company targets relating to bonus and stock-based composition will be largely met and as a result have been appropriately accrued. With regard to the stock-based compensation portion of the accrual, the amounts have been compounded somewhat as what had originally been three and four year time frames over which to accrue stock-based compensation expense were reduced to two and three year timeframes as a result of the fiscal 2006 miss. Absent the impact of these accruals, G&A expenses are tracking on target and they are expected run rates relative to sales.

Third quarter EBITDA was $31.4 million against $21.7 million in fiscal 2006. Net earnings for the quarter were $11.9 million versus $6.5 million last year, and diluted EPS was $0.35 in the quarter against $0.20 in the prior year. Cash flow from operations was $23.1 million versus $12.8 in fiscal 2006. For the year-to-date, retail system sales were $976.5 million versus last year's $872.5 and 11.9% increase. In corporate, same stores sales were up 8.2%, franchise up 7.6% for an overall same store sales increase of 8% year-to-date.

Total revenues were $910.8 million against last year's $787.2 million, a 15.7% increase and in corporate store revenues at $632.4 million were up 11.3% with wholesale sales up 27.2% at $278.2 million. Consolidated margins for the year were 33.6% against 32.2% in the prior year. Store operating expenses as a percent of retail revenues again were

27.4% versus 28.7% in fiscal 2006. The G&A run rate for the year is at 8% at consolidated revenues versus 7.6% in the prior year, inclusive of the accruals relating to compensation expense.

Year-to-date EBITDA was $60.3 million against last year's $30.3 million, and net earnings for the period were $14.1 million versus a loss of $3.2 million at the three quarter mark last year, with diluted earnings per share of $0.42 versus a loss of $0.10 in fiscal 2006.

In terms of our balance sheet at October 29, the company had working capital of $138.8 million, $106.1 million in '06, and the working capital ratio of 1.38 versus 1.29 in '06. Accounts receivable, days outstanding were down at the quarter end and our inventory investments is on target heading into the busy holiday season.

I will now turn it over to Bill Gregson for his comments on the business. Bill?

BILL GREGSON, (PRESIDENT AND CHIEF OPERATING OFFICER): Thanks Richard on his speech to the corporate part of the business. The – we are very happy on all fronts, whether that be sales, margin, expenses, or inventory, we think we performed quite well during the quarter. On the sales side, as Richard said comps were up 6.6% in the corporate side, 8.2% year-to-date, the west was stronger than the east, but all regions were positive in the quarter and all categories were positive in

terms of hard goods, apparel, and footwear. Footwear was the #1 category from a comp point of view.

We also did sales increase, this comp sales increase was less marketing spent than a year ago as we have talked to in previous conference calls. We are also very happy with the corporate margins, they are up and they are considerably and as Richard pointed out, the comp store expense base was down about a 100 basis points as a percent of sales.

Inventory at the end of the quarter on the – for comp – for corporate inventory was up 1.8% on a comp basis. This is less than sales obviously, but also reflects advance receipts as we brought in our Christmas stuff a little earlier than a year ago. We expect our comp inventory to be down at the end of December and then in January we will begin a new receiving cycle. So, one all, a very good quarter on all levels in every region and every category and in every banner. And now I would like turn over to Tom Quinn for little flavor on the franchise.

TOM QUINN, (PRESIDENT, FRANCHISE DIVISION): Thanks Bill. Good morning ladies and gentlemen. Our third quarter on FGL's franchise side of the business as reported has seen continued growth and positive comp sales parameters. Our specialty retail banners including Nevada Bob's Golf, Hockey Experts, Pegasus and our (indiscernible) banner

continue to perform as planned. The franchisees are experiencing record margin performance with strong comp sales.

In the quarter, we completed our point-of-sale system conversions and successfully introduced our new buying show technology to our franchisees in our September shows, which has been very well received.

