

EVENT: THE FORZANI GROUP LIMITED ACQUISITION
OF ATHLETES WORLD CONFERENCE CALL

TIME: 8:00 ET

REFERENCE: 21255828

LENGTH: APPROXIMATELY 71 MINUTES

DATE: DECEMBER 4, 2007

OPERATOR: Good morning ladies and gentlemen, welcome to the Athletes World 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 question. If anyone has any difficulties hearing the conference, please press star followed by zero for operator assistance at anytime. I would like to remind everyone that this conference call is being recorded on Tuesday, December 4, 2007 at 8:00 a.m. Mountain Time. I will now turn the conference over to Bob Sartor, Chief Executive Officer. Please go ahead, sir.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thank you very much. Good morning ladies and gentlemen and welcome to this – our conference call to discuss what we can in any event at this stage with respect to Athletes World and our acquisition of Athletes World. As you would have seen in a press release that was released late last week, we did get court approval and we are able to successfully close the transaction and I will describe the transaction, describe why we executed this transaction, talk about its impact on our numbers, talk about our expected exit from CCAA and deal with the issue of potential store closures obviously. And Bill Gregson who is in Calgary, I am in Toronto at

the Athletes World offices along with Richard Burnet, our CFO, by the way this morning if you have questions for Richard.

And I will turn over to Bill, and Bill will talk about some of the operational and (indiscernible) issues particularly as it relates to getting inventory into the stores, as they have been able to – a little thin in inventory and getting agreement with the landlords as to go-forward plan. So, why Athletes World, it's not an unreasonably side player in our sector. Roughly half of what they do is in athletic, the other half we don't really do.

There is definitely strategic merit to the acquisition, was it something we were actively looking for, no. When it came up our view was – if somebody else is going to come in who has the pockets and is prepared to focus on Athletic holding a store in the malls and get aggressive, we are better off having that under our belt. So, I would classify it more as a defensive acquisition than an offensive acquisition. What's really interesting about this business is as we see it right now on first, well, they really are two different businesses, there is an urban business and there is a rural base of stores and those rural base of stores are quite interesting, Bill will talk to that later. And the other reason we chose to do is when we looked at it we realize that with our leverage we can transform this business to immediate profitability and quite decent profitability asset.

In terms of the price; just for that it's clear for everyone, we paid \$1.5 million for the shares of Athletes World and the inter company debt. We

also assumed the secure debt which was approximately \$20 million. There is potential contingent consideration on the purchase of the shares and the inter company debt depending upon our successful usage of some tax losses. So that is – would be a down the road potential contingent consideration. The amount of that is dependent upon what we utilize for tax losses.

We think this transaction will be immediately accretive and Bill will talk to exiting from CCAA, but obviously we have to exit CCAA first. We don't expect any significant difficulty in doing so. We have very strong relations with the vendors and the landlords who would be the two largest on secured creditor classes after Forzani's because we do have that large inter company debt that we have as an unsecured claim.

We would expect to exit from CCAA sometime in the April timeframe give or take a few weeks. There definitely will be closures and I will let Bill talk about that, want to see what his point (Ph) but we really haven't finalized what those closures are yet, because we are talking to the landlords. I am going to turn it over to Bill now to provide some colors on operation side and then we will open it up to Q&A to the extent we can answer some of your questions. Bill.

BILL GREGSON (PRESIDENT AND CHIEF OPERATING OFFICER): Thanks Bob. The process Italia (Ph), as Bob mentioned we

closed last week. The – we immediately went in there met with Michael Waitzer, the President of Athletes World chain, very impressed by the dedication the team has during – which has been a very tiring six months for sure in the last couple of months especially the immediate things to do on the do-list are to get some inventory in the stores are greatly under inventory, Michael and his team and myself worked together collecting (Ph) some help from some of the Forzani team and beyond compiling a list of products that is available for immediate delivery. We will get that into the stores and deal the – beef up the Christmas sales. We also took a look at the list of stores and there is 37 stores that we know just won't be there long term. We will begin liquidation sales shortly on those 37 which takes it down to a 100-store chain.

The Athletes World Real Estates – VP of Real Estate and the FGL VP Real Estate, myself, met all (Ph) six of the big landlords last Wednesday to begin preliminary discussions and all those 100 stores that are remaining some are fine as they are, some we would be happy to continue on with a bit of a different ramp deal. Our criteria that the – when we come out of the CCAA is the day one all stores that are remaining will be profitable and we think that puts us in a obviously a very good go-forward position.

In terms of the product side the – as Bob mentioned, the stores are both rural and in urban centers. The mix is also kind of a 50-50, about

50% is athletic and about 50% is in what we would call trend or trend casual that trend casual business doesn't conflict at all with what Sport Chek does or any of the other FGL banners and in fact it attracts a customers that may not be in Sport Chek that often if at all. So we are very comfortable with the fact that the customer base and the product mix can be complementary to FGL as opposed to go on head-to-head with FGL.

So as I said about 50% athletic, 50% trend, we think both businesses can be improved and grown and we think we can move both the sales and the margin and obviously with our buying power that will help. So ultimately then what we see is we come out of CCAA we will have a smaller store base than we do today, that store base will have a greater blend of World stores than it does today because the stores were most likely loose, some of them will be in urban areas, that – those stores that are in the rural areas quite often there is a FGL store anywhere in the vicinity.

The mix of product will be – we would like the mix that is there right now, you know, there's some twists that have to happen, but it will be both at athletic and the trend mix. We will look be it both the footwear and apparel, we will look to grow all the aspects of the business and improve the margin, and we will utilize the existing Athletes World merchandize purchasing operations and marketing team to accomplish that out of

Toronto. So, I think that is – Bob, any other comments or are we going to up for questions?

BOB SARTOR (CHIEF EXECUTIVE OFFICER): No, I think we should open up for questions at this stage, Bill.

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 request. 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 any key. One moment please, for your first question, and your first question comes from Jim Durran, National Bank Financial. Please go ahead.

JIM DURRAN: I just wondering if you could give us any insight on the tax loss carry forwards, I know that as of yearend last year there was a \$147 million that was both operating and capital losses. Can you give us some ideas as to what you think that number will be that's applicable to Forzani and what the split would be and how that works as we go through the next year or two?

BOB SARTOR: Sure. The – it's Bob, Jim. The – those losses just everyone (Ph) understands, some of them were created for manufacturing operations, some of them were created from the actual Bata (Ph) stores as you move to the Athletes World stores such (Ph) as the business we are in. So some of those losses are ineligible (Ph), some other losses as you said our capital won't have the same impact. But all in our expectations is that we will be looking to see if we can utilize somewhere between \$50 and \$100 million of those losses over the next several years.

JIM DURRAN: And third one, it's on tax, but the operating losses, the application of those...

