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FISCAL 2009 CONFERENCE CALL

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OPERATOR: Good morning, ladies and gentlemen. Welcome to The Forzani Group Third Quarter Fiscal 2009 Conference Call. At this time all participants are in a listen-only mode. Following the presentation we will conduct the question and answer session with instructions provided at that time. If anyone has any difficulties hearing the conference, please press star, zero for operator assistance at any time.

I would like to remind everyone that this conference is being recorded today, Monday, December 15th, 2008, at 10 a.m. Eastern Time. I would now like to turn the conference over to Mr. Bob Sartor, Chief Executive Officer. Please go ahead, sir.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thank you, Luke. And welcome to our third quarter fiscal 2009 conference call. With me here in Calgary today are Mike Lambert, our Chief Financial Officer; and Richard Burnet, our Senior Vice-President of Finance and Administration, and in Montreal, we have Tom Quinn, our President and Chief Operating Officer also on the line.

Before beginning our comments this morning I would like to ask Richard Burnet to provide a Safe Harbor statement.

RICHARD BURNET (SENIOR VICE-PRESIDENT, FINANCE & ADMINISTRATION): Thanks Bob. As we conduct this conference call, there are remarks that we will make about future expectations, plans and prospects for the Company, which will constitute forward-looking statements. These statements reflect current expectations. They are subject to 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 SARTOR (CHIEF EXECUTIVE OFFICER): Thanks Richard. Earnings per share of about \$0.28 versus \$0.36 last year, this in a recessionary environment and with what was really an unseasonably warm period across all of Western Canada for most of the quarter, we view that as a pretty good result frankly. Under Tom Quinn's guidance and executed Rick White, our Chief Merchandising Officer and his team with the best

product mix changes that we know have worked in our franchise division and we know will work for Sport Chek.

We have abandoned the sales commission system at Sport Chek and have worked hard to redirect our store teams from a hard-sell mentality on commission to one focusing on the customer experience, and by that I mean cleaner, better merchandised stores and helping the customer. Our stores have never looked better and consumer feedback on the service experience is overwhelmingly positive. All this while maintaining our payroll percent to sale on an annualized basis that was very important to us.

I want to make some closing comments later and talk about basically our balance sheet, but first, I will turn it over to Richard Burnet to take us through the results in more detail.

RICHARD BURNET (SENIOR VICE-PRESIDENT, FINANCE AND ADMINISTRATION): Thanks Bob. Ladies and gentlemen, I will briefly cover the financial highlights. For the third quarter, retail system sales for the quarter were \$381 million against last year's \$344.6 million, a 10.6% increase, primarily on the strength of franchise costs and the additional

sales from Athletes World. Corporate same store sales were flat while franchise was up 11.5% against last year's third quarter.

Total revenues were \$362.9 million versus last year's \$333.5, an 8.8%. Breaking out revenues: Corporate store revenues of \$245.3 million were up 9.4%, again primarily on the strengths of the Athletes World sales. Wholesale sales of \$117.6 million were ahead of the prior year's 9.3%, a combination of an increase of 10.3% on wholesale sales for the franchise network, offset by declines in the licensed opportunity by business as US wholesale markets continue to be challenged.

Consolidated margins for the quarter were 33.3% versus 34.2% in last year's third quarter, due to more aggressive promotions and sharper pricing in the quarter, given the prevailing retail landscape.

Corporate same store operating expenses as a percent of retail revenues were 25.4% against the prior year's 26%, a function of continued efforts to control costs and a reduction in performance-related compensation accruals. In absolute dollars, same store cost dropped 2.5%. Overall store expenses were lower at 27% of revenues versus 27.2% in the prior year, in spite of the addition of the Athletes World stores, which have trended at a higher rate than pre-acquisition rates.

G&A expenses of \$27.3 million were 7.5% of consolidated revenues versus 6% in the prior year, the increase being a combination of the addition of Athletes World infrastructure costs and enhanced ad spend and standard year-over-year increases.