Our footwear, sport fashion, technical athletic, clothing, fitness, hockey, and bike categories continue to lead the banner in row. Our Fitness Source store will now successfully be converted to our retail systems and will be franchised in the very near future. Our Nevada Bob's Golf stores will be at 40 locations which we (Ph) will see in '07 and our development plan is ahead of schedule. Our Sport Chek with Intersport and Atmosphere banners continue to grow and perform as planned. We have added 37 stores from franchise business this year and renovated only 15 stores. So a strong quarter with a future of opportunity for growth. And now back to Bob.

BOB SARTOR, (CHIEF EXECUTIVE OFFICER): Thanks Tom, another great quarter on the franchise side. Well, you know, disagree to agree, but that's history. As we are already well into Q4, and like the third quarter Q4 was of to a relatively slow comparable store sales start, due to very warm weather in Eastern Canada for a good chunk of November. On the corporate side, fortunately because half of our business is in the west

and half is in the east, we were able to cancel that out and franchise business obviously pretty (indiscernible).

You know, despite the historic, we are still quite optimistic of our prospects for the fourth quarter. As I said in my opening comments, our margin expansion continued another fourth quarter and most importantly as we have phenomenal inventories and very clean inventories. So, we are not rushing to frankly to mark down products that we need to. So we do believe we will improve on last year's Q4 results, which I'll remind to our listeners, was a record as well.

As a closing comment, I would like to talk about cash deployment strategies, just to answer a question, which I believe inevitably will be asked (technical difficulty) with our board, as we continue to pose strong operating earnings and even stronger cash flow. I will reiterate what I basically said in the second quarter conference call that is both our view, that is management's view and the board's view, that we should finish off the current fiscal year prior to making any further definitive comments; we are taking any definitive actions in this regard. With that, I will turn over to our moderator, Karen to begin the Q&A session.

QUESTION AND ANSWER SESSION

OPERATOR: Thank you. Ladies and gentlemen, we will now conduct the question and answer session. If you have a question, please press the star followed by the one on your touchtone phone. You will hear a tone acknowledging your requests. Your questions will be polled in the order they are received. Please ensure you lift the handset if you are using a speakerphone before pressing the keys. Your first question comes from Ryan Balgopal with Scotia Capital. Please go ahead.

RYAN BALGOPAL: Thanks very much. Just wanted to ask about CapEx. I am wondering sort of what you are expecting to finish the year spending and then if you've got some preliminary plans for next year?

BOB SARTOR: Ryan, we had a CapEx budget that have been discussed that was in roughly the $35 million or $36 million in which we will likely spend a little less than that, but we haven't finalized our numbers. So I am not going you give you specifics, but it will be less than we had -- little bit less than we anticipated.

RYAN BALGOPAL: Okay. And then what is for next year, any early indications there?

BOB SARTOR: Yeah, early indications, again won't give you a final number, because that has to be approved by our board in our annual Budgeting Session right after this conference call, but it will be enough.

RYAN BALGOPAL: Okay, okay. I want to ask about G&A. I think at the beginning of the year you talked about hitting sort of a 7% number in terms of percent of revenue, year-to-date obviously you're around the 8% and it looks like the bonus accruals are making up a large part of that. Wondering if you still think that 7% target is reasonable or should we looking more towards a year-to-date number?

RICHARD BURNET: Ryan, it's Richard. The 7% number is – going to be a little bit light through year-end given the catch up on the stock-based compensation, you know, likelihood it would be closer to the 8% number.

RYAN BALGOPAL: Okay. And that's about it right now. Thank you

OPERATOR: Your next question comes from Jim Durran with National Bank Financial. Please go ahead.

JIM DURRAN: Yeah, just wanted to see if you can get us a little bit more color on the comp store sales trends within the fourth quarter, I mean there was some improved cold weather patterns the east, I guess, in the last week. Did you see a lift in Ontario and Quebec and can you give us some idea what magnitude?

BOB SARTOR: Jim, well, first of all there's a point that you were the second caller...

JIM DURRAN: Sorry.

BOB SARTOR: This year – this time really you the first guy in. So, but yes, they have improved, we can't give you the magnitude yet that we won't release as we do with what we do in January what's happened. But for sure, they've improved with the better weather pattern both in Ontario and Quebec.