BOB SARTOR: Yeah.

JIM DURRAN: Is it depended on the Athletes World business unit staying open, as apposed to closing that entity down or is it depended – is it applicable – those losses are applicable to Forzani earnings or just Athletes World earnings?

BOB SARTOR: No, they would pose CCAA would likely be applicable to all – it would, as we've done with every other business that we have purchased. We are now getting (Ph) at all of their operating banners into two businesses; one of them is Sport Experts 2000 and Sport Chek International 2000 and AW would be rolled in this Sport Chek 2000 International and obviously the entire Sport Chek 2000 International which

has Sport Chek's business, National and Sport Mart's business, Coast business would be there to utilize those losses.

JIM DURRAN: Okay. And within this \$50 to a \$100 million range, how much of it is operating losses versus capital losses on your best guess basis?

BOB SARTOR: Our – that number would be all operating losses that I talked to.

JIM DURRAN: Okay. And so those are applicable – do they have to be applied in full to whatever earnings you have or can you time them?

BOB SARTOR: No, we can choose and apply as we see (Ph) there.

JIM DURRAN: And is there any sort of near term expiry dates on any of those losses?

BOB SARTOR: There are but we would have excluded that from our estimate.

JIM DURRAN: Okay.

BOB SARTOR: On the assumption that with the change of control that we had at the yearend and upon amalgamation we will have another yearend.

JIM DURRAN: And from a reported earnings standpoint, again sort of an accounting question, now that you have closed the deal. Do you start incorporating the Athletes World results in your reported results or does that not happen until you come out of CCAA, or how does that work?

RICHARD BURNET: No, Jim. It's Richard. The results are reported from the date of the close. So from and the effective date of the close was November 26, Athletes World results will be incorporated into FGL.

JIM DURRAN: And so should we be expecting some restructuring charges of some form or given that CCAA that doesn't happen?

RICHARD BURNET: Well, within CCAA you do have charges for monitor for restructuring office there and so on. Those will be in Athletes World then, by the way they will be segregated in our reporting so that is very clear to everyone what the ongoing business is versus the recently acquired CCAA business. You will note I did make a comment that we expect to be accretive, but we just got to a – we got CCAA out of the way as expeditiously as possible.

JIM DURRAN: Okay. And last question just on the profitability outlook. How long do you expect it will take to impact the margin based on your buying power?

BOB SARTOR: Bill you want to take that?

BILL GREGSON: Yes, I would. We will – we are buying, you know, today, day one we are buying under the FGL policy agreements. So it will be vendors that are common between FGL and AW prior to them becoming part of FGL, on those vendors the effect will be immediate.

JIM DURRAN: Okay. And I don't know if you can give us this or not, but how many basis points the margin left do you think you can get out of this asset through the procurement side of defense?

BILL GREGSON: I think your first comment – part of the sentence was pretty appropriate, Jim, we cannot give that one to you.

RICHARD BURNET: And by the way Jim, that was a lot of questions.

JIM DURRAN: I'll take over.

OPERATOR: And your next question comes from Ryan Balgopal, Scotia Capital. Please go ahead.

RYAN BALGOPAL: Thanks. Just wondering, you know, you said the immediately accretive, but you also said that you really need to get out of CCAA as quickly as possible. Can you just comment as to what getting out of CCAA quickly allows you to do?

BOB SARTOR: Well, first and foremost it allows us to reduce some of the costs that are unnecessary costs. You know, CCAA is an expensive process, right, there are a lot of blowers (Ph) and a lot of that accountings do quite well in the process, and our view is we have a vision where we want to grow this business and we would like to get that vision approved by the various creditor classes in the court as quickly as possible,

practically speaking it really can't be until next spring. We set an outside date at April; if we can do it sooner we will.

And in terms of the accretion, I mean Bill talked about the fact that we need to get inventory into those stores, and I think you're going to see some significant volume increases in those stores in the coming couple of weeks, and that will facilitate the profitability of those stores tremendously and some of the stores would literally stock (Ph) inventory. So that's what I meant by getting out of CCAA, just getting some costs that, you know, on a go-forward basis have no business and to be in the business.

RYAN BALGOPAL: So I guess we should look for accretion sort of in the near term but then it's really later in the next year?

BOB SARTOR: I would say that you are going to see, you know, if we are out in April, it's immediately accretive enabled, through out March, it will be nearly accretive in March because the plan is to exit with a change makes a decent contribution to present the overall results. So that's really the approach we are taking and certainly from what we have seen we have no doubt that we will be able get there.

RYAN BALGOPAL: Well, I am sorry, I guess, I misunderstood. So it's not accretive starting today...

BOB SARTOR: No.

RYAN BALGOPAL: It will be accretive – immediately when you emerge.

BOB SARTOR: Right and that's why we will make sure that the results are clearly segregated, so you can get to read on what's going and obviously in our next conference call when we talk about – not next week (Ph) from the results, with effect (Ph) when we talk about our Christmas results we will also give another AW update at that time and we will make sure on our Christmas results that it is clear as what the core business is doing from sales and margin perspective and how the AW business is progressing.

RYAN BALGOPAL: So, I guess it is safe to assume it will be somewhat dilutive sort of Q4 and Q1 until you emerge?

BOB SARTOR: Yeah, I think that would be – that would be safe guide (Ph), yeah.

RYAN BALGOPAL: Do you give any kind of rough frame there or how dilutive?

BOB SARTOR: No, I don't think it's going to be hugely material, but no.

RYAN BALGOPAL: Okay. What about the cash flow impact as we kind of go through the next six months, how should we think about that in terms of costs or you know, inventory, etc. etc.

BOB SARTOR: Well, I mean from an inventory perspective you are going to be adding inventory, but usually with our vendor agreements, there is – it's a neutral cash flow impact given our vendor trade terms

which a lot of them are FFM 90 days; from first month 90 days that should give us plenty of time to get product into the stores and generate the cash flow we need. I – we don't see this business bringing us significant cash flow (Ph) I mean, these are small stores, they will have that on absolute basis of smaller footprint at the end of the day, but importantly they will be a business that from an inventory perspective should perform better, frankly, than Forzani's because, they don't have hard goods in their mix and hard goods are the slowest turning products in our inventory.

BILL GREGSON: Ryan, one way to look at the cash flow too is to recognize, you know, quite simplistically is that when we purchased the shares along with the inventories since it is in CCAA and inventory is about \$32 million of cost and we don't pay for that inventory. We ultimately do pay for but it is paid in the form and offered to the creditors which we planned that we file the route to come out of the CCAA and that will happen in the spring. So in fact the beginning inventory isn't paid for until quite some time and then it's obviously not paid on the cent on the dollar. The biggest cash flow item immediately would be obviously is – it is just our continuation of the Bank of America secured position and so assuming that secured bank debt.

