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OPERATOR: Good morning ladies and gentlemen. Thank you for standing by. Welcome to the Forzani Group Limited's Third Quarter Fiscal 2008 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 Monday, December 10, 2007 at 8 a.m., Mountain Time. 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 very much Joanne (Ph), and good morning ladies and gentlemen. Welcome to the Forzani Group Limited Q3 conference call. First of all before I go any further, let me apologize for the confusions surrounding the timing of our press release. We have scheduled the release for Monday morning prior to the opening of the markets, I believe it was 7:00 a.m. Eastern Standard Time.

Our board meeting finished early on Friday and our board felt that the intervening period between the Friday afternoon after the meeting and Monday morning was simply too long and hence the change in release dates. Press assured that future board meetings will be scheduled so that this does not happen again it was pain for us and I am sure pain for you.

At today's meeting we have our usual management compliment. With me here in Calgary are Bill Gregson, our President and Chief Operating Officer, and Richard Burnet, our Chief Financial Officer, and in Montreal we have Tom Quinn, the President of our franchise business.

Well after a record Q2 performance, the third quarter certainly was not what we were looking for, it was a slow back to school start, you remember the comps we had released then. A promising and increasing comp period in September only begin to hit in October with unseasonably warm weather which did hurt sales of winter hard goods and outerwear and accessories. And in the midst of all this, the loonie hit about 10 and the media stoked by our friend Mr. Flaherty, our Finance Minister and all retailers looked like they were gauging Canadian consumers. As uncertain most of you know, the culprits here are archaic, unnecessary and expensive Canadian import duties and to a certain degree wholesale pricing to retailers across the board in Canada, that simply isn't justified versus similar product pricing in the US.

Some of you may view this as an interesting but unrelated side bar, but the pressure put on retailers due to the media blitz and ensuing US shopping trips taken by consumers not to mention internet purchases, resulted in reduced Canadian pricing and lower margins. As you have seen in our Q4 results to-date margin rate is down but total margin dollars are up due to the comp sales increase, this was a delivered strategy on our part. I will ask Richard Burnet, our Chief Financial Officer, to provide some additional color on the Q3 results and then Bill and Tom will talk the corporate and franchise results respectively. Richard?

RICHARD BURNET (CHIEF FINANCIAL OFFICER): Thanks Bob. Before I do that I'd – it'd mess if I didn't read the Safe-Harbor statement. 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 a number of risks and uncertainties including, but not limited to changes in general market conditions. You should understand that FGL cannot offer assurance that 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. I will briefly cover the financial highlights.

For the third quarter, retail systems sales for the quarter were $344.6 million against last year's $339.5 million. Corporate comp store sales were down 2.4% and franchise were up 3% against last year's third quarter increases of 6.6% and 9.9% respectively.

Total revenues were $333.5 million against last year's $346.3 million a 3.7% decrease. And breaking out revenues, corporate store revenues of $224.2 million were down 1.8% due to the comps mentioned earlier. Wholesale sales at a $109.3 million were 7.4% below last year's third quarter due to reductions in the FGL wholesales business.

Consolidated margins for the quarter were 34.2%, 30 basis points below last year, reflective of an aggressive pricing strategy in light of the deterioration of the US dollar and cross-border shopping as Bob mentioned earlier and a slower start to the winter selling season where the company typically realizes the benefits of higher margins on winter apparel.

Corporate store operating expenses as a percent of retail revenues were 27.2% against the prior year's 25.6%, on a same store basis expenses were 25.6% versus 24.4% last year, and the increase cost as a percentage of revenue were a reflection of the decreased sales volume rather than any unplanned increases in costs.

G&A expenses at $20.1 million or 6% of consolidated revenues. The difference over the prior year as we have mentioned in prior conference calls was due to the reduced accruals for yearend performance-based compensation.

Third quarter EBITDA was $32.9 million a 4.8% increase over the last year. Net earnings for the quarter were $12.6 million versus $11.9 million last year. Diluted earnings per share were $0.35 in the quarter versus or $0.36 in quarter rather versus $0.35 last year. And for the year-to-date retail system sales were a $1,000,004,000 and million versus – we get the wrong – there were $1.4 (Ph) versus last year's $976.5 million, 2.8% increase. Corporate comp store sales were down 0.7% and franchises were up 6.5% for an overall comp store sales increase of 1.8% in the year.

Total revenues were $920.4 million against last year's $910.8, a 1.1% increase. Corporate store revenues were $630.5 million, down 0.3% with wholesale sales up 4.1 at $289.9 million.

Consolidated margins for the year were 34.1%, up 50 basis points over the prior year. On the strength of retail margins a detail, store operating expenses as a percent of retail revenues were 28.1% versus 27.4% in fiscal 2007. The G&A run rate for the first three quarters was 7.4% of consolidated revenues versus 8% in the prior year again on the strength of reduced stock based compensation accruals.

EBITDA was $68.3 million against last year's $60.3. Net earnings for the period were $18.7million versus $14.1 million last year. Earnings per share were $0.55 versus $0.42 in fiscal 2007. Now, 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. As the comps has reported for Q3 on the corporate side were down 2.4%, the west was actually up slightly and the east was down. In terms of categories; footwear was the best performing category followed by hard goods and soft goods was the softest, very slow start to the outwear season in October.

