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OPERATOR: Good morning ladies and gentlemen. Thank you for standing by. Welcome to The Forzani Group Ltd. Fourth Quarter and Year-End Fiscal 2008 Financial Results 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-zero for operator assistance at any time. I would like to remind everyone of this conference call is being recorded on Thursday, April 10, 2008, at 7:30 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, Joanna (phon) and good morning ladies and gentlemen. With me here today on our Q4 and year-end conference call are Tom Quinn, our President and Chief Operating Officer and Richard Burnet, our CFO. They will both have to leave by about 8:30 Mountain Time for the airport for a Store Managers Meeting back East. So we are going to try and wrap this call up in 45 minutes. Before we continue, I'm going to ask Richard to make a statement about forward-looking statements.

RICHARD BURNET (CHIEF FINANCIAL OFFICER): Thanks Bob. As we conduct this conference call, there are remarks that we'll make about the future expectations, plans, and prospects for the Company, which will constitute forward-looking statements. These statements reflect current expectations and 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 can not offer assurance that the current expectations reflected in any forward-looking statements will be met. Additional information about the material factors that could cause the 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 SARTOR (CHIEF EXECUTIVE OFFICER): Thanks Richard. Well, ladies and gentlemen, we capped off our record year with a spectacular record-setting fourth quarter. We were aggressive in going after the business and it showed in our consolidated margin rate, which was down 120 basis points including the impact of Athlete's World, but it is important to note that was by design. We had talked about that during our Q3 conference call.

With the strong Canadian dollar and the speculation of increased cross border and internet shopping, we see the opportunity to remind

Canadians that great deals can be had at home and in our stores. Judging by the consolidated comparable store sales increase of 13% for the quarter, the consumers liked what they heard from Forzani's. Q4 also benefited from outstanding winter conditions. I can tell you that this certainly was a good old-fashioned Canadian winter.

Sales of the skis, snowboards, related products, outerwear and accessories exceeded all expectations. We also benefited as have other companies from a reduced tax rate. The results were a Q4 and year-end earnings per share of $0.85 and a $1.39 respectively. I will now ask Richard to dive into the numbers a little more.

RICHARD BURNET (PRESIDENT and CHIEF FINANCIAL OFFICER): Thanks Bob. Ladies and gentlemen, I will cover the financial highlights fairly briefly. For the fourth quarter, retail system sales were $524.7 million against last year's $440.2, a 19.2% increase.

Corporate same store sales were up 10.6% and franchise up 17.7% against last year's fourth quarter result of 1.1% on the corporate side, a negative 2.9% on the franchise side. Really, we saw a good winter across the country versus last year.

Total revenues were $410.6 million versus last year's $353.2, a 16% increase and breaking out revenues, corporate store revenues of $338.8 million were up 15.6%, combination of the comps mentioned earlier, new stores opened during the quarter, and the acquisition of Athlete's World, which added roughly $14 million to the top-line. Wholesale sales of $71.8 million or 19.3% ahead of last year's fourth quarter, primarily, on the strength of increases in the Franchise Division.

Consolidated margins for the quarter were 40.0%, 120 basis points below last year as Bob mentioned due to the aggressive pricing actions we took in response to the strengthening Canadian dollar.

Corporate store operating expenses as a percent of retail revenues were 21.9% against the prior year's of 21.8%. Now, the same store basis expenses were down at 19.9% versus 20.8% last year.

G&A expenses at $35.5 million or 8.6% of consolidated revenues versus 9.8% in the prior year. Difference over the prior year excluding normal planned year-over-year increases was due to reduced accruals for year-end performance-based compensation and a one-time restructuring expense. Exclusive of the restructuring expense, G&A ran at 7.6% of revenues in the quarter.

Fourth quarter EBITDA was $54.6 million, a 16.4% increase over last year. Net earnings for the quarter were a record $28.7 million versus $21.1 last year and the net earnings were positively impacted by a reduction in the tax rate during the quarter. The impact of that tax rate change was about $0.06 a share.

Athlete's World had a negative impact on earnings for the quarter of something less than $300,000 about $0.01 a share. Diluted earnings per share were $0.85 in the quarter versus $0.62 last year.

For the year, retail system sales were $1.529 billion versus last year's $1.416 billion, a 7.9% increase. Corporate same store sales were up 3.3%, franchise were up 10%. For an overall annual comp store sales increase of 5.6%, on a 52-week basis it was about 3.8%.

Total revenues were $1.331 billion against last year's $1.264 billion, a 5.3% increase. Corporate store revenues were $969.3 million up 4.7% with wholesale sales up 6.9% at $361.7 million. Consolidated margins for the year were 35.9%, up 20 basis points over the prior year, primarily, on the strength of increases in franchise and FGL wholesale margins as corporate margins held steady for the year and despite of the additional discounting, which occurred in Q3 and Q4.

Store operating expenses as a percent of retail revenues were 26% versus 25.6% in the fiscal 2007. As we had indicated in our quarterly press releases throughout the year, the G&A run rate for the year did ultimately return to historical levels at 7.5% of consolidated revenues, exclusive of the one-time restructuring cost that I'd mentioned earlier versus 8.5% in the prior year. The difference being a reduction in performance based compensation accruals.

EBITDA was $123 million against last year's $107.3. Net earnings for the year were a record $47.5 million versus $35.2 million last year and EPS was a $1.39 versus $1.04 in fiscal 2007. Just a little more color on the EPS, mentioned a couple of items that did have an impact and just to summarize, the tax rate change was about $0.06. The impact over the normal course bid, the repurchase of shares over the – primarily towards the end of the year on a weighted average basis that represented about a $0.03 impact to earnings and those were offset by the restructuring costs we had mentioned earlier about $0.08 and the impact of the Athlete's World acquisition of $0.01. Outside of that, the 53rd week in the current year added about $0.03 to EPS.