RYAN BALGOPAL: Okay. And that gets paid – repaid I guess at the end of...?

BOB SARTOR: At some point it will get repaid, yes.

RYAN BALGOPAL: Okay. How did you approach valuation (Ph), when you at this, you know, how did you kind of frame your valuation beyond what you pay and what you get in return?

BOB SARTOR: Well, pretty straight forward, Ryan, I mean we realize what we had here (Ph) to the business in financial difficulty like Coast like National and our view was all along that we thought we could add an interesting business as Bill said with a very interesting rural base where our store concepts don't work in some of those market, they're just too big. And we said you wouldn't be great if you could get this thing and on a net basis end up cash flow positive and the way you do that is by buying shares and have any access to those tax losses. So our view is that – this is a really good deal, but it's also the right thing for we think for the trade, for the landlords, from the use of business and from the trade, from maintaining and other chain albeit and I must stress that it's with a smaller footprint.

RYAN BALGOPAL: And I guess, how do you reconcile being in sort of trend fashion business, something, you know, you haven't really done before, done a lot; you know, how do you think about that and how do you mitigate the risk of it?

BOB SARTOR: Well, I think Athletes World has a long history in that business, I think the team that's there now has a long history in that business, I think they did a good job, I mean, the single big issue is

Athletes World was a necessary to sales or the margin was just that they had some leases that were prohibitive from a cost perspective and didn't allow them to make money and the CCAA process allows you to correct that. So as I said, we – our plan is to exit CCAA with a group of stores that all make money day one and with a product mix that half athletic and half trend. So, I think they have an experienced team on the trend side and we will match the stores and the leases to the sales volumes for those stores and those leases to make sure that we are profitable. And now was probably the single biggest issue that – as I said Athletes World face is they had some sources that were unprofitable from a rent perspective.

RYAN BALGOPAL: Okay. Last question, just what role did Hilco play in this, they are more of a private equity shop.

UNIDENTIFIED COMPANY SPEAKER: Well, they played a dual role, the Hilco Consumer Capital folks had some great ideas on, you know, transaction structure, they had some great connections with – we had players on the other side, the AW side, and really the main role is going to be played by Hilco trading which will work with us to the liquidation of the stores that we do close. That's the main sort of ongoing relationship there because as you can imagine at this time of year everybody at Forzani have a full time job, managing the existing store base and we really didn't have the resources to deal with the liquidation or is that specialty. So it's really more Hilco trading that's going to have the ongoing relationship and in

effect work directly with Bill in making sure that we have an orderly liquidation of the stores that we do close.

UNIDENTIFIED COMPANY SPEAKER: We worked with Hilco before as well and the Joggers, on the Joggers liquidation, a couple – I think was two years ago, I think three years ago now.

UNIDENTIFIED COMPANY SPEAKER: I think three.

UNIDENTIFIED COMPANY SPEAKER: Three, the Hilco had been successful in the negotiation to liquidate the Joggers stores and we teamed up real at that time and so when this came about it was – this was not a liquidation scenario but there was a liquidation element to it, so we had successful workings in the past and solved each other out, I guess, and did this deal together.

RYAN BALGOPAL: Okay, great. Thanks a lot guys. I will get back in the queue.

OPERATOR: And your next question comes from Adam Clark, BMO Capital markets. Please go ahead.

ADAM CLARK: Yeah. I was just wondering if you could give us an overview of what it is exactly you have to go through in the CCAA process, what are the sort of steps before you connect (Ph) to it?

BOB SARTOR: Sure. You know, I will give it you from my perspective, and I must preface that with saying that it was – the last time I actually practiced insolvency from an – of VA (Ph) perspective was in 1983 so that was a long time ago. But the long and short of it is you really have to deal with the outstanding claims of the various creditor classes and those creditor classes in broad terms are the secured creditor which we dealt with in assuming that debt.

The unsecured creditors are which there are, I am going to say, broadly speaking three groups and probably four. The first group would be the employee claims any employee claims that arise from employee claims force that runs or close stores etc. We are not too worried about the store closures because as you can imagine we have needs in all of our various banners, and we would be more than happy to offer jobs to the employees that are displaced in those closed stores where we have a Sport Chek International, Sport Mart or Coast store kind of thing. The next piece would be the vendor community, our vendor partners. They – the amount of those claims right now, Richard, is \$17 million?

RICHARD BURNET: 17, Yeah.

BOB SARTOR: \$17 million and it's a question determining what cents (Ph) on the dollar there which obviously the inventory that we got with the asset purchase will enable us to pay for that. Then you have landlord claims to the degree they are, with the landlords it will be a bit of a

different thing, some landlords may be interested in some locations and hence we obviate the need for claim and that kind of thing.

So that's where the more a bit rising (Ph) where we have a fair degree of comfort in understanding on the employee side of things and the vendor side of things, on landlord side of things, I am actually going to have Bill just throw some color on that because as he said earlier we did meet with the landlords last week and I think there is a real desire here to get something done and something done quickly that's positive for landlord and positive for FGL and the AW employees.

And then once that process is done where we have an understanding with these creditor groups, we file a plan of arrangement with the courts and on the assumption that it's approved by the various creditor classes which you have discussions prior to that and once the court accepts it and you are free to exit from CCAA after a couple of statutory filings.

ADAM CLARK: Okay.

OPERATOR: And your next question comes from Bob Gibson, Octagon Capital. Go ahead.

BOB GIBSON: Good morning.

BOB SARTOR: Good morning, Bob.

BOB GIBSON: Are there any Competition Bureau issues?

BOB SARTOR: No, we have already had those discussions with the Competition Bureau and are comfortable that we are fine on that front.

BOB GIBSON: Okay, cool. What's going to happen with Pegasus?

BOB SARTOR: Well, Pegasus is a completely different animal in the sense that it is hardcore running training kind of banner. Pegasus is more like running around (Ph) than it is like Athletes World. There is absolutely no trend in Pegasus; it is all high-end running.

BOB GIBSON: Okay, so you could see those running within close proximity to each other then?

BOB SARTOR: Well, very different kind of business, I mean, AW has made its stock in trade in the malls and as Bill said earlier the issue is not that their malls issue is that some of the ramps just don't make sense economically whereas Pegasus like running around really doesn't belong in the mall as they belong on street (Ph) fronts, they belong where running clubs can go and congregate and do their things, so they're very different business models.

BOB GIBSON: Okay, cool. Can you give us an idea of soft goods versus footwear breakdown, like percentage?

BILL GREGSON: Yes, I'm thinking a lot, in the last week, so I think it might be close but I think the number is 55% footwear, 45% apparel in that – around that.

BOB GIBSON: Great. And what about a geographic breakdown?