Third quarter EBITDA was \$27.3 million against prior year's \$32.9 million. During the quarter a tax charge was taken related to assessments in the 2004 and 2005 tax years of the Company. The earnings impact of the change was of the charge was \$0.06 per share. As a result net earnings in the quarter were \$6.6 million, \$0.22 a share versus the prior year earnings of \$12.6 million or \$0.36. Exclusive of the impact of the tax adjustment earnings were \$0.28 a share. For the year-to-date, retail system sales were \$1.072 billion versus last year's \$1.004 billion, a 6.7% increase. Year-to-date corporate comp store sales were up 2.1 and franchise up 4.5 for an overall comp store sales increase of 0.3%.

Total revenues were \$965.9 million against last year's \$920.4 million, a 4.9% increase. Corporate store revenues were \$676.9 million, up 7.4% with wholesale sales relatively flat at 99.7% of the prior year. Consolidated margins for the year, 34.4%, up 30 basis points over the prior year, retail margins down slightly. Overall wholesale margins up slightly

and the benefit of a minor shift in the weighting of revenues between retail and wholesale.

Store operating expenses as a percent of retail revenues were 29.9% versus 28.1% in fiscal 2008, a function of the decreased comps. G&A run rate for the first three quarters is 8.3% of consolidated revenues versus 7.4% in the prior year. Exclusive of Athletes World infrastructure costs, G&A was 7.4% of revenues. The Athletes World restructuring was completed in the month of November.

EBITDA was \$49.9 million against last year's \$68.3 million, and net earnings at \$0.16 per share, \$0.22 exclusive of the tax adjustment mentioned earlier versus \$0.55 in the previous year. The Company remains strong on the balance sheet side with a solid working capital position and low debt to equity. Inventories are clean and comp store inventory intensity is lower than in the prior year with improved churns.

I will now turn it over to Tom Quinn for his comments on the business. Tom.

THOMAS QUINN (PRESIDENT AND CHIEF OPERATING OFFICER): Thanks Richard. Good morning ladies and gentlemen. As you have read in our press release and heard already from Bob and

Richard, our retail stores in both corporate and franchise divisions continue to improve and perform well against the solid previous year. The progress that has been made in a number of initiatives that have been introduced throughout our network is now starting to drive improved results in retail sales performance in a tougher economic marketplace this year.

We have integrated and launched a new go-forward positioning of our Athletes World business and early results indicate an interest in growth and profit potential for this business. The six test Nevada Bob's stores and our Sport Chek environments, and the realized results even with the launch being laid in the golf season will see us rapidly developing our specialty golf business in these environments. It will convert an add-up to an additional 21 Nevada Bob's stores in Sport Chek locations throughout this country next spring.

The new advertising strategies that we have started to employ in our corporate Coast Mountain and Sport Chek stores are working with consistent measured improvements and performance. And our store managers and their teams with our senior operations leaders are establishing consistently better and constantly improving standards in the customer experience of these businesses. We will be launching our first 20,000 square foot new Fitness Source concept in Calgary on the 18th of

this month, and it will quickly establish its leadership position in this category.

As you're also seeing from our franchise comp sales results, this business continues to perform well, even up against strong comp sales from the previous year, and against strong competitors in the marketplace. Our new S3 and Hockey Experts banners consistently surpassed our expectations and our Atmosphere outdoor lifestyle banner has already established a positioning in the marketplace after four years that had taken Sports Experts up to 40 years to achieve with consumers. As we continue to focus on our consumer base, we continue to also develop partnerships with our national and provincial amateur sport organizations.

We were recently pleased to announce our long-term partnerships with Canada Games, Hockey Canada, and Soccer Canada in addition to the numerous associations we've been partnered with for over several decades. We will continue to pursue these relationships and try to work with our partners to help to increase the participation of our youth in sport in this country and encourage all Canadians to get up and get active to improve their quality of life.

As you have also read from our reported inventory levels, our precision retail, logistics and merchant group continued to improve their

performance in inventory management, and the quality of our present inventory is excellent. Year-to-date on a consolidated basis we are in a positive comp position on sales with reduced costs and improved margins.