JIM DURRAN: And, what's the pricing environment like this year versus last year throughout the country?

BOB SARTOR: So far it's been – it's been reasonable, as their – this business seems to be a lot of panic to-date.

JIM DURRAN: Okay. You talked about your CapEx spend next year cost moving less than this year, what does that mean with respect to square footage growth, corporate versus franchise?

TOM QUINN: The corporate stores franchise will have a very active year next year, certainly, especially as the specialty banners are rolled out such as Nevada Bob's et cetera. On the corporate side, there is still growth, but it is – it's on larger side in terms as a number of stores, I think we have – you know, we will probably look to have four Sport Cheks as of minimum added next year, main ones. There will be a couple of expansions as well.

BOB SARTOR: Jim, it's Bob Sartor. Part of the drop in the CapEx spending is going to be on the technology supply chain side. You recall

we had pretty significant investment in technology supply chain in the last 18 months as we put in four major systems, those systems went in earlier in the year. So, we see that spending coming off considerably.

JIM DURRAN: And just to seg way on that, you know, we should be I guess seeing some benefits of the full precision retailing imitative, how much of the gross margin improvement or the inventory being up only 4% year-over-year is attributable to that piece of the puzzle?

BOB SARTOR: I couldn't give you percent Jim, but I means it's – the precision retailing team is performing extremely well, as is the purchasing team as logistics team, it's total group effort and they all have a peace and the numbers wouldn't be where they are without the precision retailing team, but they are an important part as our couple other parts of our company. So it's working very well and it is definitely adding to our sales into our margin to what the split is, it's not something we try to do.

JIM DURRAN: Well, let me ask it in different way then, if we got a measured teams in terms of out of stocks at start level?

BOB SARTOR: Yes. We have a considerably higher in stock on basic stock and when we started this, about say around three years ago, we were in the – I believe it was in the high 60s low 70s and we are now we are now 90% in stock on basic stock.

JIM DURRAN: Okay, great. Thanks a lot Bob.

OPERATOR: Your next question comes from Bob Gibson with Octagon. Please go ahead

BOB GIBSON: Good morning everybody.

BOB SARTOR: Good morning.

BOB GIBSON: So are there any new toys coming out this winter?

BOB SARTOR: Actually all the holiday toys are out there.

BOB GIBSON: Grown up.

BOB SARTOR: In terms of sporting goods not saying -- no. I wouldn't say there's anything new that you would say hasn't been around. Certainly, you know, things like one piece hockey sticks continue to be very strong and growing the Crocs business, I don't know if we call at a toy, but I am at full worse side, it's certainly something that captures some people's interests. They be – they certainly be a couple that are out there.

RICHARD BERNET: And the integrated ski binding, skies, you know, that's around (multiple speaker).

BOB GIBSON: Okay. Could you maybe give us a little more color on Genex and some of your web-based initiatives?

BOB SARTOR: Sure. Our FGL wholesale business performed exceedingly well for the quarter. We are very happy with the performance of the both the opportunity business, which is close out and our license branded business. I can't get into specific numbers obviously, because

you don’t provide that level of segmentation for competitive reasons, but if it’s safe to say that they ease all of our targets for the quarter. And your second question again Bob was regarding…

BOB GIBSON: Just overall…

BOB SARTOR: All we have done from a web prospective, as we convert the web selling currently, we have a website with sportmart.ca, this does sell online and we recently significantly revamped our sportchek.ca and we invite all listeners to go on that site. It very much is a marketing information and what I would call a technology side as it relates to the technology the latest and greatest products that are out there. But it is not a web-based sale side.

BOB GIBSON: Okay. Great. And lastly, gift cards, can you give us some idea of the magnitude last year and are you seeing any thing for this year?

BOB SARTOR: Yeah, I won’t give you the – yes we are definitely seeing an increase in the amount of gift card earnings. You know, probably similar scenario is back to in on the gift card point of view that definitely people, shopping more – more and more at a later date. Our gift card business, for the November-December period so far is in – is up in excess of 20% over last year. And yes, I am pretty sure it’s going to continue right through to December 24.