For Q4 to-date for the first five weeks, up 4.9% last year for the first five weeks, I believe we reported flat comps. In terms of regions, the sales increases have been led by Saskatchewan, Manitoba and Ontario so far in Q4 to-date. In terms of category the reversal from Q3 sales have been led in Q4 to date by outerwear as the cold weather across the country has greatly improved outerwear sales, followed by footwear and clothing and hard goods would be the last category.

In terms of inventory, comp inventory at the end of Q3 was up 1% due to outerwear and this turned out outerwear inventory position to become very solid in the last five weeks and we would expect to end the year with negative comp inventory which is an initiative that we are trying to get to.

In terms of gift cards sales, gift card sales for the first five weeks of the Q4 are below 10% and also in late Q3, Q4 we opened up three new test stores for Sport Chek one in Winnipeg in Polo Park, one in Brampton in Bramalea City Center and a big one in Newmarket (Ph) in Upper Canada Mall these are a completely redesigned Sport Chek with a whole different fixturing package, a different layout where the product goes and also merchandizing by brands. The results so far to date have been outstanding and we are very, very excited about taking this concept forward, with that I would like to turn it over to Tom Quinn to talk to Tom Quinn to talk to the franchise division.

TOM QUINN (PRESIDENT, FRANCHISE DIVISION): Thanks Bill. Good morning ladies and gentlemen. While FGL's franchise business managed a 3% positive comp in the growth in sales, the unseasonably warm weather did impact early season sales in winter clothing and skiing snow categories. Our footwear, hockey, outdoor, racket sports, exercise, athletic clothing and leisure wear continues to pose positive comp sales performance.

Our recently acquired Fitness Source banners have been showing very strong comp sales since we franchised the stores early in the year, and we are looking forward to following our new to launching our new prototype which has been launched in the fourth quarter and has been well received by both our trade and consumers. And especially retailing front in addition to our Fitness Source banner, our Hockey Expert, Atmosphere and Nevada Bob's stores are all posting positive comps for the year to-date and appeared to be complimentary to a general sporting goods banners at this stage and the development.

As stated in our press release, the first five weeks of our fourth quarter started well at positive 16.7 comps and has more than made up for the third quarter's impact on ski and winter clothing categories. So have a great holiday season and I will return it back to Bob.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thanks Tom. Well Q3 is behind us and despite the warm October weather as both Bill and Tom pointed out we did increase earnings versus the prior year so we view that as a victory.

Our fourth quarter is off to a pretty decent start with near ideal winter weather conditions across the country and I can't quite recall the last time we had ideal winter weather conditions right across the country.

Having said that we will continue to be aggressive as required and only as required on the pricing front to drive sales. Bill mentioned briefly the new look Sport Chek and really one of the key differences you will find in that new look is fixturing and presentation really designed to drive the apparel sales and I think many of you who followed the company for sometime have heard us talk about the fact that we have a tremendous apparel opportunity in Chek. And the increase in apparel sales with the new boutique presentation, the new branded presentation has been phenomenal and I would encourage you if you do follow our company or write about our company to go to the Newmarket have a look at the new store because the response by consumers to the apparel presentation and the callout of our key brands has been phenomenal.

We expect to report our Christmas comps sometime during the week of the 7th of January, where there about a précised date will be communicated to you prior to Christmas. In addition, as soon as our blackout period ends which I believe is Wednesday we will continue to purchase stock under our normal course issuer bid and obviously we are always keen to deal with that because we have certainly in our view an undervalued situation on our hands in terms of Forzani Group's value. As well we did announce in our press release the dividend stable (Ph) I believe the first day of our new fiscal year to shareholders a record two weeks earlier. That's it for our comments and I am sure you have got some questions, so I will ask Joanna our moderator to open it up for questions.

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 keys. One moment please for your first question. Your first question comes from Jim Durran with National Bank Financial. Please go ahead.

JIM DURRAN: Good morning. Just two key questions, first of all on the wholesale revenue side, I assume it was the Genex or license business that was a shortfall in the quarter. Can you give us some idea as to what went on there and what the surplus trend to continue on?

BOB SARTOR: Sure. It was a planning thing Jim, last year in that quarter we had a huge closeout a London Fog closeout and I think that closeout ended up being around $5 or $6 million closeout, that was not there in Q3. We did have an earlier close out in Q2 of some other product. So, on a year-to-date basis we are fairly comfortable, we just had a flip flop between Q2 -- Q2 wholesale revenues were much stronger and in Q3 they were weaker, and that's one of the things we can't control in the closeout business as the timings of those closeouts.

JIM DURRAN: So with respect to Q4 is any other sort of one time that we should be aware of?

BOB SARTOR: No, I think we are up against the fairly stable Q4 where we didn't have a lot of closeouts just branded license product sales and we should be able to comp those.

JIM DURRAN: Okay. On the G&A side, there it was like an $8 million swing in the quarter, I know, some of that was the accruals, I know you mentioned in the press release $5 million on a year-to-date basis, what else is going on within that line, did you reduce some advertising expenditure or was there some other things that are in place now that may carry forward?

RICHARD BURNET: Jim it's Richard, the difference in fact was on the performance-based compensation.

JIM DURRAN: Okay.

RICHARD BURNET: The media was something less than a million different quarter-over-quarter, nothing significant and the other head office departments, frankly, are on target and not materially different from the prior year.

