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QUESTION AND ANSWER SESSION:

OPERATOR: Good afternoon ladies and gentlemen. Due to technical difficulties experienced during the Forzani Groups Limited First Quarter Fiscal 2008 Conference Call, 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 before pressing the keys. One moment please for your first question.

Once again ladies and gentlemen, please press the star followed by the one for questions.

Your first question comes from Ryan Balgopal of Scotia Capital. Please go ahead.

RYAN BALGOPAL: Thanks. Good afternoon.

BOB SARTOR: Hi Ryan.

RYAN BALGOPAL: Bob, I was wondering may be if you could just talk about the decision on – I guess the delay in any decision in terms of capital redeployment?

BOB SARTOR: Sure. Before we do that, I am going to ask Richard to probably once again to read the safe harbor clause and then I'll talk at length with respect to dividends versus stock buyback et cetera.

RICHARD BURNET: Thanks again Bob. As we conduct this conference call, there are remarks that we will make about future expectations, plans and prospects for the company, which will constitute forward-looking statements. These statements reflect current expectations. They are subject to 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 the company's public record including our annual and interim MD&A, which is available on SEDAR. Bob.

BOB SARTOR: Thanks. Ryan, we obviously just roll a set of dice to figure out what we are going to do. The board went through the proper protocol, hired financial advisor to look at cash redeployment alternatives and the financial advisor went through the historic cash flows of the company's plan future cash flows of the company. There was also great discussion about the flow dilutions taken place over the past 6 or 7 years. And it was felt that – by the board that, you know, we announced the

normal issuer bid and gave approval to buyback of 2.3 million shares and the – it is our intention to continue to execute on this, that doesn't mean that we have to level normal course issuer bid run its course before we announce anything on the dividend, we just felt that we just announced it in March, we have been in a blackout for most of that announcement period and we felt that at least get some traction on the normal course issuer bid and we may -- we went out of our way during the AGM resided to make sure that everyone understood that dividend was still on the table and after the advise we had received from our financial advisors was to first pursue to a certain extent the normal course issuer bid, because we certainly have a minimal goal in the mind after which we would actively table a regular dividend as an item for discussion. So that's really all we can say on that.

RYAN BALGOPAL: Is there any concern, I guess, about the stability of the cash flows to make the board want to wait to see how the business unfolds over the next years. Is that, I guess, a concern of the board?

BOB SARTOR: No, no it's not, theoretically if we buyback a couple of million share it is a significant investment on the part of the company and I have to reiterate again, this is – this was some advise we received from financial advisors and as a board took that advise into consideration and made a decision. It has nothing to do with the expected future cash flows of our company, I think everybody including yourself from a modeling prospective see a generation of cash flow and just because it is not

declared dividend today as perhaps some analyst expected and some shareholders may have wished, does not mean that dividends are not on the table perhaps later on this year. It's just that we felt doing a normal course issuer in one quarter and stock buyback in another one sort to make sense to us, especially since we are actively buying stock and really we had only a few weeks of normal course issuer to buyback our stock than we declare dividend and theoretically drive up the stock price and then it go out buyback. So, I mean, logically one does with certain degree follow the other and we are well aware that there are numerous companies out there that have a normal course issuer bid placed to deal with float dilution and at the same time declare dividends, we don't see that as conflict and we may end up in the same place, just not now.

RYAN BALGOPAL: Okay. And in terms of the options that you have is a regular dividend I guess near the top of your list, is that what we should take from what you said?

BOB SARTOR: A regular dividend is very high on our agenda, yes, because obviously, Ryan, as you know we generate the cash we need to fund our business now, I stated so during the AGM. And I think importantly, as an organization you don't know we continue to look at acquisitions, the reality situation is acquisitions are principally private entities and you can't control when you are going to be able to do one of those transactions. So for us to simply say well we might do an acquisition

one day and then the whole bunch of cash on the balance sheet or have a severely de-levered balance sheet long term would not be a good idea.

RYAN BALGOPAL: Right. Okay. Next question, just on inventory, is that about 6.5% from the end of Q1 last year, seems a little high given all the programs you have got to really improve the inventory management, just wondering if you could talk to that, what's behind that and are we going to start to see inventory declines going forward?