BOB GIBSON: Okay, great. Thank you very much.

Operator: Your next question comes from Adam Clark with BMO Capital Markets. Please go ahead.

ADAM CLARK: Hi, guys. With the Retail Precision Group that you have got, I mean where are we with in terms of margin expansion, gross margin expansion on the corporate side, are we just with the very beginning here or sort of lot more to come?

BOB SARTOR: No. There has been a lot and there is more to come. Where are we? I would say we are in the middle, may be a little – may be a little past the middle.

ADAM CLARK: Okay.

BOB SARTOR: Yeah.

ADAM CLARK: Okay. And the other thing too, can you give us some sort of outlook on by category through footwear, apparel, and hard goods, you know, if you take a look at CPI figures for athletic footwear, it seems like prices are coming down, are you experiencing that within your business?

BOB SARTOR: No. I think, we have a very – we actually have a strong athletic footwear business.

ADAM CLARK: So, in other words average prices are coming up due to mix?

BOB SARTOR: Average prices are – well, it's not that simple, for instance when you add Crocs in which people will still buy a technical running shoe that might be $130 to $170 sales, they also might buy a pair from Crocs which are $34.99. So, you've kind get a – you got a slight enticing (Ph), you've got to look at the individual category. And on the heritage (Ph) athletic category, such as running, such as cross training, such as basketball, we are not seeing any – any downward pressure on pricing at all.

ADAM CLARK: Okay. So, if anything, it's flat, in general?

BOB SARTOR: I would say it's probably up a little for us in terms of – because the greater – the greater influence that we have on technical product which is at a higher price.

ADAM CLARK: Okay. And how about apparel?

BOB SARTOR: Apparel is also similar, I would say it's going to higher average price, whether it be outerwear which has greater identical product, a lot more branded, whether it be North Face, Burton, some of the Columbia Titanium et cetera. And on the apparel side, certainly the success of technical products whether they be from Under Armour, Nike, Addidas, they are gaining popularity becoming increasingly common place. And they carry a higher price point than the old cotton or polyester market.

ADAM CLARK: Okay. And to finish for hard goods?

BOB SARTOR: Hard goods, same thing, we are experiencing an uptick in our average price points, you know, for the winter, that's ski and snowboard obviously are huge categories. Again it's continuing emergence of being of selling particular brands whether snowboard being Burton or K2 or Salomon or Ride et cetera. It's got a lot to do with the brands that we are selling. And so, yeah, we are overall is – we are seeing, I think a very healthy price scenario and a lot is coming from the fact in terms of brand and more technical product.

ADAM CLARK: Okay. And on top of that you're getting the unit growth too as well?

BOB SARTOR: Yeah.

ADAM CLARK: And, another question here. I noticed you, you said you opened up one Golf Expert, could you explain what that is?

BILL GREGSON: Sure. The Golf Expert store was store that we had opened up in Alberta. Those of you who follow our work on Nevada Bob's would have realized that when we Nevada Bob's they had licenses in place. We had licensee who had a long-term license in the marketplace. We felt there is an opportunity to expand in the marketplace, because as you know Alberta is booming and there was a need for little more store. So, we opened up additional store under the Golf Experts' name just to add store, because obviously we can't compel the license or franchise to open store necessarily. So, that was why we had opened that store.

ADAM CLARK: So, this is something new.

BILL GREGSON: It is basically a similar program and in fact since that time we have been able to acquire the Nevada Bob's locations in Southern Alberta. And obviously, now that we have Nevada Bob's as a banner available in the Southern Alberta marketplace, there is no need for a second.

ADAM CLARK: Okay. Perfect, great. Thanks guys.

Operator: your next question comes from Keith Howlett with Desjardins Securities. Please go ahead.

KEITH HOWLETT: Thanks. Congratulation on the results. Very good.

BOB SARTOR: Thank you.

KEITH HOWLETT: I just had few questions, one on the comparable store inventory. That's – is that per store or per square foot number, just..

BOB SARTOR: It is on a comp basis per store, Keith.