On the balance sheet side, all meaningful measures showed improvement with the exception of working capital, which fell due to the re-classification during the year to current of roughly $50 million in term financing if not for that reclassification, the Company's working capital would have drawn approximately 9% on a year-over-year basis and the Company will be renewing that credit facility prior to its expiry at the end of June this year. I will now turn it over to Tom Quinn, for his comments on the business. Tom.

TOM QUINN: (PRESIDENT AND CHIEF OPERATING OFFICER): Thanks, Richard. Good morning ladies and gentlemen. As you have heard and read this morning, we are pleased with the progress we continue to make with our business. All benchmarks we review internally from our store results all showed significant improvement over the past year in both corporate and franchise businesses. Although, particularly note for the fourth quarter performance, the franchise business did not take an aggressive stance with pricing on the marketplace and did result in a 17.8% comp increase and margined actually in our Sports Ex was the same as the previous year, but actually in our Sports Experts and Atmosphere balance did increase.

In terms of our inventory levels and quality of inventory in our entire corporation, it has never been in better shape and did impact the first eight weeks comp sales performance of this year, particularly in the winter sport categories compared to last year's aggressive liquidation that we had executed in the fourth quarter of fiscal 2007.

The sales by category in the quarter all generated positive growth numbers in both franchise and corporate businesses in footwear, apparel, and equipment categories. For the year, we realized strong performance and positive growth in both Franchise and Corporate Divisions in the footwear, apparel, and equipment categories. Of particular note was our exceptional performance in the ski, snow board as a result of the phenomenal winter we have. Hockey, golf, racquet sport, footwear, and total apparel business all increased considerably on a comp store basis.

Store operating expenses as Richard pointed out were in control in our Precision Retailing Initiatives are continuing to improve the management processes associated with our inventory management and marketing performance.

Our franchise stores continue to maintain the steady growth and exceptional performance and continues to be a very financially healthy network. Of particular note is in the exceptional performance of some of our specialty banners such as Atmosphere, Fitness Source, and Nevada Bob's.

As you're all aware from our sales per square foot performance in our franchise businesses versus our corporate business, there is a difference in this benchmark and a significant difference. In the past year, as you will see on our annual reports circulated, there was a 41% greater sales per square foot performance in our franchise business versus our corporate business, which had demonstrated this past year, improvement over the prior year.

A more significant number is that our largest square foot based franchise stores are actually performing on a sales per square foot and margin basis considerably higher than our franchise averages. This is one critical area that will be attacking aggressively this year. We will be renovating a number of our Sport Chek stores particularly in the apparel areas where we can see a marked improvement in the past of new aids and fixtures that was initiated in this past year.

We will also be introducing a number of brand shops to our Sport Chek environment that has been one of the best practices we have seen in our franchise network over the years. Leading brands such as Under-Armour, North Face, Nike, Columbia Sportswear, and Adidas will all be featured in a number of our Sport Chek stores in the coming months. We will also be testing some brand category shops within our Sport Chek environments where we have half of the space. We will be opening several Nevada Bob's Golf shops within the Sport Chek environment with complete service and fitting capacity in these stores during the month of June.

Both our Sport Mart and National Sports banners will be integrated into our merchandising and precision retailing systems this year and we also see this having a tremendous impact on the performance of these businesses that continue to show marked improvement. Our specialty banners that will now number 87 stores have clearly shown us a potential for growth nationally in these various banners.

Over the course of the last four years, we have been testing a trend sport banner by the name of S3, which represents snow, skate and surf categories to a younger demographic that we have not been targeting aggressively in our general sporting goods banner. For ease of understanding, this is a high-end West 49. We now have three of these stores opened and all are performing well above expectations and we see promising growth in this banner. We plan on developing two additional stores under this banner this year and we will roll it out at a greater pace in 2009.

On development front this year, we plan on adding 15 corporate and 23 franchise locations to our store numbers, not including the 70 plus Athlete's World stores that Bob spoke out earlier. This will add approximately 550,000 square feet of additional square feet per real estate base, which will now total over 6.5 million square feet in this country and with approximately an average of 4 million consumer visits per week in our stores.

For the first weeks of the year as recorded, were comp sales decline of 6.6%. The sales decline was a direct result of reduced sales in all winter categories versus the prior year. Our ski, snowboard, winter outerwear, winter accessories, and sample business, which is hard to sell when there is five feet of snow, we're exclusively contributed to this negative comp. As you recall with last year's lack of snow in November and December both our franchise and corporate stores had massive liquidations of winter categories in the months of February and March.

This year, the comp sales are down, but margins significantly higher. This past eight weeks, we actually have had comp sales increases in our cycling, footwear, summer and athletic clothing, golf, inline skates, team sports, and racquet sport categories. Over the past nine days our comp sales have been significantly been more positive and we anticipate a strong performance in our spring and summer categories in the remaining five weeks of our quarter.

Our Nevada Bob's Golf banner, for example, is showing double digit positive comps to-date for our spring business. So, in order to achieve this year, we once again have a clear strategy for improvement and performance within the organization and we'll continue to increase our standards of customer service, provide the best sporting goods experience for the Canadian consumer.