BOB SARTOR: Yeah, it's mostly timing. We will – we talked about it in the conference call, we ended up with less ski/snowboard coming out of winter, we did have some more outerwear than a year ago. However, as said in the call today, is that outerwear was not a significant number that it's going to cause any concern to the results this fall. In terms of our summer categories, we think we are in great shape in summer as we projected into July and August and we look at how much we have on an overall versus a year ago and our regulatory positions are now with the sales transit. So -- and the other one is fitness, for Fitness Source which became -- we have bought -- we buy in bulk, we buy trailer loads (Ph) and we purchase a number of trailer loads to supply our franchise network for the upcoming year which we didn't have at this time last year. So we have been – in fact we are very encouraged about our inventory levels and I think what you are seeing at the end of the Q1 is primarily timing.

RYAN BALGOPAL: Okay. Should we expect that to come down then?

BOB SARTOR: Yes, you should expect to see – although, the one issue would be – you see affect to see it come down in terms of summer product, what we will do is last year in June we did a warehouse conversion, that backed up some of our back-to-school receipt into August and our preference is not to receive back-to-school in August, our preference is to receive back-to-school in June or July and to have it on the sales for in August. So, there may be a timing issue as we go through July and August at the end of Q2, at the end of July, but overall we definitely expect to end the year with less inventories than a year ago and we are on target to do that right now.

RYAN BALGOPAL: Okay, that's good. And just – my final question just is on square footage. I am wondering if you could give us sort of percentage increase on a net basis on closures and any conversion we expect for the year for corporate in the franchise business, whether it be percentage or...

BOB SARTOR: You are asking tough questions Ryan.

RYAN BALGOPAL: That's it.

BOB SARTOR: On the – let me just – on the corporate side, we would -- if that don't hold this exactly, but it's going to be in the neighborhood of 2% to 3% net addition, going to be on the smaller side, so

2% to 3% net addition on the corporate side. Franchise, Tom, going to be significantly...

TOM QUINN: Yeah. We are probably, Ryan, probably going to open in the neighborhood of 40 stores averaging around 8,000 square feet.

RYAN BALGOPAL: And is that a net number Tom?

TOM QUINN: Yeah, that would be a net number.

RYAN BALGOPAL: Okay.

BOB SARTOR: Hardly the 15%...

TOM QUINN: 15%, probably the total.

BOB SARTOR: Great.

TOM QUINN: Well, between 12% and 15%.

RYAN BALGOPAL: Okay, that's great. That's it from me. Thank you.

OPERATOR: Your next question comes from Adam Clark of BMO Capital Markets. Please go ahead.

ADAM CLARK: Hi guys. I just want to talk about the additional compensation expense. It looks like last year, through LTIP payouts, there's at least \$11.5 million that I can add up in additional costs that shouldn't occur this year, but you're saying that compensation expense

should be lower by about \$10 million. Could you just explain the difference?

BOB SARTOR: Sorry Adam – you believe it's 11.5 versus the 10?

ADAM CLARK: Yes. Well, I believe it's 11.5 in LTIP payouts that were – that I can see in the circular.

BOB SARTOR: But the – but there...

ADAM CLARK: Is there some sort of other additional compensation expense you're expecting due to the increase in your budget this year?

BOB SARTOR: But I don't – I think you're mixing apples and oranges there a little bit. I mean, there will be an LTIP program in place in the current year, the \$10 million difference if you like year-over-year is really a function of last year's three-year plan coming to provision all in one year versus what would otherwise be a normal year-over-year LTIP payments to some 60 odd management people. So I don't know that you can really go from the proxy circular and equate that directly to...

ADAM CLARK: I think you...

BOB SARTOR: What you're seeing today.

ADAM CLARK: I think you explained the – my question for me.

BOB SARTOR: Okay.

ADAM CLARK: And the other thing too I want to ask was; do you guys have a shareholder rights plan, and if so what would be the sort of highlights from it?