Our category of footwear business comped positive in the quarter even up against some aggressive liquidation activity from the prior year in both corporate and franchise businesses.

Our outerwear and athletic clothing continues to pose impressive positive comps in both corporate and franchise businesses and in the equipment end of the business, our fitness, racquet sports, camping, travel, backpack, and sport bag categories all lead the equipment volume with solid positive comps in the quarter. Ski and snowboard were softer in both divisions in the quarter as we chose to reposition our advertising calendar in these disciplines and whatever comps declined in the third quarter have already been made up in the last six weeks. Our biking, sports and hockey businesses were relatively flat in comp sales.

We're up against considerably stronger comps from last year in the month of December. As you have seen from our press release we appear to be weathering with the storm well. As Bob mentioned, we started this year with a very specific plan of transferring best practices within our organization throughout the organization. Our senior management and

their respective teams are engaged and are willing to improve our business practices and our customers' experience through our network. We have changed the culture in our organization in a very short period of time, and it's in reflection of the considerable talent we are working throughout the organization. We see the opportunities to improve our business and we will continue our current drive to transfer best practices throughout the organization.

With that I wish you a Merry Christmas, and pass you back to Bob.

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thank you, Santa. As I said in my opening comments, we have made a lot of changes in this year in how we run the corporate business and Sport Chek. We have looked at how and we've looked at what we're buying, we looked at our marketing and revamped that and we're really, really focused on store operations which historically has been an area that has not had the kind of focus I believe that it needed to have. All these areas have been reviewed.

And in the midst of the recession, I will use the R word, and against what was a monster Q4 and a record Q4 last year we've coughed so far in quarter at quite good margins, and I think our lead inventories are a lot, we

will be able to do that. We also had a good week again last week, so we're feeling pretty positive about the quarter. I was concerned because we're up against, I think 318% comp week last year, and we've been able to hold our own on two of those three leads, so that's terrific.

We talked about our inventories, Richard has talked about and other things, we are proud of our inventory churn after will be in phenomenal shape, our aged inventory is almost not existent, our network analyst is very happy about that, and our balance sheet is rock solid. And as an organization we are generating – we generated again good cash flow from operations last quarter. I think we're very well positioned not only right out the current economic environment but with continued judicious investment in new stores and the importation of some of these franchise learning into our corporate sell environment, we can hopefully mitigate any downward pressure on sales on the corporate side of the business.

We will and turning into commitment, leaving it our Board. We continue to keep our inventory verily as – we are as a management team, quite aware about the depth and the extent of this recession and its impact on consumer spending. We think it's a prudent thing to do because we're not sure if we've seen the low, lowest from a Canadian consumer perspective, yes, certainly in this stage it's quite dire in our sector.

Having said that, we have a distinct advantage given the fact that we are – given our size – given the fact in the malls, we're the only player who retails what we retail and, you know, the more we got away from what was really a casual business several years ago, checked at that what is in my point of view and differentiated to more of a performance orientation object. I think it's really helped us in malls because we really can be shop mall-wise, and that's the good thing to be said out.

Final comment concerning cash deployment: We have received as a management team and our board, a great deal of advice and suggestions about what to do with our excess cash, and I want to thank all of those who've made those suggestions. And I'm not being posesitious here, I mean, it is the real dilemma. We have a strong balance sheet, we generate cash, we are ahead of our sector. Should we now, in this economic environment increasing dividend, should we be buying back significant stock et cetera, those are the issues that we've deliberated, and frankly our Board has reviewed all of those potential options on Friday. And our view is in terms of sign as we had a real hand for how deep this recession may be and how skittish the consumer may get in 2009, we have decided to keep our powder dry at least for this quarter, and certainly the commitment you'll have from this management team is we'll continue to

maintain very lean inventories and our capital expenditures for next year will be severely focused on new store openings. And we will also make sure that our CapEx is leaned in next year, in terms of signs as we get a stance for the extent of the consumer skittishness.