JIM DURRAN: Okay. So my recall was that we are supposed to see $10 million of accrual differences year-over-year on the management bonuses et cetera?

RICHARD BURNET: On the assumption, yes, the targets are met this year and you would have the accruals, full accruals, this year the difference year-over-year due to last year's three-year targets being hit with anticipated to be about $10 million, that's right.

JIM DURRAN: Right. So is there actually some reversals going on this quarter with respect to this year's bonus accruals?

RICHARD BURNET: Reversals?

JIM DURRAN: Well, I know, you accrued throughout the year in anticipation of putting certain targets, right. So if we only have $5 million of last year's sort of unwound right year-over-year and we are looking at $10 for the total year but G&A was down, I think, it was 8 million bucks?

RICHARD BURNET: Well, our year-to-date is – I mean you saw a big impact in the quarter?

JIM DURRAN: Yeah.

RICHARD BURNET: Year-to-date difference is significantly less than that and we will pick up the reminder of the $10 million in the first quarter on a year-over-year basis.

JIM DURRAN: Okay. I will let somebody ask some questions, I will come back.

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

KATHLEEN WONG: Good morning gentlemen. I wonder if you can comment on your price added to you recently, because my understanding is that you have been reducing your prices on above 5,000 styles at the Sport Chek. Can you elaborate on the styles that you have reducing prices in the categories to flow (Ph) and how is the reaction that you have got from the public since then?

RICHARD BURNET: Well as we talked you in the press release, we started in Q3 the – it didn't turn into increased sales in Q3 but has in Q4 which coincide with the weather. So the preparation of the documents have been across all different aspects of the business, all categories, some been small and some items -- higher profile items and key categories have been very, very significant and quite deep actually and in order to stimulate some traffic. So we are probably, as we go into the last couple of weeks of Christmas and to Boxing Day, we have taken the majority of our markdowns, more aggressive markdowns for Boxing Day, I think, still there will be a few more that are still quite aggressive for Boxing Day.

KATHLEEN WONG: And I understand that in the last two weeks you have done some pricing matching, I guess, you've some to the magnitude and try to match some of the prices, so beat the prices of the US retailers. Have you seen an increase in traffic since then?

RICHARD BURNET: Yes, what we did is we had two flyers, the last two weeks the flyers showcased some prices that were taken off the US Internet and in compared to what we had put our new prices at and we are typically lower than the US or at the US price and don't forget that in fact is a much bigger savings for the consumer because you get -- when you come across the borders there's taxes, there's duties, there's shipping as well. And so that generated a lot of traffic and it generated a lot of sales for those products.

KATHLEEN WONG: Okay. Is it possible to give us like the percentage of sales that generated from the winter outerwear, apparel, and also ski and snowboard equipment?

RICHARD BURNET: No.

BOB SARTOR: We won't get into that level of detail for competitive reason, at this stage we try. You know, we are more uncomfortable giving comments on overall footwear, overall hard goods and so on, but to get into specifics it would be example like asking us to give specific sales of hockey skates and we got a better result there, we wouldn’t do that.

KATHLEEN WONG: Okay, that’s all right. And can you comment on how you saw the integrated buy allocation system which I understand that was in place in the fall. Can you tell us how that is going and if you have (indiscernible) Q3 result?

RICHARD BURNET: Well Q3 results obviously were been -- both Q3 and Q4 had a weather factor in there too, I mean Q3 had a warm weather and Q4 has had a cold weather. But overall on a more macro and now looking so much on a short timeframe is that we are very, very happy with what we have. We are going to end the year with less inventory, we are able so far in Q4 to generate more sales with less inventory, you’ve got a margin issue in -- not an issue, but we have strategically said we would be willing to take a lower margin rate to deal with a dollar issue, but to drive more margin dollar and we have done that. So to date for Q4, we are generating more sales with less inventory and we think the inventory is in the right stores and we have more in a high volume stores like we have had before and unless in the lower volume stores. So we are quite happy with the results of it.

KATHLEEN WONG: Okay, thank you.

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

RYAN BALGOPAL: Thanks good morning. Just wondering if you could take about the impact of the dollar, specifically how are you seeing it manifest in through the competitive environment, you know, why you actually choose to take price and again we are actually seeing traffic we can substantially in stores with a specifically stores in sort of border areas?

RICHARD BURNET: Ryan, still the – it's hard to be incredibly specific in micron but, you know, to Bob's comments about cross border shopping and about some of the comments that government have made, the numbers are real if, I believe, the number for overnight trips in the US in October was up over 20%, trips to the Canada down 15%, Internet shipments to Canada up in the 30s. So, definitely a leakage of retail sales to the US to how much that is, I can't give you that number. So we knew there was a leakage, that coupled with a soft October meant that we needed to do something and we could have set back and watched or we could have got aggressive and that's what we choose to do at that time, and because you have to put your plans in place in late October for Christmas.

So, what we are seeing then is, there is leakage of retail sales out of Canada that makes for a more competitive market in Canada for the retailers that are left and we decided we are going to be aggressive and try and maximize our share of that market.

RYAN BALGOPAL: What are your competitors doing? Are they following along or they been leading into?