We do have a very talented, experienced, and motivated team in place that clearly are focusing on customer service. We will be aggressively applying the best practices in each of our business to all of our businesses and we continue based on past experience and results to be cautiously optimistic for our performance in the weeks and months to come, particularly, in our apparel business where we see significant upside, and now, back to Bob.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thanks Tom. A lot of material to cover there. Well, like the saying goes, "Too much of anything is not necessarily a good thing." Winter has definitely overstayed its welcome across our country. I was at Lake Louise skiing last week and was greeted with mid winter conditions. In fact, it's the first time in my 11 years living in the Calgary area that I can recall that Louise -- that the back ball this time of the year are absolutely covered in snow.

The good news obviously and Tom talked about that is for the first time in my 11 years here, we just about ran out of inventory of skis, snowboards, and outerwear. We are as clean as we can be which is great for our open to buy going into next fall and also great for our overall margin expectations going into the next fall for ski, snowboard, and outerwear.

But the bad news as we ran out of inventory in late January and had very little to sell in February and March, which are normally winter clearance months. As Tom said the result was weaker comps in the first quarter at a noticeably higher margin rate.

The other thing that really impacted the first quarter was the shift in Easter. Easter came roughly a month earlier than this year and we were closed for – most of our stores were closed on Good Friday and Easter Sunday that probably cost us a three comp right there, which we will pick up when we anniversary last year's Easter coming up shortly.

Am I concerned about the slow start to the quarter? Frankly, not at all, I take comfort that comp store sales in the key summer categories as Tom said such as bicycles, golf, inlines, team sports, and athletic apparel are up. I also take comfort in the fact that the banners we have that don't rely on ski, snowboard liquidation in Q1 such as Nevada Bob's and Atmosphere and so on are up.

The other thing that we've got to realize folks before we start ringing our hands here over Q1 comps is it's a heck of a long year and Q1 represents less than 3% of our EPS target. So, I think we need to put this in perspective and certainly those who cover the Company in your notes need to put that into perspective.

I also think that we can easily make it up and the reason I do is because since the consolidation of our Presidency in early January, we have been busy reviewing absolutely every aspect of our business again. We seem to do that every other year. To ensure that best practices are adopted throughout the Company.

We have some phenomenal strategies in the franchise business, we have a phenomenal approach to advertising that we are aggressively rolling into the corporate business and the early results are good.

To that end, we've also revisited our banner assortments, pricing, and promotion strategies. We've begun to finally look at each category's gross margin, return on investment, and we've also set inventory churn targets that are far more aggressive than what we've had before, and we are holding more people in this Company accountable for the performance of FGL.

There are significant opportunities in our company to still improve the effectiveness of the ad span, to improve our inventory churns, to improve our product allocations to stores, and the quality of our in-store execution. There is lots of sales and margin upside left in this business and as Tom said with this test banner, S3, we now have access to those key skate, surf brands that has eluded us for so long.

The next few years will be exciting and rewarding ones I believe for both out employees here, our team, and especially for our shareholders as there is opportunity for significant growth in sales per square foot in our corporate store base and I think significant margin expansion opportunity.

I will now turn it over to Joanne, our moderator, to begin a brief question and answer period.

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 and your first question comes from Ryan Balgopal, Scotia Capital. Please go ahead.

RYAN BALGOPAL: Well, thanks. Good morning.

BOB SARTOR: Good morning.

TOM QUINN: Good morning.

RYAN BALGOPAL: If you could just talk about the renovated stores and the lift you're seeing in apparel. In think in the third quarter, I mean, it was still early, but you were seeing something in the neighborhood of 40% lift in the apparel sales from sort of the new format that you've got in there. I'm wondering how that's trended and kind of what you're thinking of going forward.

TOM QUINN: Ryan, it's Tom, basically, obviously with the trend that we saw happening in those renovated stores, we're going to be adding at least another 14 of that type of concept in the balance of this next two quarters and we also see by enhancing and concentrating the product mix as we've done in the new market test will continue to drive a strong constant apparel and we definitely see that as being a significant upside to the business.

BOB SARTOR: Putting it in perspective, Ryan, the stores that were not expanded or newly renovated completely, I would exclude those because that's not an apples-to-apples and the apples-to-apples we're looking at double digit increases above the chain average.

RYAN BALGOPAL: Okay and so how many of those apples-to-apples renovations are you going to do this year I guess?

TOM QUINN: It's – right now it's between 12 and 14.

RYAN BALGOPAL: Those are just pure renos?

BOB SARTOR: Yeah.

TOM QUINN: Yeah, they're big renos. Yeah.

RYAN BALGOPAL: Okay, maybe just on Athlete's World, how can we think about that going forward over the next few quarters? I guess we're going to see some cost for exiting CCAA. Would it be in Q1 or Q2 and then how do we think about how that might impact your business, you know, through the quarters? A new quarter is a getting a disproportionate impact.

BOB SARTOR: Well, well, obviously the legal costs associated with a CCAA are fairly significant. Some of those were absorbed in the fourth quarter, some of them will be absorbed in the first quarter, a little bit will be absorbed in the second quarter as the final billings come in. I -- you know, what we're not going to look at that and say; "Gee, that's something that's so important that we've got to disclose," because I don't think it's going to be material to our overall operations. In terms of the Athlete's World business, I mean, we did do I think a pretty good job of feathering in close outs and augmenting our inventories to minimize the impact of the liquidations. Our expectation is that it will emerge from CCAA some time in late May. That is our current expectation and that we will have a chain of roughly 66 stores and that it will be immediately accretive to our results. I guess that's about all I can tell you on AW right now.

RYAN BALGOPAL: And anything in terms of seasonality or --?