From a G&A perspective; we saw the numbers were higher in the quarter. That was really good and principally as a percent of sales by an increased media and production spend we felt we had to do in this environment. I'm sure all of you have been involved and have seen much earlier and usual massive reductions, 50 to 70 odd, we have not had to that for two reasons, A) lean inventories and B) again, you know, if you want buy, for example, winter armour we're the only doing in town, so we don't have to do that. We should expect our G&A run rate to return to normal levels, in fact, it would be likely be lower in last year's Q4 G&A rate because obviously given the year to be a little or no accruals for stock-based compensation or bonus. And in addition, we have some severance to pay out in Q4 last year which will not be repeated in Q4 this year.

So hopefully strong management cost in Q4 and with the way quarter has held out so far we may be in a position to comp some pretty strong numbers last year and we're feeling pretty positive about that in this

economic environment. I'm now going to ask our moderator Luke to open the call for questions. Luke.

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 key followed by the one on your touchtone phone. You will hear a tone acknowledging your request. Your questions will be polled in the order that they are received. Please ensure you lift the handset if you're using a speakerphone before pressing any keys.

Your first question today comes from Jim Durran of National Bank Financial. Please go ahead.

JIM DURRAN: Yeah. Just, Tom, looking at the franchise same store sales numbers again, very impressive relative to corporate, which categories would have held up better in franchise and corporate?

THOMAS QUINN: Probably, at this particular point in time the casual wear was a little bit stronger on the franchise side of the business. But – both businesses were performing well it was pretty consistent across

the board, both corporate and franchise and the outer wear category was very strong. Just the corporate business had in some categories where it normally do much stronger equipment business versus franchising period, that's what brought back some of the comp sales in the quarter.

JIM DURRAN: So you wouldn't say that the franchisee deals were necessarily offering sharper prices points on what corporate was during the quarter?

THOMAS QUINN: No, not at all. That was one of the things to traditionally over the years we've not pulled the plug-on pricing till we get through the Christmas period.

JIM DURRAN: Okay. And then, on the Athletes World side as far as the SG&A and other costs, going forward, you've done – you finished off the integration now. Are the run rate costs on a G&A basis going to be lower now than they have been in the last several quarters?

BOB SARTOR: Richard, go on.

RICHARD BURNET: It will, Jim. I mean, all other accruals being equal, and I'm thinking about compensation, performance based accruals, so in any given quarter we have taken out all of the AW back office effectively, so there should be, yes.

JIM DURRAN: So, I don't know if you are able to give us this number, but can you tell us where a run rate number is going to be for Athletes World?

RICHARD BURNET: For..?

THOMAS QUINN: Athletes World...

JIM DURRAN: On the G&A side.

RICHARD BURNET: I can't really, no, Jim.

JIM DURRAN: Okay. That's fine.

BOB SARTOR: We won't give that level of...

JIM DURRAN: And where do we stand as far as the tax loss carry-forwards for Athletes World, when are those going to start to be available to?

RICHARD BURNET: I'm sorry?

JIM DURRAN: Loss carry-forwards.

RICHARD BURNET: They're available now.

JIM DURRAN: And so are you constrained now in terms of the use on them, on Athletes World profitability only? Or is that...?

RICHARD BURNET: No, in September, early September Athletes World was merged with one of our legal entities Sport Chek International 2000.

JIM DURRAN: Yeah.

RICHARD BURNET: So, which runs all of our corporate banners. So the profitability on the corporate side is available against the losses we have from AW.

JIM DURRAN: So was there any TLC benefit this quarter?

RICHARD BURNET: No.

JIM DURRAN: None. And so, you expect it be able to utilize though in the fourth quarter?

RICHARD BURNET: Yes. Yeah.

JIM DURRAN: Thanks a lot.

RICHARD BURNET: And Jim, that's the cash savings.

JIM DURRAN: Yeah.

RICHARD BURNET: Yeah.

OPERATOR: Your next question comes from Tal Woolley of RBC Capital Markets.