RICHARD BURNET: Well I don't know, they are just our competitors, it's everybody for a discretionary dollar. So, I mean, are you buying electronics or are you buying skies, are you buying fashion apparel or are you buying leather apparel and I think just generally in the marketplace you have seen out there that has been incredibly competitive as people scramble to deal with leakage to the US and how they can maintain their market share.

BOB SARTOR: I think, Ryan, that is the key point here. It's not so much that 20% of consumers are going across the border to buy sporting goods, the statistics don't need meet that out. The reality is that Canadian retailers in general lead by the mass merchants and department stores have taken very strong and aggressive stand to ensure that there wasn't significant leading sales at the border. As a result of that the Canadian consumer is expecting a better deal, and in this process both Bill and Tom have looked at our wholesale prices and looked at comparable wholesale prices in the states where we could get that data and there was a difference and as Bill said earlier in those key categories we had to make up that difference. The consumer would expect no less.

RYAN BALGOPAL: How does that -- how do you deal with that going forward in terms of dealing with your vendors, I think you may have got some movement on that, but can you talk about sort of the timing of that when that will start to benefit you? And can you get some mark down dollars to support you on this?

RICHARD BURNET: Ryan, I know we talked too much about what our dealings with vendors are on a day-to-day basis, but basically the macro issue obviously is that typically a vendor will hedge the dollar when they set their price list and they can set their price list up to 12 months in advance, typically about nine months in advance, but up to 12 and so when you look at it for -- I mean it will be same for most for a lot of Canadian retail depending on the lead times of the buy cycle, and so basically right now we are buying next fall, and so obviously they are buying with a dollar that's much improved over the prior fall.

So you will -- the consumer will see lower prices next fall and the retailers will see lower wholesale costs next fall. Spring will still place though in the dollar within the $0.88 range and at the upcoming spring. So we will probably see continuation of initiatives from retailers that you are seeing this fall for spring now when they are still dealing with a wholesale price that may have been hedged at $0.88. So, really it’s a joint effort little between the wholesalers and the retailers to deal with something that is bigger than they are and that is when their stock was purchased that wasn’t a per dollar.

BOB SARTOR: I think it’s important to note that, you know, given the environment where we do expect to see wholesale prices begin to hedge downwards as that was pointed out in the back half of next year, it makes it more difficult to forecast with any precision what are comps are going to look like in the back half because obviously downward, a wholesale pricing will result in downward retails and hence have a negative impact on comps. From our perspective, we are not terribly concerned about that as long as we maintain or increase margin dollars which we have intention of doing.

RYAN BALGOPAL: And in -- I guess in the near term to between now and then can you get some mark down dollars from the vendors, because clearly you are having to discount in the marketplace and they appreciate that and support you?

RICHARD BURNET: Ryan, I think that is something that, you know, we work with our vendors on a partnership on a day-to day basis, year-to-year overall kind of different issues and this is one more issue that we are working with them, so that ends up with the solution that works for both us and the wholesaler. But we are not going to discuss with our strategy there with our vendors.

RYAN BALGOPAL: Okay, fair enough. Just last question, on the new prototype stores, can you kind of give us a sense of, you know, what sort of comp lift you are getting and maybe just also if you can give us the cost that would actually take to renovate each of these stores?

RICHARD BURNET: The two stores that are more or less comp pull apart in Bramalea were both moves, but of a similar Bramalea was based with the same size, Polo Park was a little bigger. We are getting in the 40% to 50% increases in sales in those two markets. Newmarket of brand new stores, so we can’t give the comp numbers but what's interesting to note on Newmarket is just where it stands relative to other Sport Chek stores. And in Ontario market, Newmarket has opened up and day in, day out they are somewhere between the No. 2 store and the No. 4 store in the province. And which it far exceeds our expectations, it's also one of the top stores in the country in apparel sales. So, all three whether the two of them being on a comp basis which were incredibly happy with 40 to 50 comps and Newmarket being No. 2 to 4 stores, one of the top stores in apparel that tells us that we have something that isn't just say a next step forward, it's a dramatic change from what the consumers see and has resulted into sales. In terms of the cost, on the cost side the cause is to build a new store, like a Newmarket is not significantly different from the cost to build our old stores. We have taken out a whole of pile drywall and we replaced it with some different fixturing systems but the costs are similar.

RYAN BALGOPAL: What about, you know, to renovate an existing store?

RICHARD BURNET: Well, it would be the same cost historically to renovate a store and so we decide we are going to renovate a number of stores that will be a similar cost to what it would have been before. There's not big difference in the cost between the different design (multiple speakers). Pardon me?

RYAN BALGOPAL: Can you remind me what that cost is to (multiple speakers)?

RICHARD BURNET: The last time we did renos, I think they were…

BOB SARTOR: Well, I mean the cost for a brand new store, if we start brand new, is about 60 bucks a foot before recoveries from the landlords.

RYAN BALGOPAL: Right, okay.

BOB SARTOR: Our renovation is a lot less than that because you don't have to do the whole thing.

RICHARD BURNET: You know, the last reno we did, I think we would run around a 100 store.

BOB SARTOR: But that wasn't fixturing, no.

RYAN BALGOPAL: Yeah, just to be a little more (multiple speakers) because that will be about 5 bucks a foot.

BOB SARTOR: Yeah. It depends on what you do, so all new stores going forward though will be the stores that we build next year will be this prototype.

RYAN BALGOPAL: Okay, and you plan to retrofit the existing store base and when?