BOB SARTOR: Well, and you know, AW is -- it is, first of all, it appeals to a younger demographic and one of our strategies at Forzani's really is, is to get consumers when they're younger to keep them longer, so obviously AW and S3 help us get the younger consumer. Brands like Coast Mountain Sports and Atmosphere help us to keep consumers a little longer particularly on the apparel side and what we need is a greater share of their wallet, which means we need more brands and we're successfully doing that across the Board. So AW simply helps us get to a younger demographic quicker. The other piece is that because it's a clothing and footwear business, it is far less seasonal than a sporting goods business.

RYAN BALGOPAL: Okay. One last quick one, last question. Just in terms of the economy, are you seeing a slow down in traffic at the malls and are you seeing differences regionally?

BOB SARTOR: You know, what you're seeing is probably what you would expect to hear in my response and that is the West is stronger, Ontario and Quebec is a weaker market generally. I believe that is what we see from the landlords. We happen to be a national retailer and we're fortunate to get that balance.

RYAN BALGOPAL: Have you seen any certain deteriorations sort of in general economic conditions impacting traffic levels?

BOB SARTOR: To be honest with you, not really, and I know there are for some reason that there is belief that Forzani's must react and walk step with the American exporting its retailers. This is a very different market and with very different economic circumstances right now particularly for any retailer who is in Western Canada, the results are still strong here.

RYAN BALGOPAL: Okay. Thanks I'll let someone else go.

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

JIM DURRAN: Yeah, just going back to Athlete's World. With respect to the net operating losses, can you give some idea as to what amount you're going to have access to and what your plans are for deploying it?

BOB SARTOR: Sure. We – and you'll see when we – the consolidated, you know, financial statements and notes, our release that we have approximately $41 million worth of loss carry-forwards, operating loss carry-forwards that are what I consider to be clean and very useable by Forzani. In fact, the total is well in excess of that by, you know, we've focused on the first 41 that we are going to try and use. We'll be able to use some of those in the back half of the year to shield tax and the balance of those would be used up the following year.

JIM DURRAN: Okay. And on the purchase price, is that still ballparking where you were saying when you first announced the acquisition X, which you're going to have to pay for the net operating losses.

BOB SARTOR: Yes, it is.

JIM DURRAN: Okay, so, but there is only -- was it is only about $8 million recorded this quarter.

BOB SARTOR: Yeah, it was Jim.

JIM DURRAN: And so, the rest will show up when? When you come out of CCAA or how's that?

BOB SARTOR: The rest will only show up as we realize on the losses and as those losses are properly passed the statutory period obviously.

JIM DURRAN: Okay. And with respect to the margin on Athlete's World, are you already able to apply your buying power and cost structure to that product and, you know, how deep would you be into their inventory now on those purchase prices?

BOB SARTOR: Well, the challenge with AW obviously is when we stepped in in an ownership position again in November, they had virtually no POs out to the trade because the prior potential owner was really taking them in a lower end private label direction and we have had to scramble to find inventory for that business. I am quite pleased with its performance to-date, but I can tell you were still shy of spurring inventory on those stores. In terms of the impact, absolutely our back page applies on dollar one of purchases from the Nikes and Adidas' of the world. And we -- I also expect this to be our highest performing margin banner because it's a clothing and footwear business.

JIM DURRAN: And you are referring to gross margin, not necessarily EBITDA?

BOB SARTOR: Yeah, gross margin, yeah.

JIM DURRAN: So, just on the supplier side, last fall when the retail pricing of Canadian versus US retailers are becoming an issue, you've reacted and there was some indication that you thought there was a chance the suppliers might be reducing, you know, costs as we headed into spring. Are you seeing that and to what degree are you seeing that?

TOM QUINN: Yes, Jim, it's Tom. We have been seeing considerable price movement depending on the category and where it's been coming in. The golf business has moved anywhere between 8% and 12% down in a number of areas. Footwear and specific styles depending on the countries they've been coming from have had some movement down and as well as some of the textiles.

BOB SARTOR: I guess to put in perspective; we had also said that we expected the majority of any kind of price movement to occur in the back half of the year, we still expect that. I can tell you that the parent companies of the various subs we deal with in Canada will likely retain a portion of the profits. This has been a profit-taking opportunity for the big vendors and I think they're going to keep some of that. Having said that, we have adjusted our buy to take advantage of categories and brands that we know are coming down to make sure that we offer that to the Canadian consumer and obviously those who aren't moving on price, we are patronizing them less. In some cases, we will have to patronize them because some the brands are strong, but we've also just did our buyer to really improve the quality of the offering so, for example, if we had, you know, a jacket retailed for $249 last year and it is now going down to $199, I think we can take people who were previously buying a $199 jacket and keep them at $199 with better technical garment and better quality. So, that's the approach to-date, the strategy has worked well.

JIM DURRAN: Do you feel that you can ease off a little bit on your Canadian versus US price sensitivity because Mr. Flaherty is not making your life more difficult?

BOB SARTOR: Sorry, if you could rephrase that question, I don't know what you mean by ease off on the Canadian-US price sensitivity.

JIM DURRAN: Well, I guess, my impression is that it was a big deal in the press and therefore maybe to the consumer last fall when people thought that maybe the Canadian dollar was going to a $1.30, but as we sit here today, it may not be as sensitive an issue?