RICHARD BURNET: We do have a shareholder rights plan, I believe it would be filed on SEDAR. In terms of the salient conditions, it's pretty much of a miller (Ph) plan and it is also included in our 2005 proxy circular. So we have a plan, it is not an owner's plan as it relates to restrictions and so on, and is a pretty standard plan.

ADAM CLARK: Okay, great. Thank you guys.

RICHARD BURNET: Alright.

OPERATOR: Next question comes from Keith Howlett of Desjardins Securities. Please go ahead.

KEITH HOWLETT: Yes. I just had some questions on your new banners. Just on the Hockey Experts on the corporate stores, I actually haven't seen one of the six you have in Quebec on the franchise side, but how does this – how do you fit these in the market between Sport Chek and National Sports on the hockey side?

BILL GREGSON: Keith, it's Bill. The FGL is outside of Quebec -- anyway so it's right outside of Quebec right now. Although I don't know that it's similar just as far as maintainers doing hockey in Quebec, it's really going to be almost a forefront hockey strategy in outside of Quebec, and that would be – at the low end would be Sport Mart, so that would be opening price in hockey, skates peeking around \$199 if you will. The step

up from there would be Sport Mart – sorry, Sport Chek. Sport Mart doing both opening price and a very strong mid price and gradually moving that mid price up to upper mid and or it's been to even up to let's say 399 kind of doing an all store program, above that would be National Sports. National Sports, as you know, is Ontario owned banner, National Sports is our team sport center, our biggest single concentration of hard goods overall is in National Sports about 50% of our business is done in hard goods, and they would be what we would call pro shop in every single store, so they would have pro – they would have top the line product in every single national store, but obviously they're not a hockey owned store, they're general sporting goods store with a fairly large emphasis on hockey, and then at the top of the chain would be now Hockey Experts which is a pro shop store, it carries the best of the best, also carries opening price as well, and – but it's in a hockey only environment with a staff that lets breathes, sleeps, drinks, thinks hockey 24 hours a day, and our avid hockey players, coaches, et cetera. And so we look at it as a four-tiered approach and go – and with the Hockey Experts being the top of the tier.

KEITH HOWLETT: And would Hockey Experts be a Power Centre or a mall store or...

BILL GREGSON: Power Centre. Most often a Power Centre, Keith, only because Sport Chek is in pretty much of a mall, and we – the big

difference probably we can go back in on Ontario would be is that Sports Experts has not done a lot of hockey compared to a Sport Chek or a national, and so they made (technical difficulty) wealthy Hockey Experts right beside us – Sports Experts, because the crossover is in that grade. We think on the corporate that a different location than the corporate store in most cases will be either way to go.

KEITH HOWLETT: And then just a question on the Coast Mountain Sports. Am I correct these are out in Alberta, do you see the new store openings this year or...

BOB SARTOR: Yeah, both scheduled openings right now, Keith, are in – one is in basket (Ph), it's opened up already and other one is in Calgary which will open up later this month.

KEITH HOWLETT: So is it still for the Ontario market although more – just integrate the merchandise mix into...

BOB SARTOR: Correct.

KEITH HOWLETT: Sport Chek?

BOB SARTOR: Correct.

KEITH HOWLETT: And then maybe just, unfortunately I didn't get a chance to hear the annual meeting, but maybe Tom could just speak a little on the Fitness Source concept.

THOMAS QUINN: Basically what we're doing, Keith, is we are taking the Fitness Source stores that were in place, there was nine

locations and we spent the last six or eight months looking at fitness retail throughout North America and who were the leading standards we'd met with the one fitness companies, hoist Cybex version of the groups, just to give an idea of what was going on, and we've developed a new concept that we believe will radically change the way retailing is going to be done in the fitness business, and those stores we are intending to open between four and five locations in the third quarter of this year.

KEITH HOWLETT: And it will be called Fitness Source or...

THOMAS QUINN: Yes.

KEITH HOWLETT: Okay. How big is the store?

THOMAS QUINN: Stores, well between 8,000 and 10,000 square feet.

KEITH HOWLETT: Yes. Great. Thanks very much.