BOB SARTOR: Well, we are not going to go and do whole hardly, but you will see us take select stores next year and renovate them to a Newmarket concept to see what happens to the sales.

RYAN BALGOPAL: Okay. Okay, thanks, I will pass it on.

BOB SARTOR: Yeah, we are still – our view is we've had great success on the three stores that we have done and rather than now run out and do 130 stores let's do another grouping, see if that works, that's our usual approach anyways and if we see by late next year that it's working then you should expect to see a more accelerated rollout in the following fiscal year.

RYAN BALGOPAL: Okay, thanks Bob.

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 just wondering if you can clear by your commentary about the gross margin dollars thus far in Q4, is that just on the retail side or on a consolidated basis?

BOB SARTOR: That was on the retail side. We typically, our wholesale numbers don't come in on a – necessarily on a weekly base, we don't track as much on a weekly basis. So for the first five weeks we were talking about comps, our comp sales are also leading to comp margin dollar increases but lower margin weight.

TAL WOOLLEY: Yeah, okay. I was just wondering if you could talk to me a bit about if, you know, the weather continues to swing your way as it has been, what sort of -- you know, for most retailers January is a clearance month, there's a bit of an opportunity there for you right if the weather is working in your favor?

RICHARD BURNET: Correct and January actually is a clearance month for FGL but not a – but also at the same time a good clearance month both from a point of view of sales and margins are okay as well and the reason is because of the size of our winter business and, you know, ski snowboard, winter outerwear, winter accessories, so, but yeah the business stays, if the winter stays here right through January, definitely is a good opportunity for us.

TAL WOOLLEY: Okay. And I was wondering if you could comment a little bit on the performance spread just this quarter between – for the run up in December between a franchise and the corporate side?

RICHARD BURNET: Well, I mean it's a geography store. Franchise is predominantly Quebec and corporate is across Canada. So last year for the first five weeks franchise was down, corporate was flat for the first five weeks. Corporate last year was up big time in Alberta and B.C. and down in Ontario where franchise was down in Quebec. This year as we said for the first five weeks, Ontario was very strong and Quebec was obviously incredibly strong and in fact for the first five weeks to date whereas Columbia would be down in the corporate side up against some huge snowfall numbers a year ago. So, geography plays into – comes into play.

TAL WOOLLEY: Okay. And just quickly on the store management side, is there any big difference in the competition strategies between a corporate store, how store managers are competitive in a corporate stores versus in the franchise network?

BOB SARTOR: On the franchise network each franchisee has his or her own compensation philosophy and approach, these independent businesses, certainly provide guidance and Tom you could probably speak to that better than I can.

TOM QUINN: Yeah, I think fundamentally with the franchise side is number of levels of compensation as some of the more senior personnel that are involved with franchisees end up after a number of years becoming part of the ownership in a small percentage as well as different franchisees in different markets will adopt different standards. We send out what tend to be best practices for them to evolve in, but it comes down to each franchisee how they wish to compensate their personnel.

TAL WOOLLEY: Okay. And on the corporate side it’s mainly -- it's a sale target that they primarily manage towards?

RICHARD BURNET: No, I mean, a store manager would get a salary, would get a bonus, can also earn shares in FGL based on performance. So, yeah, the bonus is based on whole pile of targets including sales and cost control and strength but it’s a mixture of salary, bonus, and long-term compensation in form of shares.

TAL WOOLLEY: Okay, great, thank you very much.

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

JIM DURRAN: I was just wondering you can tell us, how many shares have you bought back within the quarter and on a year-to-date basis?

RICHARD BURNET: Year-to-date, Jim, it's about a million two, last quarter it was 670,000.

JIM DURRAN: Okay. And what was your average weighted share count for the quarter?

RICHARD BURNET: I am sorry?

JIM DURRAN: What was your weighted average share count for the quarter?

RICHARD BURNET: Two sec Jim, just pulling that one out.

JIM DURRAN: I will go with another question if you want. Just on new store openings for the balance of the year, can you give us some idea what you think your square footage growth is going to be on corporate and franchise for year end now?

RICHARD BURNET: On the corporate side about 90,000 feet.

TOM QUINN: And on the franchise side it's about 33,000.

JIM DURRAN: Right. And what was going on that required you to buying those Nevada Bob's stores in the quarter?

TOM QUINN: Yeah, fundamentally what we were looking at we had an owner in the store that was looking at an exit strategy and what we have been looking at with that banner is how to move it along faster than what we have been doing, the -- the comp sales have been positive this year-to-date and what we are doing with those stores is we are operating them for a two-year period in a corporate environment with a process being set up with the managers in the store that will have the ability to franchise in within 36 months.

JIM DURRAN: Right. Thanks Tom.

RICHARD BURNET: And Jim, just back on the shares, for the quarter the weighted average diluted were 34,640.

JIM DURRAN: Okay. And last question, just with respect to sort of margin outlook for fourth quarter, would you continue to expect that despite the strong comp store sales performance with the winter weather here finally in Eastern Canada, that the amount of money you are having to invest in Canadian US dollar parity is going to still constrain the margins the way we have seen in the first five weeks?

RICHARD BURNET: Well, it depends again Jim, you used the word constrain and I just -- we have to make it clear is that margin dollars – comp margin dollars are up in the first five weeks, the margin rate is down but the margin dollars are up…

JIM DURRAN: Right.