KEITH HOWLETT: Okay. Per store. Do you have the square footage numbers at quarter end or…

BOB SARTOR: I don't (multiple speakers).

KEITH HOWLETT: Okay.

BILL GREGSON: Not in front of us, because we have not undertaken any significant expansion of our existing comp store base and in terms of square footage expansion.

KEITH HOWLETT: So certainly in the third quarter nothing significant or year-to-date if I guess (inaudible). And then just on the Sport Mart revitalization, can you get us up-to-date on where you are on that project?

BILL GREGSON: Yes. We continue to move it along, in terms a lot this has to do with the Sarbanes and the marketing spend in that. And so, Sport Mart right now is running at very good strong comp, so very strong margin increases, doing on lower expense base, doing with less inventory. So, we like that formula. In terms of continuing to peruse value marketing of Sport Mart, we have completed a rethink of the end store presentation to convey the value message and we will, in spring of the upcoming year, we will be testing that in one store here in Alberta.

KEITH HOWLETT: Then just on the private label percentage, is it – is it just to make you mention that, you know, the strength of Columbia and North Face et cetera, is it just sort of a mix change or is your private label percentage overall sort of going down somewhat?

BILL GREGSON: Our private label percentage actually is going up by – probably negligent and not mentioning of private label, private label product continues to get better and better. In fact we looked to increase

our average price plan on our private label as our private label brands gained foothold with the consumer and as we build more enthusiasm from a technical point of view. So, our private label business is up slightly and also the margins are up there and the average price lines are going up on our – on our private label product as well.

KEITH HOWLETT: And then just on the – here in Ontario we had an unusual October with some of the ski hills opened, I guess albeit briefly, but did you get any pickup on early start to the winter business in the east or not?

BILL GREGSON: Yes, we had.

KEITH HOWLETT: In October basically I am asking.

BILL GREGSON: October is – October is one of those months where it's in between, I mean, you get into mid December, even the January and the business tends to be more consistent. In October you can have incredible spikes up or down as the weather drops 10 degree below zero or spikes to 20 degrees above their own people are adapting. So, yeah, definitely see spikes in October when you get that kind of weather pattern early and you can see either way, you can see it up or you can see it down as we saw in November and trial where people were in the ball around on the fairways in late November.

KEITH HOWLETT: And then just one last question on how you are approaching January with the – I am sure you are doing this for several

years anyway, but with the gift cards as a growing part of the business, how have you adjusted your sort of your January strategy, I guess put it that way?

BILL GREGSON: Well, I guess, it's similar to this our strategies is that, I mean you got definitely to be price competitive, but it kind of goes back to, you know, our inventory levels in prior years for a number years. In the corporate side, the inventory levels were too high. So, we were forced to take mark down beyond what the consumer requires in order to clean up your inventory by accelerated sales, this year we are going into January with very good inventory levels. So, margins will be lower in January, because the consumer definitely expects a different price in mid January and they do at the beginning of December, but with inventory levels at a very good level is we don't have to slash prices beyond where the consumer is demanding in order to move that inventory. So, we would expect to see higher margin this January than we would in the past.

KEITH HOWLETT: And maybe just running on the gift cards, do you find that sort of how – what's the redemption pattern, is it pretty much old, is sort of 80% done by the end of January or how does that play out?

BILL GREGSON: Yeah, I mean it's -- people are looking for fairly instinct gratification and during their –**31:50**___ they need to get a Christmas tree and there is something that they can obviously – it's –

frankly, I don't have a percentage in front me, basically is a very high percent, it happens very quickly.

BOB SARTOR: And Keith, this is Bob. The other point with the gift cards, one of the reasons we like, I mean, is that, typically the individual does not spend less than the gift card value or equal to the gift card value, they are always or usually spending a little more.

KEITH HOWLETT: Great. Thanks very much.

Operator: Your next questions from Philippe Habeichi with Genuity Capital Markets. Please go ahead.