OPERATOR: Next question comes from Jim Durran of National Bank Financial. Please go ahead.

JIM DURRAN: Good afternoon. I just wanted to go back to stock-based compensation accrual in the quarter. I was reading the AIF and it was my interpretation of it that there was possibly some carryover on accruals from last year's program which is, I guess, part of your three-year

contract. Could you give us some idea as to how much of an accrual that might have been in the quarter that won't carry on into Q2?

RICHARD BURNET: How much – it's Richard, Jim. Well, tough one. It's – Q2, last year's Q2 will be not unlike last year's Q1 in as much as there were very minimal accruals, so you'll see a bump this year in Q2. And I think I'd look again to the annualized expense, and because really it's all timing this year based on the fact that we believe that the targets related to the performance-based comp are going to be hit, so Q2 this year will be greater than last year. But on annualized, you're still looking at \$10 million less.

JIM DURRAN: What is there well in Q1 accruals for last year's performance or for the achievement of the three year targets that were in the previous contract versus accruals that are taking place on, you know, your best guess as to how you'll net out in fiscal 2008?

RICHARD BURNET: There was a portion of the expense in Q1 that was contractual based on the prior year's results, yes.

JIM DURRAN: And from an EPS standpoint, was that number meaningful?

RICHARD BURNET: No.

JIM DURRAN: Within athletic footwear there's been some weakness in the US, I know you're aware of it. Can you just give us some

idea as to how the footwear business in Canada seems to be playing out, and what growth for the industry you would expect to see?

BILL GREGSON: Jim, it's Bill. The – we've talked a little about this in past on some these calls, and just in terms of what our viewpoint is, certainly glad to discuss it again and that is that our footwear business is a lot less fashion oriented than the mall based US athletic business, obviously dominated by Finish Line and Footlocker being largest in the world. And our business is – well, we have a fashion component to it, we have a huge component that is functional whether that be athletes, whether that be running, whether that be basketball shoes, et cetera. And if you get to the fashion component, probably our single biggest fashion component of our athletic would be – sorry, of our footwear component would be the sandals, which really is not so much footwear as it's seasonal wear. And so our footwear business have been very strong. It's – footwear in the last two years has been our leading consistently comp category and we're seeing no difference so far this year. And again I think it's because of the component or the makeup of our assortment versus which you would find in the US, if you refer to a Finish Line or Footlockers.

JIM DURRAN: Okay. And last question, just the girdle weather question. Your franchise comps were quite strong and your corporate comps were significantly weaker, and I am just trying to get a handle on, you know, east versus west and corporate versus franchise, what were the

major drivers to that difference? Now, is there more than weather going on in terms of the demand in Quebec, let's say, versus the rest of the country or how's that playing out?

BILL GREGSON: This is a pretty dangerous question, Jim, and a dangerous question would be to take a piece of it as apposed to a total approach to it, and the – we're very happy with the comps that we're getting on the corporate side obviously, especially for the first four weeks of Q2, now that we're into fourth week for summer. I think the results are -- this is where the Safe Harbor statement comes in, I think the results of the – of Q4 is far away to Q2, when the summer bodes very well for how June, July will play out. There's a – we'll yet to go back and look at to, I think, is just the state of evolution of franchise versus corporate franchise has had five, six, seven years of incredible results. Three years ago, we were ballooning the core corporate results, and we're trying on it right now what corporate is, what we're doing is we're working on; one, reducing our marketing expense, as you recall last fall – two falls ago we overspent to tell everybody about the new Sport Cheks, but what we're doing is pulling our – we pulled our advertising spend back to a more normal level, that dropped into the bottom line. We are buying less inventory, we're purchasing less receipts on a comp basis as we take advantage of the investment we've made in our precision retailing teams, and we are – so with less inventory and less marketing expense, we're generating sales

increases and we're going after margin at the same time. And so we kind of like – we don't – we are definitely focused on comps, but I would say we've a bigger focus on the bottom line in the contribution that our corporate stores are providing to the overall SG&A costs. And we – whereas on the franchise side, the franchise side isn't going through all the same scenarios at the same time because they have a much – they are not adjusted in their marketing expense and they're not adjusting their purchasing, because they don't need to, because they did that years ago, and they're just on a roll. And so we're managing corporate as a total business rather than just managing comps. And so that's a huge piece of what we think was going on, at the same time there's no doubt that the Alberta weather would have negatively affected the – in fact in Q2, our strongest regions in Ontario and BC so far on the corporate side.