RICHARD BURNET: And that's obviously positive and is positive from a second point of view too which means we are driving inventories down as well which is positive thing as at some point next year we get – we start to get the benefit on the purchase side of the stronger Canadian dollar. So I would say though for the rest of the quarter is that what you will see is the same strategy is that we will look to be aggressive on the retail dollar -- pricing side to drive our comps up and to have a lower margin rate but still have positive comp margin dollars.

JIM DURRAN: Okay. And last question just any update on the Athletes World acquisition?

RICHARD BURNET: Well, since last week now we are really, I think what we said last week is that when we report our Christmas comps that we would have another follow-up probably conversation on AW to bring everyone up to speed on that.

JIM DURRAN: Great. Thanks guys.

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

KEITH HOWLETT: Hi. Yes, I had a question on the cross border shopping, are you able – and this both for corporate and franchiser, are you able to see much geographic difference in the impact to that sort of

B.C., Ontario, Quebec, Winnipeg or is sort of a national phenomena or how does that shake out?

BOB SARTOR: Well, it's – it's really hard to tell Keith. I mean, you've got have presumably of weather factors in there at -- winter comes at comes at different times of the year. You have got, you know, the Internet doesn't know geography, so Internet shipments, if you just say your house and then the other thing if look at Canada, for you the (indiscernible) is, but what is it 80% of the Canadians live within 200 miles of the border something like along those lines. So when you – I think, the busy is border-crossing as I recall might be is at the Beach Bridge and in Ontario. So if you look at the GTA you could argue that all GTA obviously is eligible to go across the border.

So there is no pattern that's discernible, again I go back to the facts that they talk about the number of overnight stays, they talk about reduction in terms of Canada and the amount of increase in the Internet shipments which, I think, makes it real that there is an increase in the amount of retail dollars Canadians are spending in the US or decrease in the number of US retail dollars Americans are spending in Canada. So it does shrink the market, but it's -- the way it is today, I think the – there aren't that many places that's -- yeah if you are going to talk about Northern Ontario or Northern Alberta or B.C., there is less likely they are going to jump in the car, but the Internet is available to everybody.

KEITH HOWLETT: And you know what's also quite confused by the weather patterns, does it show up in any particular categories, I would say I missed the -- unfortunately I missed the flyer promotion on the – beat the US price, but what sort of items would you put into that promotion?

BOB SARTOR: We had all cross section of items, we had outerwear jackets, we had footwear, we had skis, we had snowboards, we had hockey skates, so we had quite a range.

KEITH HOWLETT: So, do you think...

BOB SARTOR: I think the other thing to that we hearing, you know, what more and more you are seeing though in the press too is you are seeing a flipside across where you are shopping and that is it’s not as cheap as you – when you just first look at a price, there is shipping cost, there is duty cost, there is taxes, and so more and more you are starting to see some stories that it’s not – you are talk – you are hearing stories about people surprised of the final bill was and the fact that they don’t see, they will have a visibility of that when they first do their order. So, obviously you can’t just do a straight comparison price to price. And I think more people are starting to find that out too.

KEITH HOWLETT: And then on the Sport Mart repositioning, can you update us how that’s going on?

BOB SARTOR: Sport Mart had a very good fall and it had actually had – have these in Q3 and it has had a great Q4 so far. So, you know, it's day in day out, it's building.

KEITH HOWLETT: And just finally on the -- you were testing a few larger stores, I think sort of in the 35,000 to 40,000 foot range, is that – that's a completely different test in Newmarket, Bramalea?

BOB SARTOR: No. No, Newmarket is 40,000 feet.

KEITH HOWLETT: Oh, okay.

BOB SARTOR: Yeah. And we will be opening up Oshawa in January which is also 40,0000 feet, but the model that we -- the Newmarket model can go into 20,000 feet and go into 40,000 feet, primarily city centers, the 20,000 square foot concept was that new design in that new layout.

KEITH HOWLETT: I see. Great, thanks very much.

OPERATOR: And your next question comes from Robert Beauregard, Natcan Investment Management. Please go ahead.

ROBERT BEAUREGARD: Hi Robert.

BOB SARTOR: How are you?

ROBERT BEAUREGARD: Good. Coming back to – you are getting all these questions from our friends, self identities on weather and, you know, the weather is too nice next week there, probably go (indiscernible). In the end you are probably the cheapest retailer in the North America, you generate tones of cash flow and as a shareholder we are getting increasingly concerned that, you know, has some of those smaller Canadian retailers get completely ignored by shareholders that may, I guess, taken over at prices that don't justify their franchise value, because clearly your position in Canada is probably as good as any top retailers in this space. So you bought back shares in the quarter, how much do you have left on your buyback program and is this something would you consider increasing the size of the buyback visiting some US companies I think they better use the cash flow; my first question.

RICHARD BURNET: Robert, it's Richard. We’ve got about a million two of shares we can still purchase under the normal course bid (Ph) that runs out into March and our 30-day cap is about 670,000 shares. So I would anticipate repurchasing up to our 2.3 million by March and repurchasing some 670,000 in the next 30 days.