BILL GREGSON: They are – Athletes World has stores covering the entire country in every single province and in Yellowknife.

BOB GIBSON: So there would be no heavy concentration in Ontario or anything like that?

BILL GREGSON: There is a big concentration in Ontario, I mean, if you look at primarily – the biggest concentrations for Athletes World would be Ontario and then it would be in rural areas outside of Ontario. So for instance Peace River, The Hettons (Ph), Cool Lakes (Ph), the forbid (Ph) commodities, how rivers of the world in Western Canada, it appears that people in Toronto (Ph) have never heard of those places, but those kind of places. And in the east, you know, Gander, Corner Brook, (indiscernible) etc.

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

OPERATOR: And your next question comes from Tal Woolley, RBC Capital Markets. Please go ahead.

TAL WOOLLEY: Hi, good morning.

BOB SARTOR: Good morning.

TAL WOOLLEY: I was wondering, I am assuming, you feel that stores under inventory right now that there is sort of not many goods on order right now at the chain?

BILL GREGSON: Well, the reason they are under inventory, there is a couple of inventories, one is suppliers had -- in the past couple of years some suppliers had concerns over the ability to get paid and reduce the amount that they would shell or cut (Ph) out of Athletes World all together and they were also being going through a management change in the last six months they had been conditionally sold to another party, part of that didn't go through but that party added some control that very operations of the Company, Morris Dollis (Ph) was changing what was going on, but they were in a bit of a turmoil there from a purchasing point of view.

So -- so, yeah the shipments -- the inventory levels are way down and not necessarily by design, so we are in the process of dealing and we have had some success already is adding significant amount of inventory to the stores right now and then beginning the process of beefing out of inventory and determining what is the inventory we want for spring and we are not that far away from placing next fall as well. So there is a lot going on from a merchandize point of view right now.

TAL WOOLLEY: Okay, say it sounds like you still got some ordering left to do for spring?

BILL GREGSON: Absolutely.

TAL WOOLLEY: Okay. And I don't know, you might not have gotten this far into it, but you sort of like, you know, you are happy with sort of what's been selected thus far like, sorry (Ph) I'm just trying to get a sense of, you know, you're pleased with the inventory you've got that, you know, that you got having chosen yourself?

BILL GREGSON: I think that they have a talented purchasing team, we are not going to sit and review style by style, what style. We have faith in the team; however we will agree on what the direction is, we will do -- we will agree on what the vendor base is. But I think as they, the Athletes World team, is much more capable of kicking the sales than myself or Bob and especially Richard too -- so we will agree on the direction, how much trends, how much athletic, how much ladies, how much men, how much footwear, how much apparel, we will agree on what the dollars are, their kind of go into it, we will agree what the store base is, we will agree on what the vendors are but the team is more than capable of picking the styles.

TAL WOOLLEY: Okay. And will you exit CCAA with the exact store base you want, like -- so I would assume from what that sounds like you would be talking to your landlords and potentially maybe other retailers who are interested in this slots, like you be taking care about why you are under CCAA not afterwards?

BILL GREGSON: Exactly. I think that this though in time you can do it, it's under CCAA and this Company is in CCAA for a reason and as I said the single biggest reason is the size of the rent line compared to the sales line and so for us to continue which is a desire of industry (Ph) locations or the landlords and is a desire of the vendor – of the vendors, there needs to be an adjustment in one; a number of stores and in some stores the amount of renting paid. And we will come to an agreement on that and where we can agree with the landlords we will agree on, under CCAA, on the exit strategy from that store.

TAL WOOLLEY: Okay. And it sounds like you are going to come out with a more real focus for the chain after you exit CCAA and I am just trying to get a sense right now, you know, you've mentioned the stores would be under inventory, I have only really seen urban stores and they – you know, the story – the sales of our good (Ph) folks, I am trying to get a sense of, you know, the rural stores, the ones that really need the inventory the most and you think you get the most performance torque there?

BILL GREGSON: You know, all stores need inventory, if you look at the – if you look at the urban stores they have the fixed (Ph) stores today and you walk through there, you – you know, certainly I've noticed a – because I've been in them – you know, been in them on a regular basis over the last, you know, 15, 20 years, you can see that they are light, and

then gone in the bathroom of a couple of since then and that they are very light and they are about 40% of less inventory, comp inventory than a year ago right now. And that is – it's not just in the rural areas; it's across every single store.

TAL WOOLLEY: Okay, that's great. Thanks a lot.

OPERATOR: And your next question comes from Kathleen Wong, CIBC World Markets. Please go ahead.

KATHLEEN WONG: Good morning gentlemen. So when is the liquidation of these 37 Athletes World stores going to take place then?

BILL GREGSON: That will take place when we have landlord approval and when we have finished notifying the employees and these (Ph) are offering them a job in another Athletes World store and FGL store, so – but that will be very quickly, I can't give you the exact date because it's predicted on the landlord approval but it will be very quickly.

KATHLEEN WONG: So in other words it might happen this holiday season, I am just...

BILL GREGSON: Well, it will happen definitely in time to take advantage of the holiday season sales.

KATHLEEN WONG: Are you concerned that all that is going to impact the performance of your other stores then?

BILL GREGSON: Not necessarily. Like we said, they – if you look at those stores right now, the apparel crossover is almost zero. There is a footwear crossover, but it's about 50% but the Sport Chek stores do a lot more footwear business than the Athletes World stores, so any cannibalization will be very very minor.

BOB SARTOR: I think another point, Kathleen, it's Bob, is that when you talk about a defensive acquisition our prospect was to have a liquidation done in Christmas that we didn't control, if someone else have taken it, and our view is that we would do that. We happen to be very fortunate that we have a confluence of events that I was talking to Bill yesterday and this is the first time I can recall and the better part of ten years where it has been cold and snowy across the country and that's good for business. So, yes, some of the shine will be taken off on a part of the footwear business but I assure that would rather control that and have somebody else doing it for me.

KATHLEEN WONG: Okay, good point. For the 100 stores that you eventually going to half from the Athletes World, are there still going to be a number of stores where you will have both this Sport Chek and Athletes World stores in distinct location?

BILL GREGSON: Again 100 stores is dependant upon the negotiations with the landlords and our number one criteria is to come out with every single store profitable, so 100 stores will be the maximum

amount of stores but whatever they end up, where the range the number that we come out with, yes, so the instance is where we have Athletes World stores and Sport Chek stores in the same mall, and again we think that the consumer base of Athletes World is quite different than the consumer basis Sport Chek and they may go to both stores, again there's a number that don't or don't go very often and the mix of product is at least 50% different, and again to Bob's comment we would much rather control that business and have someone else control the business. So we think it's a – we think it's a win-win situation for FGL.