PHILIPPE HABEICHI: Thanks guys, again congrats on your great results. Just two quick questions, first, could you please comment your sales in the context of, if you would have break it down between more customers coming into the store versus a higher average transaction price, have we seen more customers coming to your stores and to what extent would you say?

BOB SARTOR: I think it's both, it's higher average ticket and it's in more customers.

PHILIPPE HABEICHI: Okay, that's -- that's fine. Then my second question would be in terms of your market objective in Ontario. To what

extent have you enabled to achieve these objectives in the current quarter?

BILL GREGSON: Well, our Ontario despite significant investment, significant acquisition, is you know, are weakest market share in Canada, it's up substantially. Obviously, we will typically provide that information at year-end by market, but it is up substantially. I think we have tremendous opportunity in the Ontario marketplace than we are. On a per capita basis, I actually will be reviewing this with our board after our meeting. Our per capita basis, our square foot concentration on Ontario is materially lower than it is in both Alberta, BC and Quebec. So, Canada's most popular market is still there for us, and we will continue to invest at it.

PHILIPPE HABEICHI: Okay. That's great. Thanks.

OPERATOR: Your next question comes from Kathleen Wong with CIBC world markets. Please go ahead.

KATHLEEN WONG: Good morning. Congratulation on the great quarter. Wonder if you can comment on – you took your banner in the corporate division; the Sport Chek, Coast Mountain, Sport Mart, and National Sports the weaknesses in each of these vendors, where are the areas that you see potential more opportunities going forward to improve the business?

BILL GREGSON: Lee, I would like to comment on the strengths of each of them. The weaknesses of them, about four had positive comps in the quarter. All four did at higher margins, all four did it with the lower marketing spend, and four with a better expense. So, we think that we've got momentum build in all four. If we want to look at where the opportunities still are, I mean it's on sport commodity, it's solidifying the perception of the consumer with a value positioning of sport – actually as we talked in an earlier question which we will begin to test a fairly comprehensive in store look in the spring here in Alberta. On Coast Mountain, we continue to get to have our purchasing group focus on more and more authentic product and that's working very well. On National Sports, National Sports has been great acquisition that we are – this is going to finish our second year on the opportunities still work for National is to develop their non hard goods business. They have traditional been a -- still our view is hard goods business, we don't want that go away, we just think there's opportunity on both on the footware and the apparel. And for Sport Chek, Sport Chek is having a great year, but there's still opportunity to plenty add some brands, to add some higher price points within the brands, and to take the private label product still up in price point. Well, that's not going away from that customer who was looking for value, I think that Sport Chek can appeal to more customers who are looking for both brands and more technical or performance products.

KATHLEEN WONG: Okay, that's great. And how do you find the promotion or environment this year going into the holiday period compared to last year?

BILL GREGSON: As we are saying, we've been pleasantly – we've been pleased so far with it, it's – there hasn't – doesn't seem to be a lot of panic in the marketplace yet. Certainly, hearing from our suppliers is, I think a lot of people's inventories are in pretty good shape and therefore as we talked earlier you don't have to panic and the market well beyond with the consumer's demand is so far to-date and it's not over yet, but to-date it's been reasonable.

KATHLEEN WONG: And that applies to all retailing including Ontario and Quebec despite the warmer weather so far?

BILL GREGSON: Yes.

BOB SARTOR: Yes.

KATHLEEN WONG: Okay, that's great. Thank you very much.

Operator: Your next question comes from Jim Durran with National Bank Financial. Please go ahead.

JIM DURRAN: I just want to ask about Genex. I mean it looks like on the revenue side, you're wholesale business was up much stronger than your system sales growth on franchise. Genex seems to be doing

well, can you give us some idea, you know, what kind of percent change year-over-year and what the gross margins are like in that business?

BILL GREGSON: Jim, we don't typically provide that kind of segmented detail, obviously because we have no obligation to do so. What I can tell you is the topline increase at Genex relative to last year's numbers is material, and the bottom line increase is even more material driven by both sale and margin expansion.

JIM DURRAN: And on that business, I think, historically the indications then that the gross margin is not significantly different than what the franchise gross margins are is that still the case?