BOB SARTOR: And Robert it's Bob, certain I share your sentiment that we are cheap but cheerful. The longer shot of it is that there has been tremendous industry pressure, I mean, if you look at sporting as retailers with the exception of Dick’s (Ph) which defies all odds, he bids to a lesser extent now, there's some changes in that on – but if you look at sporting as retailers across North America, all are at or near 52 week lows and that reflected certainly sentiments on the sales side analyst front in the US with respect to footwear sales and yet you heard Bill and Tom would echo that talk about the strengths of footwear sales in Q3.

So, you know, Canada is not the US, unfortunately we, you know, when US sneezes we do catch that cold in the eyes of many and I can assure you that in our Board meetings we have spent an enormous amount of time talking about our evaluation, how to get our evaluation up and we have looked at various alternatives, one of them obviously is normal course issue bid and another one was to begin to declare dividend to distribute some of that free cash to our shareholders, and obviously whatever their alternatives are available to our Board they will continue to pursue should evaluation not improve in the short order – in short order.

ROBERT BEAUREGARD: Well, I really appreciate certainly on the efforts you made so far into not, you know, come on to the self identities that, you know, you are doing the right thing. Some of the – you are certainly running a lot of different banners, store concept, and what is the strategy as regards with franchise stores versus corporate stores going forward, could we see some of your existing corporate store banners being franchised or the other way around?

BOB SARTOR: Well, I mean, to tell you the truth, to get into that level of strategy which might resolve in a concern or defocus on the part of employees, we wouldn't opine on that publicly at this stage. I can tell you that we are happy with our corporate business and we are happy with our franchise business and certainly I think Tom and Steve are doing a fantastic job on the specialty retail front, that was a completely different business for us, very different than Sport General has been and one which we have to learn, and I think we have learnt it. So that means that there is still additional good growth potential in that franchise business.

But I am not prepared to opine on the potential franchising of corporate stores or the potential purchase of franchise stores. As you heard earlier, we did purchase some franchise stores back because in our view they are not performing well and Tom and his team themselves they could write them and then re-franchise them in a period of time. So we will do what we have to do to ensure that all of our real estate is productive and as Bill pointed out, you know, we have recognized that there is a spread between apparel sales and our franchise stores versus our corporate stores. Our corporate stores are what I would call more traditional sporting good stores with higher goods in them.

Having said that we have taken steps in terms of getting our apparel sales up in the corporate stores and the answer is not necessary to franchise or to buy back a franchise sometime the answer is to try different approach which is what we have done in those new prototypes and, you know, given the kinds of comp sales increases we have experienced in apparel we just – if we extrapolate, it’s one heck of a big number. So really the focus is on taking best practice on trying new things and you have to remember another thing is well is, if you do franchise a corporate store what you have is significantly less revenue and significantly less profit, mind you, you also have less investment.

ROBERT BEAUREGARD: Yeah. Well, that's summer, it's bid (Ph) from the spring and summer you saw a resurgence of bicycle or something that requires your bid, but you know, we saw those Humana as a stock and we could certainly see it coming, the boomers are buying back their first bikes in ten years. Are you seeing any hot product this winter, something that was flat or down the last couple of years and coming back strong this year?

RICHARD BURNET: On corporate side, I don't know there's anything that's revolutionary, you are seeing a lot of fashion in outerwear and you are seeing a lot of some of the technical brands you would historically think of as more in technical side, may be add fashion into the technical and it is performing extremely well, but – fashion winter boots obviously for women is something that's becoming more and more and it will outward – but nothing there is – on the ski and snowboard side, it's cosmetics, it's – again just increasing of the fashion style, women's products, women specific product both in skiing and snowboard becoming bigger and bigger. So but not – no one is same that I would say is just is completely revolutionary or different than - for this year. Tom, I don't know if …

TOM QUINN: Yeah, I would echo that. The only point I might add is that we are seeing a growing trend in exercise.

ROBERT BEAUREGARD: Okay. Well, thank you very much both – all the guys.

BOB SARTOR: Thanks.

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

ADAM CLARK: Hi guys. Just want to talk about margins for a second, now you say the margin dollars are up slightly, margin rates are lower are these kind of down similarly to what we saw in Q3?

BOB SARTOR: We are not going to provide that data, we can't, you know, that would almost be like providing guidance and we are not – you know, we don't give guidance, so sorry, Adam.

ADAM CLARK: Okay. Now, in Q3, I imagine you had a fair amount of mark downs for your vendors hoping you sort of with some of that team?

BOB SARTOR: You know, we've add to that one already. I had only said that we are not going to answer that one specifically. We work with our vendors as we said day-in and day-out on, year-in and year-out on all kind of different issues and this is one and our vendors and us need to solve this one together but it’s not something we want to talk to publicly.

ADAM CLARK: Okay. And then several quarters ago you sort of mentioned that you had a 150 to 200 basis points of margin expansion potentials in corporate business, where are we now and do you see any more from that?

BILL GREGSON: Well, I mean, obviously we are right now is it – is not going in that direction but it is not going in that direction because of a new economic condition which is called Canadian dollar at par. So we still – yes, we still think we have margin expansion opportunities. We are in a short-term correction period when this correction period is over we would look to continue to expand our margin and that margin will come from our increased purchasing power and will come from continued improvement on how we buy, allocate and replenish product.