KATHLEEN WONG: Okay. What are the – in terms of like pricing policy going forward on merchandising team, so would your merchandising can be buy in both for the Sport Chek and the Athletes World store?

BILL GREGSON: No. We run our corporate stores, this will be part of our corporate stores or franchise stores around as well now, but the – on our corporate stores whether it be Sport Mart, whether it be National, whether it be Sport Chek -- and we know Sport Chek goes together or whether it be Athletes World, now each of those teams -- we have separate teams for each and we have separate purchasing teams, marketing teams, and operations teams it would give the flavor of the brand to the consumer and it is our belief and it's been our history here that when one team buys many different banners it tend to focus on a single biggest banner and the smaller banners tend to begin and go by the

wayside. So we very strongly believe in separate teams. We believe in one policy agreement, so we have one vendor agreement that will cover all our banners including franchise by separate buying teams.

KATHLEEN WONG: Okay. So in other words for instance like, let's say a pair of Athletic shoes in your store, to see a Nike at the Sport Chek versus Athletes World, is it going to be the same price for sure then I guess especially for those location that you have the two stores in then?

BILL GREGSON: It will be the same as it is today and that is price there typically come in at the same price, there is typically a suggested retail that is followed in the industry and followed by the industry whether it be us or competitor. But then each division decides the price based on the sell through of that product, based on marketing plans that they have, based on sales events, so they come in the same at any single day they could be different based on a whole pile of different factors.

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

OPERATOR: And your next question comes from Keith Howlett, Desjardins Securities. Please go ahead.

KEITH HOWLETT: On the store profitability, when you see all the stores to be profitable, do you do that on a fully sort of loaded with the

Athletes World corporate overhead or is that on a sort of store contribution level, or how do you look at that?

BILL GREGSON: We look at stores on a contribution level, we don't allocate down to store level center cost, but on the contribution percent we know what percent we need to be profitable, so store contribution level.

BOB SARTOR: Just for bearing (Ph) clarity, there is no point in advancing adjacent (Ph) A, we would like to have (indiscernible) stores are profitable and are generating, you know, order of magnitude 12% of Return on Sales but my G&A is 16%, well no, obviously we look at the entire package. As Bill said, we have a store contribution target, we also have a G&A target which we are not really in a position to finalize with you now because we are working through that. But there are some obvious opportunities in G&A.

KEITH HOWLETT: And what would be a typical head office size for a chain of 100 stores, in terms of number of buyers in operating and other people you need to run the chain?

BILL GREGSON: I mean it's going to vary, but probably a number I don't have -- probably a number I wouldn't get to you anyway, Keith, but -- and I don't have the finite number in my head right now, but where it's, I mean, you need X number of buy, we need a purchasing need of the proper purchasing team, proper marketing team, and proper operations team to run a retail division and obviously we've thought of the loss we've

experience doing that. So we will – and I would say that with the Athletes World group is today is pretty much around – we would like what we see the Athletes World team today, so...

BOB SARTOR: I think another way to put it, Keith, is we are purposefully awaiting that question. The reason why we are is because we do need to talk to people and people shouldn't be reading about it in an Annuals Report or that kind of thing, so we are very sensitive to the HR issue surrounding this kind of thing, God knows we have gone through it a few times already. And as I said, the moment we can provide additional color, we will but for the time being realizing the transaction early on calls late last week and that I am only in here for the first time and Bill was only in there for the first time late last week. We need to sit down with the people and understand what we need. Our history -- as I spoke to the team this morning in a town hall here, our history is to consolidate the back offices and I indicated that we would not depart from that history. So there will be changes.

KEITH HOWLETT: And then in terms of the vendor you mentioned that about 25% of – sorry, half of the footwear is similar to what you sell, I know a lot of your vendors do go into trend and so if you looked at the vendor pool and the merchandize mix at Athletes World what -- can you broadly say what percentage of what they buy from the same vendors that you already buying from although the mix of what they saw?

BILL GREGSON: Roughly – probably half of the business is from – around half, I mean, numbers would be from the existing vendors but a lot of that product will be different product to than what you will see in the normal Sport Chek store. So in terms of the crossover there is not a -- there is a crossover but it is well less than 50% in terms of the product.

BOB SARTOR: And I think Keith to your point that even though it might be a different style of, for example Nike shoe it will still be the same back page.

KEITH HOWLETT: And then just on the landlords, I don't know whether this is, I am just trying to get a sense, how may -- I guess when are in a lot of rural markets perhaps you got a lot of different landlords, but are there -- you mentioned you met with six of them, if you look at the 100 stores broadly maximum you want to keep with, would that be in sort of 40 landlords or 60 landlords or 12 landlords or how does that sort of look?

BILL GREGSON: Well the top six have about 50% of today's store base that is just over 70 stores to give you, but then there are a lot of -- because of the rural nature of – I mean because of the mix of both urban stores and rural stores, in the rurals you tend to get a lot of one-half landlords, you would only have the one mall or the one mall that Athletes World would be in, so I have seen the landlord list, if I have to say how many landlords are I will be guessing but I guess 40 to 50.

KEITH HOWLETT: Then just in terms of the seasonality of Athletes World, does it sort of look similar to your own sort of corporate store results in terms of earnings (multiple speakers)?

BILL GREGSON: It's a little different, it's – I mean because Sport Chek is a hard goods mix and with the big outerwear components and with a much more base athletic looks, you know, Athletes World is a big back-to-school and has a big Christmas, you know, January in the Sport Chek will be a much bigger month than it would be in an Athletes World because of the outerwear ski snowboard component, early August would be a much bigger component for Sport Chek as the Hockey component, so that after, you know, late September the hockey component. So, it's – I would say it's quite different actually and – but – obviously the two picks still are back-to-school and in Christmas but there is a lot of differences in the sales -- in the sales business between Athletes World and Sport Chek.

KEITH HOWLETT: And it might be a little early, but is it sort of a similar male or female mix or do they have lot more females at customer (multiple speakers)?

BILL GREGSON: No. I would say -- I had a venture guess, and I don't know this but I had a venture, I guess, I would actually say he get a higher component of females in the Sport Chek store than he do in Athletes World store, I mean, that's one of the challenges for Athletes

World is internally is how do they increase the female shopper stores, I would say Sport Chek is more female today than Athletes World.

KEITH HOWLETT: And then just on the inventory, will they be primarily in the store or this will go move it around or out of the store or is it in the store?

BILL GREGSON: I am not sure, Keith, you want to just (indiscernible).

KEITH HOWLETT: Well, when they liquidating inventory in one of the stores at closing, will it be done sort of in the store or will they move it sort of to some central location outside this?

BILL GREGSON: It will be done within the store.

BOB SARTOR: Yes, you shouldn't (Ph) expect to see a big event at the international center in Toronto.