THOMAS QUINN: Jim, just in addition to that, on the franchise side this is literally the first quarter that we can see the impact of the new POS systems that we rolled out into the network, so that they have similar tools now to what the Sport Chek banners had last year, that's all the comps going there. And the other thing in the first quarter that we did in, especially in the month of February, we did aggressively liquidate the balance of our winter inventories prior to going into our buying season in March.

JIM DURRAN: Okay. That's great. Thanks guys.

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're using the speakerphone, please lift the handset before pressing any keys. Your next question comes from Benoit Caron of Canaccord Adams. Please go ahead.

BENOIR CARON: Yes. Thank you. Good afternoon everyone. I missed the audio a moment about conference call, so maybe you've addressed that already, but I am curious to know now we're – two years later when you settled, really build market share in Ontario, and then I am curious just to know how the competitive landscape is evolving there. I remember it was tough, and I am curious to see how much of the improvement in the financial results that we've had in the last 12 to 18 months is coming from an improving – any improvement in the company's landscape in Ontario? Thank you.

BOB SARTOR: Ontario has improved and still has huge opportunity to improve. And on the – at the annual meeting here that we just finished, Benoit, Bob shows our market share by province across the country and offhand I believe it was 27% in Alberta, 23% in Quebec, and 15% in Ontario. And which – that the good news is it's 15 compared to what it used will be, not that too long ago it was single digit.

BENOIR CARON: Yeah.

BOB SARTOR: The opportunity is the 27 number in Alberta, 23 number in Quebec, and overall say a it go up 30 in Canada. So, Ontario has been improving, and – but still – it's still like behind the performance of our stores in Alberta, BC, and Quebec, and we are spending a lot of time internally focusing on how to close that down.

BENOIR CARON: Okay. And what have you seen so far, is it going to come through acquisitions or organic development, what's missing actually in Ontario that you have done so well out west and so well in Quebec?

BOB SARTOR: There's a couple of things that are different and one is that the Alberta, BC, Quebec markets are phenomenal markets for ski snowboard and outerwear. They have got mountains, Ontario has Blue Mountains and or in Ontario has Beverage Hill, called San Antonio. And so there's remarkable difference in terms of geography and so it's really somewhat it's adjusting the mix, but also somewhat is – our heritage is Quebec, our heritage is Alberta and BC, and it's closing that gap and we always – it's not a one-year process, but we are making it – we have made a lot of strides, and like I said it's probably internally from an operational point of view, it's -- our single biggest focus is driving comps in Ontario, because it's not so much the – yes in terms for more storage, a lot more storage in Ontario, but the greatest day off would be organic growth or

comp store sales increase there to bring the sales per square foot level in Ontario less to what they are in Quebec, Alberta, and BC.

BENOIR CARON: Okay. Well, if I look at it this way; if we look at sporting goods categories, would that mean that you guys have to beef up your bicycles offering, I don't know like what kind of products would make the difference in Ontario for you guys to bring it up to the 25%, 30% margins in that ranges like you're opening to get in Quebec and out west?

BOB SARTOR: It's a whole pile of categories, Benoir, it's footwear, it's bikes, what you mentioned is inline with hockey, it's apparel, it's pretty much right across the board. The opportunity in ski snowboard is not as big in Ontario, obviously it is in Quebec, Alberta and BC, so it's the added (Ph) categories. And they underperformed compared to Alberta, BC, and Quebec.

BENOIR CARON: Okay. Well, that's all I had. Thank you gentlemen.

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

JIM DURRAN: Just want to go back to the free cash flow straight. Would you consider a special buyback of stock, and where would that fit into your priority list?