BOB SARTOR: And the other side of it too is we spend some time today talking about getting apparel sales up and how happy we are with the progress (Ph) of the stores. If we continue to achieve that kind of performance and repeat that in our next wave of new stores, you're going to see us aggressively go after that – those apparel sales and those really drives our margins because that’s the highest margin product we sell.

ADAM CLARK: Okay. And then just longer term with the top line, you know, in the coming year should we expect any greater sales growth than we've sort of seen this year and then going forward, you know, other than the prototype if that works out is there any – are there any other areas that you could see getting growth up?

BILL GREGSON: Turn to the top line as Bob mentioned already that there will be somewhat of a challenge next year because there will be price deflation and the trick obviously our costs aren't going down so the trick obviously is then to manage your margin dollars. In terms of other revenue —but again that's a – that's a – industry-wide that's a correction, how long that's in place remains should be seen.

In terms of other revenue growth, it has new stores from existing banners where we just purchased Athletes World as well. Tom continues to rollout some of the franchise specialty banners and we look for comp store growth in our existing stores and as Bob mentioned obviously the apparel side on corporate is a huge opportunity down the road and we've been doing a number of things over a number of years and we – I will come to conclusion that store design needed a change, we have changed and it's been a tremendous success in new three store so far. So that is another opportunity that would beyond the typical normal comps and that would be to greatly drive our sales per square foot in apparel on the corporate store side.

ADAM CLARK: And then regionally Ontario probably be your biggest opportunity?

BILL GREGSON: Yeah, Ontario, we still have – we sold a much higher share in Alberta, B.C. and Quebec than we do in Ontario for sure.

ADAM CLARK: Okay. Great. Thank you.

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

RYAN BALGOPAL: I just wanted to clarify what Jim was asking about earlier on the G&A cost line, I guess it was down close to $9 million and you were saying that most of that bonus accruals, the year-to-date bonus accruals are only down to 5.3 (Ph), so just so I'm clear, that would suggest that accruals were actually up year-over-year in the first half of this fiscal year?

BILL GREGSON: Yeah, with stock-based compensation, Ryan as opposed to bonuses, I frankly I really can't sit on the call and provide a reconciliation of our compensation plans.

RYAN BALGOPAL: I guess what I ultimately what I am trying to get is the Q3 number is that a sustainable number, because it seeking down versus a couple of years ago?

BILL GREGSON: Well, the reality is that - and that's the problem when you have a three-year plan that is achieved in a year. Last year's stock-based compensation accruals were three year – close to three years where the accruals – we started to accrue the year prior. So when doing year-over-year comparisons you are going to see your G&A costs down materially, you are going to see them down at older historical levels and you should expect them to stay there because our new long-term incentive plan will not have these, what I call waterfall cliff vesting criteria that are significant if we hit significant EBITDA margin expansion. So what you are going to see is more normalized accruals and what you are seeing now is closer to what you should expect in the future.

RYAN BALGOPAL: Okay, now that clears up. I guess just last quickly – on the comp increases that you saw those couple of stores that have been renovated 40% to 50% was that just in the apparel category or is that overall?

BOB SARTOR: No, that's overall.

RYAN BALGOPAL: That's higher?

BOB SARTOR: Apparels done very well but they have also it's the overall store pretty much every category has been up.

RYAN BALGOPAL: Okay.

BILL GREGSON: I think, if you go to the Newmarket store what you will find and the – what we are getting feedback from consumers on is that it's an easy to shop store and that was one of the problems we've had in the past, particularly in apparel, but in general consumers didn't find the stores that easy to shop as other stores in the mall and you know, yes the apparel fixturing is fantastic, the boutiquing is great because of the brand but if see - you look – go to the footwear department you are going to see an easier to shop footwear department, you are going to see more sort of fixtures that house a lot of footwear and that obviously will guide your footwear comps as well. So we have take steps to try and make the entire store easier to shop and certainly the feedback we are getting is that we've succeeded in doing so.

RYAN BALGOPAL: Okay. Great, thank you.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please 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. Certainly, we've had several comments on cross-border shopping and internet shopping. Now, for a minute think that those few items are dominating the agenda, the reality is we will be entering and have entered into period of price deflation. We know what the challenge is the challenge is to try mitigate that and we are doing so to a certain degree with some of the new store concepts that we are coming out with some of the growth in square footage on the franchise and corporate side that we have talked about. Certainly, what we find because it's impossible to tell exactly what kind of leakage there is south of the border.

The reality is that it's simply a hotter market in Canada now and as a result of that we've decided as the leader in our segment to take the lead and our objective frankly was to drive comps and at the expense perhaps of margin rate, but to drive home more margin dollars that's what we have done, that's what we intend to continue to do. Certainly, from what we have seen since the cutoff date for our press release our comps have continued to be quite buoyant and we are reasonably optimistic about our sales trend for the fourth quarter.

As I said earlier, we will be providing a Christmas comp press release earlier in the New Year, we will provide a specific date in a press release shortly as it relates to Athletes World we are in the process of the liquidation there was an announcement of a number of stores that would close last week that was difficult to do and caused lot of angst within the Athletes World organization but it is sadly the necessary medicine required to successfully exit from CCAA and you will hear more on that in January and obviously we are always available to answer any questions you may have after the conference call or at any time. Thanks very much for your participation today and good day.

OPERATOR: Ladies and gentlemen, this concludes the conference call for today. Thank you for participating. Please disconnect your line.

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