TAL WOOLLEY: Hi, good morning.

THOMAS QUINN: Good morning.

BOB SARTOR: Good morning, Tal.

TAL WOOLLEY: I was wondering if you could tell me sort of what trend you had got for Q4 and the first half of fiscal 2010?

THOMAS QUINN: Basically what we've done in Q4 specifically, we've been buying and investing a little bit more in terms of our sport fashion end of the business, and in -- as been mentioned from the start of the year as we rework some of the concept shops in the Sport Chek environment and Coast Mountain, we're able to start filling that pipeline with some of the specific brands. Going into the spring, you'll see continuous development in that area. Footwear, we are getting more into the trend part of the business will continue to develop well, and some of the areas where we do have leadership in the equipment end of the business we're going to go after a little bit stronger.

TAL WOOLLEY: Okay. And in terms of volume, so you'd say like, you know, where are you buying for like, sort of like 3% bump in volume or have you been cutting back your orders?

THOMAS QUINN: Now, as Bob mentioned earlier, we've been very conservative in managing inventories and we're spending a lot of time to try and increase the churns.

TAL WOOLLEY: Okay. So...

BOB SARTOR: Tal...

TAL WOOLLEY: Yeah.

BOB SARTOR: Bob Sartor. One of the things important to note is that we are buying to modest comps, and we have a lot of modest comps this year including the fourth quarter and we are looking to buy to modest comps next year. However, it is important to know that within the open to buy we do keep our reserve for sales trend, so – because we're absolutely committed to keeping clean inventories through this process, so when the consumer comes out the other end from this recessionary environment that we are ready to go. So from that perspective even though we are looking to buy towards the modest comps we do have a hold back and that hold back, the lot will be released or not depending on the sales trend.

TAL WOOLLEY: Okay. I was wondering if you could talk to a bit about promotional plan spend going forward, what do you expect, you know, you had withheld I think some funds, you know, through the first half of the year to deploy in the latter half, so I imagine there will be some more to come in Q4. What are you thinking about for, you know, for Q4, and for 2009 in terms of promotion, do you able to see similar type of bump up that we saw this quarter?

THOMAS QUINN: I – what you'll probably see is you'll probably see us moving some of the dollars that went into tactical advertising, more into

a brand building scenario. We'll be more visible in some of the medias like television and the web as we go forward. But, we certainly, we've reworked some of the programming that we've been doing to continue to keep our present in the marketplace. So, I think on average you will probably see us spending more in marketing going into next year.

TAL WOOLLEY: Okay. And corporate store square foot you are announcing like – and MD&A, you talked about increasing corporate store productivity but laid out more hard numbers around the franchise openings, I'm just wondering does this mean like corporate store growth is – you know, sitting on hold for now or what's the thinking there?

THOMAS QUINN: You know, basically what we're doing is as real estate becomes available we are looking at doing projects probably we haven't completed 100% our plan for next year, but we know that there's going to be a minimum of about 15 new projects on corporate side.

TAL WOOLLEY: Okay.

BOB SARTOR: One other thing Tal, is on the corporate side our focus in the coming year is going to be on new store openings versus -- we did a lot of renovation this year, and obviously, those renovations when you do that really hurt the comp sale, because the store is partially or mostly shut down for a period of time. The other thing is while we

recognize renovations are critical and we have been very proper stewards of our assets based that way in renovating. This coming year certainly the message we have sent out to our teams is we're focused on store opening because new store openings generate new top-line sales and give you a bigger banker buck around, and obviously one of the things we want to do in this environment is continue to grow the top-line because certain costs like payroll will not shrink, they will continue with inflation growth at a lower rate than they have for the past few years. So, what you should expect to see is more store openings than renovations in the coming 12 months.

TAL WOOLLEY: Okay. And have you seen, you know, landlords or anything right now get a little bit more friendly in terms of leasing rates or...?

BOB SARTOR: Not yet.

TAL WOOLLEY: Okay. All right. Good luck. Thanks a lot.