BOB SARTOR: Well, you know what, it may not be today, but it's very sensitive inside this building Jim, and the reason is because, you know, life for the media is generally lived in sound bytes and stories or inviscerate (phon). So I would expect back-to-school with the noise to rise again. And in the summer, the noise to rise again -- it's tough to drive the buffalo when you've got a snowstorm every weekend in Toronto. It's a little easier in the summer so, we're taking this very seriously and we have adjusted our buy and we have adjusted our promotional strategies and we are going to continue to be aggressive. We want to make sure Canadians understand that if there is a price difference, it's so small that it's just not worth the effort to go down there.

JIM DURRAN: Okay. I got a couple of other questions, but I don't want to be a puck hog so, let me just focus on a couple of things. Athletic footwear, you've mentioned that – Tom mentioned that it was up in the quarter. It has been a weak spot for the industry overall and also for you guys during the back-to-school timeframe. Are you seeing anything in that business that would give you optimism for athletic footwear to return to growth in the Canadian marketplace?

RICHARD BURNET: Right now Jim, there is a considerable -- we're getting very strong increases in categories such as running, some of them sport specific like soccer, and our cleated (phon) businesses. Our outdoor business, they are better taking up a little bit more room on the wall, in the hiking areas and leisure walking, we're seeing growth in those areas as well. This past year, we've made a significant improvement or increase in the number of winter boots that have been introduced to some of our general sporting goods and we had considerable growth in that area as well. Some of the areas that we do see softening up off obviously is some of the basketball categories, for example, some of the trend stuff that was out there has had some decline in the product, but we're seeing areas such as the running, the hiking, sport specific, and soccer included, as well as some of the areas that are compensating for that decline.

JIM DURRAN: Okay.

BOB SARTOR: And Jim, one other thing I'd add to that, one of the things that we're eagerly anticipating is the launch of the Under Armour shoe, a new Under Armour shoe in the cross-training category. Cross training has been a category that has been dormant, I would say, from most of the last four to five years and Under Armour has come up with some pretty exciting product and obviously we've got the Canadian exclusive from a chain basis so, we're excited about that. That is coming in May. The other thing is that one of big differences been us and the American retailers and I was in Denver on business on Sunday and Monday, and I went into some Dick stores and TSA stores and I can tell you beyond a shadow of a doubt and I don't think I'm being biased here, we have the most diverse and the best footwear walls in North America, and as Tom said the diversity of our footwear offering is what shields us. If we were just a trend, that would be a problem and when athletic was off if were just athletic that would be a problem, but we are a massive outdoor brown shoe kind of footwear retailer as well, and that's what has really kept us buoyant on the footwear business.

JIM DURRAN: Okay. Two quickly, the S3 store size, up to what size is that store format?

TOM QUINN: They're running on average about 3,500 square feet.

JIM DURRAN: Okay. And Nevada Bob's test in Sport Chek stores, where do you see this going, I mean, could it be really extensive if you're happy with it --?

RICHARD BURNET: Tell you in about eight months.

TOM QUINN: I think with mail, what we're anticipating with the best we're doing, we're putting between on average between 3,000 and 4,000 square-foot shops into the Sport Chek environment to test it. This is not similar to what Dick's has been doing in the States. It has been very successful. We think that we can do a substantive increase in golf sales through the Sport Chek network this way depending how the test results in June, July, and August period, then we'll start to putting the plans together from the following spring.

JIM DURRAN: Is there any constraint on the type product you can put into those Nevada Bob's stores based on how the higher end product has worked in the past in the channel?

TOM QUINN: 90% of the supply base we've had have -- like if you remember originally when we were acquiring Nevada Bob's, part of the reason that we did go after that business was because we didn't have access to the brands and even the general sporting goods, but what you'll see with the concept shops are opening up this June, you'll see that they have Taylor Made it, they have Callaway, they have the Titleist products and balls and they'll have as well as the Nicholas brands and the Cleveland, some of these others. So, we now have the access to the brands and it will help us deliver a better offering to a consumer.

JIM DURRAN: Great. Thanks Tom.

BOB SARTOR: Jim, I - to put in perspective, we recognize how important to the various golf brands their reputation is, how they're handled, how they're managed and advertised and presented at store level, and rest assured that we will do whatever we have to ensure that those brands are very happy to be in Sport Chek. We will give them a phenomenal retailing environment. We will have CPGA pros and we'll be able to what a professional golf store can do.

JIM DURRAN: Great. Thanks Bob.

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

BOB GIBSON: Good morning everybody.

BOB SARTOR: Good morning.

TOM QUINN: Good morning.

BOB GIBSON: Gen X, what are they seeing down in the States and are there a lot of opportunities?

BOB SARTOR: What they're seeing in the States is the following of the Trion business is tough. The footwear business in the States is tougher than it has been. Having said that, the States reached high that Canada never reached in footwear. So, again, a different market needs to be looked at differently so, that's what they're seeing. Most of the retailers are or have pulled in their horns on or what I would call the more speculative buys. Certainly from our perspective, what we've done to the rest of our business – our number one customer now is not even in the United States with Gen X, it's in the UK and we're doing a fairly strong business there and we continue to expand that business. One of the reasons, I was down in the States on Sunday and Monday was to sit down with one of the licensing companies to pursue additional brands, which I can't go into in detail, but we're pretty bullish about our potential in the US with some additional brands that were pursuing and some of those brands we could again extend outside of the US and enter Europe.

BOB GIBSON: Okay. Any color on what your CapEx for this year might be and store openings?

BOB SARTOR: Bob, I think Tom gave the store opening, I think it was or rather Tom had given the store openings.