KEITH HOWLETT: Okay, that's right. I was hoping to do some shopping there. And I am glad to hear you are international, the Power River (Ph), that's fantastic. Just on the tax liabilities, that one of the prior purchases I was just worried about, can you just speak to that issue?

BOB SARTOR: Well, those tax liabilities were claims that have been filed by the federal government and they are unsecured claims as opposed to preference claims. So they are in the unsecured pool.

KEITH HOWLETT: Great, thanks very much.

OPERATOR: And your next question comes from Jim Durran, National Bank Financial. Please go ahead.

BOB SARTOR: We have used up our quota.

JIM DURRAN: I just had a few follow up questions if I could. You said that you would be paying the tax losses later on as you utilize them. Are you able to give us some ideas that what cents on the dollar you are going to be paying for those tax losses?

BOB SARTOR: The way it works is there is the threshold up to which we do not pay them, Jim, and then beyond that which we are not prepared to disclose and then after that threshold it becomes 10% number.

JIM DURRAN: Okay.

BOB SARTOR: But there is a fairly hefty threshold to achieve where there is nothing paid and then after that threshold it's at a 10% rate.

JIM DURRAN: Okay. That's helpful. On your accretion comment, just going back to some comments you made I just wanted to be 100% clear on this. So, are you saying that you believe it will be accretive when you commit a CCAA including all of its costs after start expenses of including head office?

BOB SARTOR: Yeah.

JIM DURRAN: And is that excluding the tax loss benefit?

BOB SARTOR: Correct.

JIM DURRAN: So, it's before the tax loss benefit?

BOB SARTOR: Correct.

JIM DURRAN: Okay. Next thing I am interested in understanding sort of how much of a benefit this might be to your existing business in certain markets and so if I am listening correctly, a number of these initial closures have sort of 30 to 37 stores are going to be in Ontario, in the urban centers?

BILL GREGSON: That's not as really as fair comment, Jim.

BOB SARTOR: But they will be closure to across the country.

JIM DURRAN: All right. So, I guess back to some earlier questioning was going on in terms of regional development like Ontario, you know, a bigger fair presence in the GTA in terms of all the malls in this area. Is Ontario a market that you think will benefit the most in terms of your existing business in the reduced price competition that might exist?

BILL GREGSON: Well, it's – I don't know it's the price competition so much Jim, as the – yes Ontario will be market we benefit the most and we will either benefit because we pick up an Athletes World store or we will benefit because an Athletes World store is no longer there and there is a Forzani Store in that market that picks up a percentage of the forgone Athlete World store sales.

JIM DURRAN: Okay. Now, that's helpful.

BOB SARTOR: Now, it's important to know, Jim, that we did not factor any kind of lift in our existing business when modeling this out.

JIM DURRAN: Sure. My other question is, you know, in terms of the leases that you will be renegotiating, are you able to have exit clauses built into some of those locations, I mean, I think some of the concern that I might have or some investors might have is – inside of the business that may be that this hopefully won't work out as (technical difficulty) business or you just going to end up negotiating normal lease terms where you would have to pay a penalty in exit store before lease expires?

BILL GREGSON: Well, I think Jim, we will give you a big answer I think it's – we will negotiate – if we need to renegotiate a lease in which we do in many instances we will renegotiate a lease that is favorable to us and to the landlord both and for the short and long term and I think you have to kind of look at the history of FGL and we have, I think, done an exemplary job on real estate over the years and it's always been an asset to us and we have not been hung with a lot of bad real estate. So, I think you could expect that we will -- we take real estate very seriously, we take long-term lease commitment very seriously, we will – and I can't tell you what we are going to do this -- this is in the Form 2, but we will make sure that we continue on in the FGL tradition of having real estate as an asset for our Company rather than as a liability.

BOB SARTOR: I think put another way Jim is, are we going to dive headlong into long-term high rent CRU in that rent deal, no that – we haven't done in the past and we certainly don't see those doing that in the future.

JIM DURRAN: Okay. Can you give some idea about average store size, I am guessing that may be urban center stores are larger than rural stores and how that might work?

BILL GREGSON: There is a mix, Jim, but you know, 4000 or 4500 is kind of the average, the – I think the biggest one is around 11,000 feet – just over 11,000 feet -- and but that's quite unusual, there are numbers still from the Nike days because Athletes World had 20 something Nike stores at one point that are in the 7,000 to 8,000 square foot range but the typical one is around 4,000 feet.

JIM DURRAN: Okay. Great, thanks a lot.

OPERATOR: And your next question comes from Andy Nasr, Raymond James. Please go ahead.

ANDY NASR: Hi. Sorry, I missed the earlier part of the conference call. Can you tell me how many – how much you pay for the transaction?

BOB SARTOR: You know what, Andy, why don't we do this, why don't we get your number and call you back because everybody else has heard this before, where can we reach you right after the call?

ANDY NASR: Well, I'll contact Rich (indiscernible). Thanks.

BOB SARTOR: I guess, well, he can -- he can give you call, he is on the call right now.

ANDY NASR: Thanks.

BOB SARTOR: Just for the benefit of the others.

ANDY NASR: Yeah, thanks a lot.

OPERATOR: And your next question comes from Adam Clark, BMO Capital Markets. Please go ahead.

ADAM CLARK: Hi guys. I was just wondering, could you explain to us why the business failed or why...

BOB SARTOR: Sure, in the nutshell?

ADAM CLARK: Yeah.

BOB SARTOR: An unsustainable rent life, and probably as they began to pair down their stores an unsustainable overall G&A expense.

BILL GREGSON: And probably add to that, Bob, is economies of scale...

BOB SARTOR: Good. Good.

BILL GREGSON: They were competing in Canada on procurement bases with ourselves and with Footlocker and Footlocker as you know is part of a multi billion dollar international Company. So, didn't have the same procurement leverage as the other two players in the industry.

ADAM CLARK: Okay. Well, I am assuming that obviously they built the stores with the rent in G&A cost in mind. So I am assuming what happened was the sales line started falling, was there much brand damage done to the consumer throughout this process over the years as they are repairing that source or was it just purely the fact that they couldn't compete on price?

BILL GREGSON: Well, you know, I am not so sure that it's been...

ADAM CLARK: Because there was some speculation that they weren't able to advertise market properly obviously if they are in financial difficulty?

BILL GREGSON: Well, you know, I am of the opinion that you don't need to advertise a lot if you are a CRU tenant, I mean that's why you pay CRU rents and malls exposed (Ph) to deliver the traffic, Sport Chek advertises a lot because Sport Chek is an anchor and Sport Chek supports in the mall outside the mall. So, I don't it's marketing and I think sometimes too people, you know companies get caught up in the real estate and what was once a profitable store you come up for rent renewal the rents, your sales are high doing the same, the rents although starting

are astronomically higher because – and that’s what happened in Canada in a lot of the malls as the vertically integrated guys come in.