RICHARD BURNET: No, actually, the gross margins in the pure wholesale business non-franchise tend to be a little higher and the operating expenses tend to be a little higher as well. So, I would be looking at it more on a net basis than a gross basis and the reason is because in that business, throughout North America, the opportunity business is a business that is heavily commissioned and bonus incented on performance.

JIM DURRAN: Thanks. And the last question on it. Just, can you give some idea on license versus special opportunity wise, what's driving the turn around is it the license business or, you know, proportionally the buyout business?

BILL GREGSON: Actually, both businesses have performed significantly better than last year, but the license business obviously is the steadier, what I call booking business, and it has performed very well this year.

JIM DURRAN: And do you have any concerns going into next year if the industry inventories look pretty lean that does liquidation business is tough to get more?

TOM QUINN: You don't want the liquidation business where the opportunity business has been tough for several years. I mean what's happening in our sector, if you look at it vertically going right back to the manufacturing side is the supply base has gotten very intelligent and very scientific in terms of how it manages its inventory. Gone are the days where, you know, the businesses were driven by purely, purely marketing side, and it was just a question of just keeping the bank rate running and we will figure it out how to sell it later. So you really don't see that in any close up and it is not just this year, it's actually in the past, I am going to say three years or more. Also in the – in many of vendors, as you know, have global strategies to add, mark key stores, and those kind of things and that will also mask (Ph) off some of their own inventory over the past to the wholesale. So, I think we did – we have done very good job of sourcing opportunity by around the world this year, and we will continue to do the same thing and obviously I will continue to push to drive the license

business because that acts as a natural hedge to the inherit risk of the opportunity business.

JIM DURRAN: Okay. Last question just on debt reduction, you paid off fair amount, reduced a significant amount of draw revolver this quarter. Can we view that as a sustainable fact on the revolving draw, I guess (technical difficulty) next year?

BOB SARTOR: That's an interesting point, Jim, our CFOs are going to have, we were just making that comments in you regarding, you know, what are revolver balances or likely that you like based on our budgets for each month of next year. And that really goes back to my closing comments in what I call the formal portion of this conference call and that was regarding cash deployment strategies and cash generation. Obviously, if we continue to perform less (Ph), where performing is more than stable.

JIM DURRAN: Thanks, I appreciate that.

OPERATOR: Your next question comes from Ryan Balgopal with Scotia Capital. Please go ahead.

RYAN BALGOPAL: Well, thanks. Just want to ask about inventory. I guess, for the last several quarters we've seen inventory levels, it would be flat-to-down slightly. This for the first quarter, I guess, who have seen

them up somewhat even though it's much less than sales growth. I am wondering if you still have an opportunity to reduce to your inventory investment?

BOB SARTOR: Yeah. Actually I mentioned Ryan that my expectation is that they will be down at the end of December, the October increase is more timing than anything. We've – we internally try to get – make sure that all the – all our receipts were into the stores about two weeks earlier, this year than a year ago as we're going to the Christmas season and that mean probably November which is Q4 but also it affects October. So, however our projections are that by the end of December, they will be down the comp basis and then in January we begin the new receiving cycle and again get into, you know, it may be up or down depending if the inventory is available. We like bringing new goods in January and if we can accelerate that process, we will – we thought necessarily work to ending January inventory number. We worked out fresh product in January to bring up the margins, making the consumer something fresh to see. But December we looked to have our inventories down because that's the end of the current fall season.

RYAN BALGOPAL: Okay. So overall it sounds like the trend is still down if (technical difficulty) over several months?

BOB SARTOR: Yeah, on the time basis, when you backup timing, should still be down, yes.

RYAN BALGOPAL: Okay. I just want to ask in terms of purchasing and that – are you - do you intend to take more advantage of the high Canadian dollar or is there an opportunity to do more?