TOM QUINN: And Bob, we're planning on doing 37 new stores today in the marketplace, not including the concept shops we're looking at. It would include four Sport Cheks, one Coast Mountain, ten Nevada Bob's, three Intersport, five Atmosphere, two Pegasus, three Hockey Experts, seven Fitness Source, and two S3's.

BOB SARTOR: And a partridge and a pear tree.

BOB GIBSON: Really.

BOB SARTOR: And Bob CapEx, net CapEx on the corporate side, would be right in around the $30 million mark.

BOB GIBSON: And Hockey Experts, is that going to be corporate, franchised, or how do you differentiate?

TOM QUINN: Well, currently, we could say it is essentially franchise banner. It has been getting strong comp performance year-over-year. We currently have three corporate Hockey Experts stores and we're looking at the marketplace to see how we are going to expand these stores.

BOB SARTOR: We are also toying with the idea of taking a page from Pro Life's Book in Toronto and looking at some large surfaces in other cities ourselves.

BOB GIBSON: Okay. Great. And where is the S3? Is it going to be any in the GTA?

TOM QUINN: Not for a couple of years. Currently, we have two in Trois-Riviere and one in Montreal and Tapa.

BOB GIBSON: Okay. Great. Thanks guys.

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

KATHLEEN WONG: Good morning gentlemen. Bob, when you mentioned that you will end up picking up 66 Athlete's World, I think the original intention was to pick up 100 Athlete's World, is that correct?

BOB SARTOR: No, what happened was the Athlete's World had 134 stores when we purchased them and we had initially – we had 34. The first wave of store closings was 34 and that left us with 100, then we've have had a second wave of closings to get down to the kind of profitability that we were looking for and that's why we ended up with the store count we have and that was – we expected all along to be somewhere between, somewhere frankly between 50 and 70 stores. That was our initial internal target and we've ended up with 66.

KATHLEEN WONG: Got it. And how many of these locations, I guess, that you have a Sport Chek or Sports Experts in the same mall where you're going to have the Athlete's World?

BOB SARTOR: Very, very few. I don't know the number off of the top of my head, but most of the urban stores where the rents were shockingly high have been closed and, in fact, we've already identified another 50 locations outside of major urban centers where Athlete's World would have a very nice and happy home. So, we expect to roll that banner pretty aggressively and once we get out of CCAA because again it hits that younger consumer demographic we don't have and we can put those stores in small markets were we can't put a Sport Chek even a Sport Mart so, that's pretty exciting.

KATHLEEN WONG: Okay. And you remember that you mentioned that in the fall, it's the first time that you have the integrated buy-allocation system in place. Can you tell us how it went in the quarter and how it has improved your inventory turnover?

BOB SARTOR: Sure. I won't give specific targets, but obviously judging by the Q4 results, it went reasonably well. What we're seeing specifically is a much better initial allocation stores and because of that what we're seeing is an opportunity to get a rate of sale that is commensurate with the inventory investment in store and what that means is less markdowns, and it is important to note that we're still in the process of converting the systems for National and Sport Mart, and when those are converted, we expect to similar results. Are we finished with precision retailing in Chek and Coast? Not by a long shot. This is the process that you'll learn over time and that's exactly what we're doing. The good news is it's only more upside for us from a margin in the term perspective.

TOM QUINN: One of the significant steps set into place Kathleen was the core basic items that the way we're managing it from a place that we were roughly 24 to 36 months over, we're running about a 30% stock-in at all time, that number now is up at 89%.

KATHLEEN WONG: Okay. Helpful. And the last question Richard, when you mentioned earlier about the restructuring activities and the EPS impact, were you referring to the $2 million off the restructuring cost at Athlete's World?

RICHARD BURNET: No, I was referring to the restructuring of the combining of the Presidents.

KATHLEEN WONG: Okay. Okay, thank you very much.

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

ADAM CLARK: Hi, guys.

BOB SARTOR: Hi Adam.

ADAM CLARK: I just want to ask about the margin dollars. You mentioned that corporate margins are up, I mean, last quarter, you'd signal to us that the margin dollars were up, but the margins were down, could you give us a sense as to where they are now?

BOB SARTOR: Margin dollars? No, we're not going to get into that level of detail. We're not concerned about Q1. That's certainly what I can tell you guys.

ADAM CLARK: Okay. Now, you mentioned on your outlook that the comps – are the comps improving in the last two weeks?

BOB SARTOR: Absolutely.

RICHARD BURNET: Absolutely.

ADAM CLARK: Okay, are you comping positively?

RICHARD BURNET: Yes.

BOB SARTOR: Last week we did, this week we're headed for a pretty good week.

ADAM CLARK: Okay. Now, your tax rates can be lower going forward, where would that be?

BOB SARTOR: It should be in and around the 34% Adam.

ADAM CLARK: Okay. Now, you mentioned that you're headed for the footwear launch of Under Armour, what will you be taking off the shelf or will you be increasing shelf space for the product?

BOB SARTOR: Well, we're not talking about a ton of that so we don't really need to take a whole bunch off the shelf and in fact with – I think what you'll see is a section of the wall devoted to that launch for a period of time and then it will -- then post launch period it will simply flow into our regular line up. But to me, the bigger excitement is that it's the first time that we really see something new and reinvigorated in the cross-training category, which used to be a very large category for most retailers, certainly sporting goods retailers, and in the last few years as I've said earlier it's been largely dormant and with very little sign of positive coughs and, you know, what we saw and cleated with when Under Armour when they came in is a significant spike in our cleated business and our cleated business has continued since that day to do very well because what happens normally is when somebody comes in and does something that's out of the box, the other players in the industry react, and then all of the sudden the entire category is revitalized. That's what happened with cleated in terms of the looks, and I think that's what will happen with cross-training.