BOB SARTOR: That has been discussed with the board by the financial advisors, and the concept of things like special buyback or such option as in table. I guess where we are right now is the initial preference, Jim, is to reverse some of the diversions taken place over the last two years, having placed a normal or a regular normal course going forward in that deal with any flow diversion that would occur and obviously high on the list of the priorities is that a hard look at again this year at dividend.

JIM DURRAN: Okay. Just shifting over to the gross margin, was there any gross margin improvement in the franchise operations this quarter?

THOMAS QUINN: Yes.

BOB SARTOR: Yes. There was a slight improvement in – on the franchise side, yes.

JIM DURRAN: And when I say that (multiple speakers) very well and that operationally there might have been, but was there any FGL realized improvement in franchise kind of wholesale, I guess?

BOB SARTOR: Yes. Yeah. Both franchise and wholesale, wholesale quite nicely.

JIM DURRAN: And I guess, big driver this quarter was still licensing business growth in the wholesale channel?

BOB SARTOR: Yeah, the – you know, the way it works is licensing will be the big driver in any quarter where the wholesale division doesn't hit

a home run on close-outs. Q2, I think close-out will be the order of the day, we've had some great deals we've been able to secure. So you'll likely see Q2 where it comes out to drive more. And typically obviously the booking business drives higher margins, smaller volumes, and the close-out business can drive some very high volumes at obviously lower margins. So, there is a certain evident flow to that business, but that two co-exists very nicely together.

JIM DURRAN: Okay. And last question, and I promise last question, do you see any improved implications from the Athlete's World purchase?

BOB SARTOR: It's a good question, Jim, still obviously it's very early, as I don't believe the deal has been completed yet. Our anticipation obviously is that it will. And as far everybody has kind of referenced Athlete's World has been, I guess, tentatively sold to Michael Gold's group from abandoned (Ph) family and which – and so I – it's probably, I guess, our comments on it would be is that, we -- obviously I think we've been distressed over for a number of years. We actually don't know what the plans are, and does that mean there is going to be less Athlete's World stores, and some store being converted to the groups out there, banners that they have; whether that's the Stitches or Bluenotes, or Urban Planet I believe it is and which would mean less Athlete's World stores and less

competition for us, or does that mean a renewed focus in a different direction for Athlete's World. And at this stage we just don't know, Jim.

JIM DURRAN: Okay. No, that's fair, appreciate it.

BOB SARTOR: Yeah.

OPERATOR: Your next question comes from Philippe Habeichi of Genuity Capital Markets. Please go ahead.

PHILIPPE HABEICHI: Hi guys, I am sorry, I missed the AGM presentation, but sort of part an echo of it, to reverse and to be able to listen to it. And did you guys mention anything about a net cash or a net debt position at the end of the year?

BOB SARTOR: No, we haven't, Philippe, and I am not sure we would at this stage comment on net cash position.

RICHARD BURNET: So it might be debt free.

BOB SARTOR: Oh, debt free, (Multiple Speakers) continue at this stage, we could be debt free but, you know, here obviously we don't intend to be, we intend redeploy that cash, we discussed normal course issuer bid and discussed the potential for dividend, we discussed significant plans in our businesses and I think that was pretty much it for cash.

PHILIPPE HABEICHI: Okay, that's fair. And then the – you know, I think that's the last for now, I will queue back, I might come up when I think of a question.

BOB SARTOR: Okay. Thank you.

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

KEITH HOWLETT: Yes, I think, I wonder if you could just give us some broad breakdown of the capital budget for this year which is I think it is going to be both net 30 million...

RICHARD BURNET: Yeah, we do have a broad breakdown, we typically don't go into that level of detail Keith. If I could say with the store openings we have announced a decent chunk of that will be at store level.

KEITH HOWLETT: That's what I was asking, you didn't – there is only 7 corporate stores this year. Is that correct, new?

RICHARD BURNET: Yeah, but we would have...

BOB SARTOR: There's 10 – including conversions of 20,000 or 40,000, it could be five new Sport Chek, Keith.

KEITH HOWLETT: Right.