And, you know, you might be a little hopeful and wishful that you will be able to hit those sales numbers and it just doesn’t all come together. So, I don’t – Athletes World still have some very high producing stores in terms of sales, still has a lot of stores in the rural areas that produce very solid sales and in many cases is the only game in town and so I don’t think there's been a lot of brand damage from the sales perspective, I really do think it's – it is – the greatest thing of thing is the imbalance on the rent of the sales line and that’s been driven by increasing rents rather than decreasing sales.

ADAM CLARK: Okay.

BOB SARTOR: And the other thing is that haven't start for inventory because obviously the banks have been squeezing them, they haven't been generating the profitability and, you know, when you don't have a product you are not going to do sales.

ADAM CLARK: Right. So this process is going to allow you to lower the cost (inaudible).

. BOB SARTOR: Yes.

ADAM CLARK: Now the debt cost from \$20 million that you are assuming what would that be and can you renegotiate those costs?

BOB SARTOR: Well, we will – may be Rich you want to talk about the...

RICHARD BURNET: Well, the debt itself will be paid out under our existing credit line with GE, so there's...

ADAM CLARK: So it's about 5.75% or so roughly, given more prominence today?

RICHARD BURNET: Yeah, but it's prime (Ph) less, 0.45 (Ph) or so...

ADAM CLARK: Yeah.

RICHARD BURNET: As it goes.

ADAM CLARK: Okay. And then sort of price metrics, I am not sure you can disclose that or not or that you have disclosed them, I don't recall any metrics being used, before looking at this as a \$22 million cost or \$21.5 million cost, what sort of EBITDA did they generate, you know, in the last fiscal year?

BILL GREGSON: I -- I will jump in here, Bob, I don't know that you want to look at what EBITDA was in last fiscal year, this is going to be a remarkably different working organization both especially in an EBITDA perspective going forward...

ADAM CLARK: Okay.

BILL GREGSON: So, I don't know looking historically is the right place to look.

BOB SARTOR: The other thing too is, you know, and looking at this one and the reason we structured it as a share deal is because we are in the same line of business and it's a wonderful opportunity for us to actually generate positive net cash out of this and then have a contributing business that has lots of stores and markets that will never be able to put a Sport Chek in or a Sport Mart in for that matter.

ADAM CLARK: Is it fair to assume that EBITDA was negative or was it slightly positive last year?

BILL GREGSON: It wasn't healthy a couple of days (Ph).

ADAM CLARK: Okay. And then just last question, you mentioned that your inventory struggled where -- for these stores that you are going to be able to replenish them fairly quickly, where are you pulling the inventory from, is it from your existing network, are you pulling from fixed dealer stores, to be able to provide this, so that I would think the lead times on the orders would be a little bit longer than what we have got here?

BILL GREGSON: Yeah, I mean right now we are buying floor stock, so quite often is closeout, is end of the season but that's a perfect type of product for this time of year because obviously we are heading into Boxing Day and that's very shortly. So, yeah, right now what we are putting into the stores is what's available, what the vendors have available, we will take a look at it, we negotiate a discount appropriate for the end of the season

and there will be some great value product in the Athletes Worlds store very shortly.

ADAM CLARK: Okay, great, thanks a lot guys.

OPERATOR: And your next question comes from Ryan Balgopal, Scotia Capital. Please go ahead

RYAN BALGOPAL: Yeah just wondering how much inventory actually do you have to put in?

BILL GREGSON: We are looking at immediate, we would like to put in about \$10 million of cost.

RYAN BALGOPAL: Okay, so that's, okay. I guess maybe just on the tax losses, is it considerable that you just simply paid no tax next year, if you are using that quick?

RICHARD BURNET: You know what I'm not a tax expert and I don't do our tax returns and it's a good thing, now it is Richard, but we will try and use as much of the tax loss as quickly as we can Ryan.

RYAN BALGOPAL: Okay. Now at the 100 stores, I know you are not set on exactly how many numbers, how many stores you will kind of continue with post April, but of those 100 stores roughly what's the sales level?

BILL GREGSON: At a 100 stores, the sales level would be about a \$130 million somewhere around there.

RYAN BALGOPAL: Okay, so they are a little more productive in the stores that will close?

BILL GREGSON: Oh yeah, yeah.

RYAN BALGOPAL: Now, do you need to get that sales line to increase to make it -- or in your plans, do you have substantial increases in sales?

BILL GREGSON: We are -- we, when we come on to CCAA we will be structured that we can, as I said, all starts to be profitable on existing sales line, we think that there is big upside, but we are conservative by nature and therefore we will be using existing sales volumes to determine the rest that we can afford to pay.

BOB SARTOR: Yeah, I think its important to underscore that we really did approach this transaction as considerably as possible and our view was for example we didn't assume that we were going to get any kind of lift in our existing business as I said earlier and that we also had to have a chain that at a current volume levels would be profitable and contribute nicely not just, we are making a few bucks, we should be making a decent in store contribution and Bill pointed out with access to inventory and with the better buying power it should be gravy (Ph).

RYAN BALGOPAL: Okay, okay. How will you actually distribute to these stores or how are they being distributed now and what would be the go forward plan?

BILL GREGSON: They have a third party warehouse right now that they are using, they own their own warehouse. So they do some directive store, I believe, and our VP of Logistics will be there next week and beginning to figure out what the go-forward plan is.

RYAN BALGOPAL: Could you put in your own DC (Ph)?

BILL GREGSON: That's a possibility, yes.

RYAN BALGOPAL: Okay. And just finally, can you just kind of go through the list of unsecured claims like there is a big buckets of what they have actual amounts are?

BOB SARTOR: Well the biggest bucket that we have right now, Ryan, is the vendors and I think the number was about \$17 million, the second one was some Canada revenue tax plans that are around \$9 million and change. We are going to have I would imagine some landlord claims that/but are not significant as we work through this we believe. And as far as employees, though the vast majority of employees were affected, will be cheerfully offered employment in one of our Forzani banners fitness knows we could use the additional staffing in our stores. So that should mitigate the vast majority of that.

RYAN BALGOPAL: And then I guess the other big unsecured credit it would be the inter company debt?

BOB SARTOR: Yeah.

RYAN BALGOPAL: And which, I guess you are just taking and there will be some additional payment to the vendor if you can consume the tax loss?

BOB SARTOR: Correct.

RYAN BALGOPAL: And then the big buckets in terms of assets?

BOB SARTOR: The biggest single bucket is going to be the inventory that Bill talked about earlier.

RYAN BALGOPAL: That's 30 million or 32?

BOB SARTOR: \$32 million and then they have got lease holds that run prior around \$6 million or so.

RYAN BALGOPAL: Okay, okay. That's it from me, thank you.