TOM QUINN: It's no different than what you saw with the technical cauldron being introduced. How that caused the wave through the industry?

ADAM CLARK: Okay. And just my final question here's with the long-term sort of upside that's left out there. Can you give us some sort of sense as to the magnitude that's possible out there? I mean, you mentioned that you can improve inventory churns, your sales per square foot are lower than what you could probably turn out, are you – is it possible if you increase your turns that you're off so that your gross margins will improve, I mean, what are we looking at here potentially?

BOB SARTOR: I'll put it this way. I'm not going to give you specific numbers because that would be providing guidance and future direction, we don't do that anymore. Well, here's what I can tell you, as a prime example, our footwear business, we expect to see a 50% increase in turns. That's a material number. Doing that means we're going to have a lot less inventory, we're going to have lot less markdowns and we're going to make lot more money. And we're setting aggressive turn targets throughout the business. We're also – something we haven't done before is we're really saying to the various commodities or the – from a purchasing perspective, the products that go into our stores, okay, we're going to give you X square feet to retail this product, be that a bicycle, be that clothing, be that footwear, you know, our average rent is Y, so the cost of that square footage is this now, how much return on a gross margin basis are you giving me, for what inventory investment? We are getting a lot more scientific, which we haven't been, frankly. And I think that's going to bode very, very well for our sales, for our churns, and for our gross margin realization.

ADAM CLARK: Okay.

BOB SARTOR: And in terms of the overall upside, Tom talked earlier, we are not a good apparel retailer in our corporate stores compared to our franchise stores. We do not merchandize right, and in some cases – in some cases, we have a whole month (phon) like Under Armour, but in other cases, we do miss the boat, and I think part of this unification strategy is to pursue best practices and to make sure that if something works somewhere that we look at it across our business. That's going to have a significant impact. That plus the CapEx investments that we're making to turn our stores from, you know, pile-them-high and watch-them-buy apparel stores to real apparel stores. We're in malls and we need to behave like mall apparel retailers, and if we do that, you know, it's not inconceivable that sales per square foot in our apparel business could grow by 30%, 40%, and 50%. That's big numbers.

ADAM CLARK: Yes it is. And as far as IT and supply chain going forward the longer term, what sort of projects can you foresee?

BOB SARTOR: Well, we are going to go live on EDI, I know it's a shock to some of you that we're not IND (phon) ready, but better late than never, I guess. We'll be going live with EDI in June. That's going to have a real good impact on our flow of inventory and will save us a fair amount of money and we will be converting the National systems to the Sport Chek co-systems in, we believe in November and the Sport Mart ones would be converted in January sometime because we were bumping up against Christmas so, I don't want to take that chance of having a systems conversion over Christmas.

ADAM CLARK: Sure.

BOB SARTOR: We are also looking at – we were currently redoing all of our banner websites to develop a real cheer one marketing capability and we are looking again at e-commerce, but the different business models that I can't really go into at this point in time, but we are looking at e-commerce again, it has matured in Canada to the point where we think it may be a profitable measure. In terms of other things we are doing, we're continuing to build on what we've done. In other words, there are pieces that we can bolt on to precision retailing to provide what I would call greater precision and greater accuracy of the buy and so on and a better management of markdowns and so on. So you're going to see us going into that direction, which is what some of the successful US retailers in our space have done.

ADAM CLARK: Okay, well, that's great. That's all from me. Thanks guys.

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'd just like to start with a quick housekeeping question. The 37 new stores, is that net or gross or closers?

RICHARD BURNET: Just gross.

TAL WOOLLEY: That's gross, okay. And that's the same for the 550,000 square feet.

RICHARD BURNET: Yes.

TAL WOOLLEY: Okay, great. I guess I wanted to circle back on, you know, the apparel revamp in store and some of the renovations you're planning – you talked about 12 to 14 stores. I'm wondering why you even think, you know what? Maybe we should be more aggressive with this and maybe try and ramp it up a little bit faster given the preliminary results exceeding.

RICHARD BURNET: No, there's no revisions one that we're formatting it to look to see what is the best combination right now, a brand shop and the new fixture that we're putting in the stores. And we want to test them in some of our better retail space in the fashion malls such as the Yorkdales and places like that. Once we see that rolling through to the level that we expect it to be, then we would take a much more aggressive stance following strength because we do have a number of projects on the go right now.

BOB SARTOR: Yeah, I guess to look at it differently, a few years ago, we – I guess in '05 we did – we renovated pretty much all of the Sport Chek chain on a low-cost basis and it had a real impact so, I hear where you're coming from. Back then we had to because we had been on a successive period of comp declines and declining profitability you'll recall. We're going the other way. We've had two record years in a row and we see no reason why this year won't be another record, notwithstanding some of the macroeconomic conditions that may cause some of the folks on the other end of the line concern. So the urgency isn't there for us to basically take an enormous amount of capital and put it all into one year. The other piece too is we'd just want to make sure that, you know, before we start putting this money in refixturing stores because that's not a cheap makeover, we want to make absolutely sure that we've got it perfect. And I think the 14 stores this year will give us irrefutable proof that, "Okay, let's - it's time to write the bigger check and do the rest of the chain."

TAL WOOLLEY: Okay, and can you talk to me a bit about how you foresee competition in the ski, surfing, and bikes that are – ski, surf -- I am going to forgot the third here, but --

RICHARD BURNET: Snow.