BOB SARTOR: There will be one new Sport Mart, there will be two new Coast and there is two conversions of 20,000 square foot, Sport Chek

to 40000. So, 40000 is obviously are -- so they can cost some money. And then there is also, we have -- in terms of stores, we have money in for refurbishment.

KEITH HOWLETT: Correct.

BOB SARTOR: And I come out mistakes we made a few years ago is, we let the value of our asset went down by not spending money on our existing store base and we will -- we won't -- we will not be doing that again, so there will be money in for the existing store base as well.

KEITH HOWLETT: And then may be you could just speak about the new Sport Mart that's opening -- what the sort of new generation is going to look like?

BOB SARTOR: What I will say was a -- I wish I could paint you a picture with my verbal skills, Keith, but what is, is footwear will take a prime presence in the store which is dozen half a day, it's going to be a huge presence of a footwear wall, a totally revamped footwear wall, it's going to be repositioned to the back in the store on the back wall. We are going to have a much greater call out of our value messaging (Ph) that's going on and continue reinforcement of why Sport Chek -- Sport Mart is a value banner in Canada within the store. And all new fixturing, all the fixtures are being replaced, are being redesigned whether that be footwear, whether that be apparel or whether be hard goods and give different lightings et cetera. So, just brand new succanut (Ph) store that we think is much more

relevant for 2007 and we think ties in much better to the value proposition that Sport Mart needs to have and to wear the biggest growth requirements from a category point of view when we think Sport Mart is underperforming from a footwear sales per square foot basis and so our design will hopefully rectify that.

KEITH HOWLETT: You are going to keep the inventory on the wall with the big letters or...

BOB SARTOR: Yes.

KEITH HOWLETT: Just wondering how many employees you have lost with that one, but -- I just wanted to remind you that Steve Bugdorski (Ph) learned at Blue Mountain, just see Alberta (Ph) remember that.

BOB SARTOR: I have -- I am an easterner originally, Keith, I guess, I forgot where I come from, and you kind of get used -- you kind of get spoiled sitting out here looking at these big things out in the distance that you don't see when you are in Ontario.

KEITH HOWLETT: Thanks very much.

OPERATOR: Next question comes from Philippe Habeichi of Genuity Capital Markets. Please go ahead.

PHILIPPE HABEICHI: Hi, thanks. Just remember my second question. Tom, you about the integration of National Sport -- about

National Sport and Sport Mart, you guys wanted to rollout some of the same technology software systems that benefited the turnaround at Sport Chek. Just wondering where you are in that process, and then when you can expect the same kind of level of margin improvement which you have already seen at Sport Chek?

TOM QUINN: Well, first of all we are seeing margin improvements right now and pretty substantial ones in both National and Sport Mart and that's really taking the knowledge that's been greened (Ph) from what where we have done in Sport Chek, Coast and also changes in assortment have very positive impact on both those banners. So we expect to see, this year some continued improvement in their margins and in fact we have seen in the first quarter are seeing it right now. Really the issue then becomes, how long does it take to convert an entire merchandising platform to educate the people and then to begin to get traction on that platform. The conversion part, we pointed out on AGM begins this year, in fact it begins in June, but these kind of projects are very long project. So we expect the better part of the year, it's not slightly more than a year to complete this only then we will begin to get the kind of benefits that we have reaped in Sport Chek from this. And in the mean time, we are taking several of what we call, you know, the operational discipline in terms of replenishment and so on and trying to get jump start on those. So we will see some improvement this year, not necessarily due to the merchandising

conversions, but due to the some things we are doing that we learned in the merchandising conversion of Sport Chek, Coast and then you will begin to see some operational improvements from the margin prospective really back half of next year with those two banners over and above the improvements we are making now.

PHILIPPE HABEICHI: Okay. Great. Thank you.

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

BOB SARTOR (CHIEF EXECUTIVE OFFICER): That's great. Thanks very much for performing in. Our sincere apologies for the technical glitch this morning. I am sure most of you would have preferred to have as much as answer earlier on, but we felt that it was important to reconvene rather than trying and sort of have everybody one-on-one, it would have taken a long time in trying get all folks around the line. So thanks very much for listening and we will see you next quarter.

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