OPERATOR: And your next question comes from Tal Woolley, RBC Capital Markets. Please go ahead.

TAL WOOLLEY: Hi, thanks again. I just wanted to circle back on the leases, do you have visibility on what the average remaining lease term length is?

BILL GREGSON: Yeah, we honestly have access to all the leases and the details of the leases.

TAL WOOLLEY: And that number would be?

BILL GREGSON: That number would be a number that is part of our negotiations with the landlords as we go through the CCAA process.

TAL WOOLLEY: Okay. Just to clarify, when you go into -- when you are renegotiating with the landlords in CCAA like you can basically start all over again reach of the term the rent per square foot like everything is near (Ph)?

BILL GREGSON: No, no I mean you can do that, but only if the landlord wants to. I mean ultimately there is a lease and the choice is quite simple, if you can come to new terms with the landlord, then you either you accept the lease as it or you disclaim the lease which means you walk away from it. So, in many cases -- in some cases, you know, the landlord would prefer to see the space goes to something else but in a lot of cases there are, you know, they may be quite open to saying okay, let's sit down and work out something that's going to work for both of us.

TAL WOOLLEY: Okay. And I was just thinking about, you know, the assortment in store, is there potentially a greater role for Genex to play in stocking resource?

BILL GREGSON: I mean not necessarily, Genex is a -- in terms of the closeout business for Genex, that's possible that hasn't been available

to Athletes World before, so I guess so there. And then on Genex, I mean Genex' single biggest line would be Vision footwear which, you know, Athletes World will take a look at, but I guess the answer would be, yes, specially in terms of the closeouts, because in the past Genex has not offered up closeouts to Athletes World and now we will be able to.

TAL WOOLLEY: Okay great. Thank you.

OPERATOR: And your next question comes from Keith Howlett, Desjardins Securities. Please go ahead.

KEITH HOWLETT: I was just wondering in terms of the economics for the chain sort of the two part, what's the relationship with Nike given the prior, you know, Nike boutique stores they headed, and then how much of the sort of, you know, rent challenge relates to those very large former twined Athletes World Nike stores?

BILL GREGSON: Well the relationship with Nike -- hopefully Nike was happy to see FGL buy Athletes World, they did an ongoing business, the business was somewhat limited by credit issues. In terms of the Nike store, yeah it's definitely not having the Nike stores and having -- not having a use for that space and that -- and having stores that are much bigger than what athletes will requires, so in other words having 8000 feet, when we 4000, because 4,000 people are going to be Nike and then Nike

goes away that definitely caused an issue for Athletes World and was part of the reason that Athletes World in CCAA.

KEITH HOWLETT: And how do you feel the store conditions are in terms of the leaseholds and the look of store and all that sort of things?

BILL GREGSON: I have been very impressed by the Athletes World over the last few years, now we are saying the last six months when you were kind of going through a bit of merchandise mix change, I thought the Athletes World stores by and large looks good where merchandise well and a lot of people both at the office and the stores obviously cared about their business and how it's keeping in present situation. So, I am very favorably impressed by the condition and the talent and the dedication and to be ultimately look to the consumer at the Athletes World stores.

KEITH HOWLETT: And just finally is, for a chain of sort of CRU tenant, this chain across Canada, is there sort of a minimum efficient chain size that, you know, you don't wanted to go below you know 60 stores or?

BILL GREGSON: Well, yes and no I mean on your own if you are independent, absolutely you either want to be really small or you want to be really big, if you want to be really small so you can touch everything or you want to get really big so you can afford the systems and really big is hard to do for more change. So, for us in this case having a division where you have a marketing operations and purchasing team, you get that and hand on until you give that, you make sure that you need to look that the

consumer is seeing but then taking event for a back office across, you know, \$1.5 billion retail chain, however those are the best of both worlds. So you get a thick feel of a small change where you get the synergies of a large infrastructure, and you can also get procurement of our purchasing power so and then new scenario athletes will kind of have a best of both worlds as opposed to being too small not really being able to have the proper infrastructure or the economies of scale for purchase.

KEITH HOWLETT: Thanks

BILL GREGSON: Thanks

OPERATOR: And your next question comes from Ryan Balgopal, Scotia Capital. Please go ahead

RYAN BALGOPAL: Sorry to keep this going. I guess if I just think strategically, you know, five years ago you got out of the mall store, common CRU mall business and I know this is kind of a defensive move, but you know it's just really something you want to be in longer term?

BILL GREGSON: You know I guess I can answer that question Ryan, we -- like I said, we really like the fact that -- and we were surprised -- pleasantly surprised at the strength of that chain in small market that will never get to and that just gives us a great volume opportunity that is 100% different and does not cannibalize any of our existing business. So that is

interesting. The opportunity to lever significant amount of volume from similar vendors on to our existing vendor agreements is very attractive to us.

You know, if you were to say to me Gee, would you like to have a 300 or 400 store here in chain and in every AAA mall and all that kind of stuff and math, the answer would be "No," and I think we've been very confident on our team today where we talked about the fact that it's real simple. If the rent deal doesn't make sense Forzani doesn't do a deal; we never have, we never will.

So the advantage here is significant tax losses which will generate a lot of cash flow for the business. The other advantage is the real interesting component to this business that we don't do today from a broad perspective, there's an interesting component to this business that we don't do from a location perspective today and, you know, as we did with National in terms of taking a business that was not making money, and year one had it made – had it make a very good store contribution we think we can accomplish the same.

One of the things that I think we need to focus on this is some thing that Bill has said over and over again that "we will only do the right rent deal; we always have, we always will."

RYAN BALGOPAL: Okay, great. Thank you.

BOB SARTOR: All right.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, press the star followed by the one. As a reminder, if you are using a speakerphone, please lift the handset before pressing the key. Gentlemen, there are no further questions at this time, please continue

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thank you very much. We, as always we make ourselves available when we – when the call is over, probably not immediately, we have to do some work here with the folks AW and our both busy on the inventory front. But we will be available certainly the balance of the week, we have a conference call next Monday, for Q3 and early Q4 sales results. Anybody (Ph) who is based in Toronto which is probably most of the people on the phone can see what kind of weather we've got here today, it's been great weather in the last for a while across Canada for us, so we'll have a chance to chat about that on Monday and give you an early read on Christmas.

And as we go down the process of the AW integration and CCAA plans we will continue to keep you addressed. I would expect the next time we really can have any substantive discussions on it would be in January when we announce our Christmas sales, that can be sort of a mid-term update and then after that probably wouldn't be until we are ready to

put a plan in place for the course. So that would be our sort of plan time on that.

Ladies and gentlemen, thanks very much for your attendance at this call today and your interest and your many, many, many questions.

Operator: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating, please disconnect your lines.