TAL WOOLLEY: Ski, surf, and snow thanks. How, you know, is it as fragmented sort of as in like are we talking about a lot of independents? Do you see potential for a rollout strategy there?

RICHARD BURNET: There's a considerable amount of fragmented independents in that industry. Part of the issue that we had as a barrier entry to it was the fact that the trade was very protective of that group. And obviously, as we move into the marketplace and we're showing the performance that we've demonstrated over the last 3.5 years in the test that we've had in place. We are able to, you know, the trade scene, and sort of encouraging us to rollout rapidly because a lot of the independents don't have the same financial structure that we have or solid ground behind them.

BOB SARTOR: I think the other thing to note is that every sort of new, you know, new trend -- nouveau genre (phon) as they say – eventually matures and eventually becomes a little more mainstream. Now, this is still not a mainstream category by any means, which is why it's a separate business, but, you know, the reality is that you've got world-class brands that want to be featured in a world-class way and we have the ability, both physically and economically to do so. And that's one of the reasons why I think S3 is successful, it's a heck of a good-looking skate, surf, snow business. I think the other thing is, to answer your other question is, do we see a rollout strategy? No, because we think we already do it better, so we would not buy a whole bunch of smaller guys. Just like in the fitness area, we bought Fitness Source we're very happy with it, and our initial plans were to go into each city and take over one or two independents. Now, we've come to the realization that, "You know what we're better off building a bigger, better box and doing it ourselves."

TAL WOOLLEY: Okay, fair enough. Thanks a lot.

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

BOB SARTOR: And that will be our last question because both Tom and Richard have to head for the airport afterwards.

OPERATOR: Okay. Please go ahead.

KEITH HOWLETT: I'm heading off to Trois-Riviere.

BOB SARTOR: Good for you. We have three banners in Trois-Riviere.

KEITH HOWLETT: Yeah, that's why I'm going there. Just on the Sport Chek, of the 14 new ones that are opening, how many would be of the 40,000 foot size?

TOM QUINN: We're only opening four new Sport Cheks.

BOB SARTOR: We're renovating 14.

TOM QUINN: We're renovating 14 stores.

KEITH HOWLETT: Okay.

TOM QUINN: Specifically in the clothing departments?

KEITH HOWLETT: Okay. And in – are those four, are there any of the 40,000 foot models in there?

TOM QUINN: There's 35,000. I think it's the largest.

BOB SARTOR: Yeah, but to keep to your point, we are – our focus is really where we can expand stores rather than – like in a growing market, rather than add another Chek. Let's make the Chek we have bigger. Let's put additional brands in it. Let's make it more of a destination because we know we can pull traffic and I think you'll see us opening less stores in the future, but expanding more of the existing stores and the stores we do open, we want them to be bigger.

KEITH HOWLETT: And then just one and I'll jump off, on what's hot for spring as you know some of the US retailers who have different waitings (phon) of products there, they're having trouble with the Urban trend footwear and the Heelys, and I'm not sure, maybe the Crocs. So, I know you have less exposure there, but can you speak to what's hot and then what is the impact on you of sort of the decline of some of those items?

TOM QUINN: By category right now in our footwear business as I mentioned earlier, running, soccer, hiking, has been starting off very strongly and the waitings (phon) running as well in the women's category. In our equipment categories, bikes, hockey, fitness, and racquet sports have been trending positively, and golf so far after the first nine weeks of this spring, and in our clothing area, the men's athletic and outwear in a nylon shell and waterproof businesses in our Atmosphere and Coast Mountain banners definitely have been trending positively. The impact of Crocs is that it's interesting and Heelys that you have mentioned. The Heelys definitely has dried up considerably. We haven't been too exposed there in terms of inventory so it shouldn't have a great effect on us and in the Crocs business, because we're still spread out across the country, the Crocs business is actually going substantially in the Quebec market and it sort of leveling off in the corporate end of the business and Croc has introduced a number of new styles and new looks that we think it would eventually -- it's going to be like the inline skate business where you saw huge heaps that it came down a little bit and then leveled off. We think it'll probably end up being a consistent business on the Croc side as opposed to the Heelys.

BOB SARTOR: Okay, if I'll just add to that, in terms of, you know, is there something new and hot? I would say that obviously the Under Armour cross-training launch in May is a big deal. I would say that technical apparel is still very hot and we're very successful with that and technical apparel is being worn by people to walk the dog, to go shopping, it's not just people running to the gym. So, it's really becoming a mainstream apparel, it's very comfortable, it's breathable and it wicks and all that kind of stuff and people seek that out and it's got a high ticket, which I like. In the fall, I think what you're going to see is some pretty, pretty interesting new outerwear trends. Most of the outerwear manufacturers have really taken it up a notch both in terms of color and styling and sort of fabric and prints, and I think you're going to see some really interesting stuff, both in terms of outerwear and in terms of the hoody business, it's still pretty strong. So, I expect to have a really good product assortment to show the Canadian consumer in the back half.

KEITH HOWLETT: Great. Thanks very much.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Alright. Ladies and gentlemen, thanks very much for phoning in today. Yeah, a slower start to the first quarter. First Quarter represents for us well below 3% of our annual targets from a profitability perspective, so we're certainly not terribly concerned here. Most importantly, summer categories are up and up significantly and we really think we've got a great buy for spring and even a stronger buy for the back half this year.

So, we're expecting another strong performance, another record performance from this company and as we continue to adopt best practices across the country, standardize our technology, and really focus on improving the quality of our offering at store level, I think you're going to see some significant margin upside in this business as well. Thanks very much for listening in and we'll see you next quarter.

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

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