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

RYAN BALGOPAL: Yeah. I wanted to follow up on the store renovation discussion. I mean, one of the big opportunities for the

Company has been getting the corporate store to see as productive as the franchise stores, and one of the key elements of that was remerchandising the stores, particularly the apparel by brands, so I'm wondering, you know, why back off on doing some of that?

BOB SARTOR: We're not backing off on that. A renovation -- like at Yorkdale it was a complete remake of a store, a -- one of the thing that Tom talked about was brand boutiques, and Tom, you may want to jump in here, but I think what you'll see is a significant initiative to continue the brand boutiqueing of apparel in our stores, Tom?

THOMAS QUINN: Yeah. What we actually saw probably in some of the stores going into this fall, some of the top eight to 10 brands we are putting focus areas in the majority of our stores going through the back half of this year and into next year, and these don't take as much of an investment as running a full renovated store as Bob said. But that's -- but definitely we're not backing off that.

RYAN BALGOPAL: Okay. So could you talk about maybe of what your actual CapEx spend you think next year, and then just (technical difficulty) your square footage growth in those corporate and franchise?

BOB SARTOR: We haven't, Ryan, published a square footage of that yet, we're not going to do that in this conference call, but we will come

out with that information shortly. But in terms of the CapEx we expect to be spending slightly less than our historical run-rate or less through the year because we are finalizing by June of next year it's late frankly, but it will be completed by June of next year, and that is the harmonization of all of our technology on the corporate store side that will allow us to become more efficient than we are now as we pursue category management. So there will be spend for that and then there will be a spend for store turning to pure (phon) stores and will likely be in the \$30 million range in total.

In terms of square footage and what projects, we haven't released that. We have some confirmed projects; we have to wait until we have all the projects confirmed before we talked about square footage out.

RYAN BALGOPAL: Okay. So do you not expect any meaningful impact on costs from renovations next year?

BOB SARTOR: We do, because remember this year we renovated a lot of our what I call mighty (phon) big boxes, everything from the Pacific Centers to the Yorkdales to the West Edmonton malls, and there are several major renovations this year. We're going to be coming against those renovations next year, so I could see in those stores double digit comps. So it will impact our overall comps. In addition we've got 21 Nevada Bob's boutiques as Tom pointed out going into Chek, and I've got

to tell you the performance of the six test stores we've done has by far and away blown away our expectations. So yeah, we expect to see renovations though minor renovations like the Nevada Bob's and the impact of this year major 2800 really impact the next year.

RYAN BALGOPAL: Okay. So could you just lastly just talk about what you're seeing in terms of the consumer, how they're reacting, how they're shopping in your store, is any difference or is it really a function of mall traffic, can you just speak to some of those issues?

THOMAS QUINN: Well, one of the -- go ahead, Bob.

BOB SARTOR: Well, you go first, Tom, I will (multiple speakers).

THOMAS QUINN: Well, one of the significant trends that I've seen come across my desk is we've had a substantial increase and probably puts to a hundred fold of the amount of customer letters that have been coming into me just congratulating of a specific store on the service they've been getting. And prior to this year we haven't been getting too many of those letters into the system. I also know and I might (phon) just working and talking with various store managers, they are stepping up and making exceptional effort with the business and clearly understand the focus of customer business. So if that some indication, it's been very possible and it seems to be growing each month.

BOB SARTOR: The only comment I would make on the consumer is when we look at a couple of things obviously our UPTs, our units per transaction, I mean with our outdoor (phon) side, and we don't have traffic counters in some of our banners, so it's tough to tell anecdotally whether traffic is up or down, but what I can tell you is we're not seeing any degradation of our baskets (phon) and I think one of the reasons that's the case is that we had a sense that the consumer would be more value-focused, and our assortment reflects that to a certain degree.

But the other piece is that from a housekeeping perspective, from a visual merchandising perspective, when we moved off the commission system and really deploy those hours into making the store look better and taking care of the consumer, I can tell you that our stores have never looked better. And I would welcome all of you to visit our stores and I think you can judge for yourself based upon what we've had historically the focus on visual and the focus on store conditions has come at a good time for us.