BOB SARTOR: The – yeah, it's an interesting question. It's not a simple question actually, when over 85% of our business is branded, you are – you are not dealing directly in foreign currencies, we are buying and land it in dollars and there has not been to-date a huge amount of downward pressure on pricing from our vendors and part of that – if you ask them that they will say is that for years they were solidizing (Ph) the Canadian market and the Canadian subs were making a lot less than standards. So, they took the opportunity of a Canadian dollar to get themselves back up to return as they were looking for in Canada. On the private label side, yeah, we have had – we are having our – major business having a great year from a perspective of in our own internal bottom line. So in spite of that private label, yes, you got to pick up the brand, it hasn't been significant.

RYAN BALGOPAL: Okay. I just want to ask, you know, as you guys added more sort of higher price points to the mix, you feel you need that stamp up with your marketing spend again?

BOB SARTOR: No. I think that the marketing isn't just the advertising spend, it's also with the product that is in the stores and what the stores looks like, it's with the staff and services like in the start, there

was a whole pile of different things, everything that the consumer sees and we believe it and we think the numbers prove it that we are building some very strong just day-to-day business that isn't necessarily on the market. What we have done is we have shifted some of our mark rather increase our marketing spend this year, we've shifted our marketing spend and we shifted it from less to price item and more to brand image or in this case telling a better product story, some of that also comes from our vendors. So, for instance right now in certain parts of the country you'll see North Face billboards throughout the city that talk to North Face and Sport Chek. So, what are the changes? We need to – we do need to shift it and we need to do more with our vendors.

RICHARD BERNET: Just an add-on to that one Bob. I think it's an important point to underscore for the folks on the conference call, we have a well-delivered strategy when we -- where we vitalize for (indiscernible) last year and that was to not only redo the stores, we think the assortment and to a certain degree pricing strategy, but that was also to wean ourselves off of what was essentially a highly promotional environment at Sport Chek and to do best tactical and more strategic and there is a risk in that. And the risk is that you have comp sales declines obviously and we have been able to set successfully this year, I think because of the work we did last year, successfully reduce the tactical spending and redirect that

spending towards what we call (technical difficulty) spending and still on the other costs. So we're particularly pleased about that.

RYAN BALGOPAL: Okay. Good. Thank you.

OPERATOR: Your next question comes from Keith Howlett with Desjardins Securities. Please go ahead.

KEITH HOWLETT: Yeah, sure, a question related to that. A part of the strategy I think was to, as I understood, to reduce the opportunity by proportion or close our proportion within the corporate stores. I am wondering what the – how big the change that was in terms of the mix?

BOB SARTOR: Yes, we did do that Keith and it was significant. And it's a - you know, and vary by category to category, but the -- in order to get where they wanted to, what you saw in presentation to the consumer, is we did need to make a change and we did it and it has been well received. And we will continue on with that strategy.

KEITH HOWLETT. And then can you just may be lastly on the marketing spend, can you give – do you sort of target that percentage to sales or is it more an absolute dollar budget or?

BOB SARTOR: Can't make sure of those Keith, but I think we are going through our budget process. We do look – it will be absolute dollar

one just probably where we start, but we also look closely at what the percentage is to.

KEITH HOWLETT: And do you (technical difficulty) is that sort of where you see will be or you think you might reduce it slightly further or is just where you want to be?

BOB SARTOR: We are close to where we want to be. From this point of view, if it does slow down it's – it will be fairly slight percent increase, I think to kind of say today is it's close to the mark, it's safe statement.

KEITH HOWLETT: Thanks very much.

OPERATOR: Mr. Sartor, there are no further questions at this time. Please continue.

BOB SARTOR, (CHIEF EXECUTIVE OFFICER): Great. Well, thank you very much everyone for listening in and as I said in my closing comment, Q3 was great, but that's old news as far as management is concerned we are looking for Q4. We are going to be entering into our Board meetings for the balance of the day after the conference call. So, if you are going on I see CFO and myself for additional discussion, we are it will be behind closed doors but we will get back to you as soon as we can. As it relates to the Christmas period and Christmas sales, as you know

typically do report our Christmas sales after the Christmas season and we tend to do so in January as well. Again, thank you very much for listening and we look forward to our Q4 conference call with you.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. You may now disconnect your lines.

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