RYAN BALGOPAL: Okay. Thanks very much.

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

KEITH HOWLETT: Yes. We just had a question on the incremental \$3.6 million of advertising. I take it that was not a shift quarter-to-quarter; that's just an additional expenditure, I'm just wondering is that primarily TV Media or where was that spent?

THOMAS QUINN: The bulk of that spend is done in the Fusion magazine or the Forza magazine we launched in the corporate business as well as some additional TV.

BOB SARTOR: You know, we should expect, Keith, we're probably looking for our overall marketing spend for the year to be about \$1.5 million higher than we get budgeted. So it's not going to be material, and as another individual pointed out earlier, we did keep our powder dry on the advertising spend and front ads, so some of that was reinvested in Q3 but we do expect to be up slightly in this environment in marketing.

KEITH HOWLETT: Great. And just on the tax element of \$3.9 million, I was just trying to figure out how the 1.8 -- or sort of the \$2.1 million to come -- how that's -- where this...

BOB SARTOR: So there's not 2.1 to come, Keith, the 3.9 is all in, the impact was the 1.8. So when we booked it I mean there was an interest component, there was -- there were amounts in our reserve that

were freed up, they just -- what we had provided for previously was no longer needed in the quarter, so between booking the tax adjustment and taking the interest component in, the net impact was the 1.8, so there's not 2.1 to come.

KEITH HOWLETT: I see. So the other 2.1 is more balance sheet movements?

BOB SARTOR: Yes. It would have been part of our cushion (phon), yeah.

KEITH HOWLETT: Great. And then just on the Athletes World acquisition cost, it -- just in terms of what you've put out, out of your pocket, there's a cash of \$1.5 million and then there's acquisition cost of 7.2; just wondering what's in the 7.2?

BOB SARTOR: That's severance accruals, it was legal expenses, it was the gross (phon) in costs, it was all of the costs involved in effectively liquidating and moving through CCAA.

KEITH HOWLETT: I see. Great. And then just in terms of inventory, I was wondering is there -- what do you think the risk is of inventory -- I sort of assumed there's a bit of a sea of inventory in the US crossing over the border, or is there any place other than you were to -- for that to show up?

THOMAS QUINN: Well, one of the things we are cautiously vigilant of is obviously the price differences in the US. We also through our FGL wholesale division and through the corporate franchise stores where there is product available in the marketplace it is not in conflict with some of the supply base we currently work with, we work with them to have a steady flow of that product or it comes up.

KEITH HOWLETT: And just in terms of the Athletes World, you announced you will open up a new prototype; can you just speak a bit to that?

THOMAS QUINN: Our new store, what we did was we were looking up in St. Albert about a week and a half ago, and we changed the color within the store, we changed the design where the store is in place, made a little bit fresher from that perspective and a lot more useful with specific garment to target that 15 to 22 year old demographic of that business, and from what we've seen so far with the inventory changes we made in this back-to-school and into fall season and with the effort that our merchants and operators have been able to expand it's looking very promising for us.

BOB SARTOR: Keith, it's Bob. They say a picture is worth a thousand words; if you like, we can certainly send you photographs of the

most recent opening in Orchard Park in Kelowna, so I will send those photographs to you.

KEITH HOWLETT: It will be good. And just on the Hockey Canada relationship; is that sort of subsume in your overall marketing budget or is there additional cost there?

THOMAS QUINN: Well, that becomes part of the marketing budgets as we are doing, it's just a redirection or reemployment of certain spends that were being made within the system to make a little bit more efficient and give us more direct access to a principal consumer base.

KEITH HOWLETT: And then just lastly, can you speak to the capital spending you expect through the balance of this year, you know, what your total for this year would be?

BOB SARTOR: We'll end up in the mid 30's, Keith.

KEITH HOWLETT: Mid 30's. So you're pretty much there now, I guess?

BOB SARTOR: Yeah.

KEITH HOWLETT: Yeah. Good.

BOB SARTOR: I mean, as you can imagine that from here on in I mean, you know, any technology work you've got, you got a major freeze (phon) on development, so that curve you're spending there. And certainly

from a store perspective, those of you that have been in Yorkdale will see that we have a mostly completed renovation, but it's not completely finished. We decided to put the brakes on renewing stores during the Christmas period. So you'll really see a resumption of the CapEx spent in late January.

KEITH HOWLETT: Actually just one last question, I did have a question about -- that was referred to me about the Quebec numbers. So, was -- or the franchise numbers rather, was start of that you could pull such a high comp in November on top of last year's 16.7, so maybe I'll just ask you that you've got some price stew or what your thoughts are there?

THOMAS QUINN: Bob, do you want me to...

BOB SARTOR: Go ahead, Tom.

THOMAS QUINN: Yeah. Basically -- I hate to say some of it was by design but it definitely was. Some of the product mixes were adjusted in the stores. We have been starting to measure the rate of sale of the ad items in our advertising. And since January and the last number of years there's been about a 600% improvement in the productivity of those ad items. As we refine that business more similar to what we do in franchise business, we anticipate and plan for improvements in each of the ads we make. That wasn't the -- I mean, net we went over a surprise for you,

there's going to a challenge, what we were trying to do is try and get up to the volumes of where we were in the previous year, in fact of exceeding that is a pleasant surprise.

KEITH HOWLETT: Great. Thanks very much.

OPERATOR: Ladies and gentlemen, if there are any additional questions at this time, please press the star followed by the one.

Your next question is a follow-up by Jim Durran of National Bank Financial. Please go ahead.

JIM DURRAN: Couple of things, Bob, just on the 15 new stores next year or give or take a few, how many out of those are going to be replacement stores versus brand new?

THOMAS QUINN: The bulk of them will be brand new stores.

JIM DURRAN: Okay. And I guess as far as last year, I'm just trying to remember; the extra week that you had last year, can you remind us what you said the impact was in Q4 last year?

BOB SARTOR: It wasn't much -- I think the extra week because it's one of the weakest weeks of the year, I think it was like \$52,000 of net

profitability impact, it's a very, very small number at the end of the day after you factor in your rent, your labor and all of the other costs.

JIM DURRAN: Right. So it's more about the revenue line and the comp structure?

BOB SARTOR: It is more about the top-line absolutely.

JIM DURRAN: Okay. And with respect to your stock-based comp, I noticed in the MD&A you indicated what the expense impact was, what was the expense impact in the prior year?

BOB SARTOR: I haven't got that handy, Jim.

JIM DURRAN: Okay. I'll follow that later on.

BOB SARTOR: Jim, you'd like that afterwards, but we don't have that right now.

JIM DURRAN: No problem, I'll follow-up later.

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

BOB SARTOR (CHIEF EXECUTIVE OFFICER): Thanks very much, Luke. Ladies and gentlemen, thanks very much for listening in today. One of the things we are going to want to do in the New Year is have a couple

of shareholder meetings; we'll likely hold those in Montreal, Toronto, I'm not sure of when, where the management team would come out and talk about, you know, next 24 to 36 months, provide a little more transparency and clarity to what we're doing structurally, of where we think the opportunities are in each one of our major businesses, because we know we haven't spent a lot of time talking about Sport Mart or National, or Coast Mountain Sports today, but because check obviously is the cash flow engine. But the reality is there's significant growth potential in these businesses and we will be opening stores other than Sport Chek stores on the corporate side.

Also, I think it would be important to get a sense of where we are and what we call a combo approach to franchising in terms of specialty banners, and provide some additional context for where you might see FGL looking in the future from an overall acquisition perspective on other portfolio. So stay tuned, we will come back to you early in the New Year with times where we will be in Montreal and Toronto, and we will hopefully have some really productive sessions with our shareholders and with the best point in time. Thanks very much for listening in today. We are obviously in all day today, so if you're having follow-up questions, do not hesitate to call us. Thanks.

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