

**FORM 51-102F3
MATERIAL CHANGE REPORT**

1. Name and Address of the Trust:

The Forzani Group Ltd. ("**FGL**", "**Forzani**" or the "**Company**")
824 41st Ave. NE
Calgary, AB
Canada

2. Date of Material Change:

May 8, 2011

3. News Release:

A news release was issued by the Company on May 9, 2011 prior to commencement of trading on the Toronto Stock Exchange and disseminated through the services of Marketwire.

4. Summary of Material Change:

On May 9, 2011, the Company announced that it had entered into an acquisition support agreement (the "**Support Agreement**") with Canadian Tire Corporation, Limited ("**Canadian Tire**") and FGL AcquisitionCo Limited (the "**Offeror**"), pursuant to which the Offeror, a wholly-owned subsidiary of Canadian Tire, agreed to make an offer (the "**Offer**") to acquire all of the issued and outstanding class "A" shares of the Company (the "**Common Shares**"), excluding Common Shares owned by or on behalf of the Offeror or Canadian Tire, for cash consideration of \$26.50 per Common Share. Canadian Tire will guarantee the obligations of the Offeror under the Offer. The Offer will be made by way of a take-over bid, the full details of which will be contained in a take-over bid circular to be mailed to the shareholders of the Company (the "**Shareholders**").

The Board of Directors of the Company (the "**Board of Directors**"), has unanimously determined, upon the recommendation of a special committee of directors (the "**Special Committee**") and after consultation with its financial and legal advisors, that the consideration to be offered pursuant to the Offer is fair to all Shareholders (other than the Offeror, Canadian Tire and their respective affiliates), that it is in the best interests of the Company to support and facilitate the Offer and enter into the Support Agreement and to recommend that Shareholders tender their Common Shares to the Offer. The background to the Offer and the reasons for the unanimous recommendations of the Special Committee and the Board of Directors will be contained in a directors' circular (along with the fairness opinion from Greenhill & Co. Canada Ltd.) that will accompany the take-over bid circular that is mailed to the Shareholders.

All of the directors and senior officers of the Company have entered into lock-up agreements with Canadian Tire pursuant to which they have agreed to tender all of the Common Shares owned or controlled by them (including Common Shares issuable on the exercise of stock options) to the Offer (the "**Lock-Up Agreements**"). The locked-up shareholders own or control approximately 8.24% of the Common Shares on a fully-diluted basis.

The Offeror and the Company currently expect that the Offer will be mailed to the Shareholders on or before May 27, 2011.

5. Full Description of Material Change:

Support Agreement

The Company, the Offeror and Canadian Tire have entered into the Support Agreement pursuant to which, and subject to the conditions set forth therein, the Offeror agreed to make, and the Company agreed to support, the Offer. Canadian Tire, as the direct controlling shareholder of the Offeror, has unconditionally guaranteed the due and punctual performance of the obligations of the Offeror under the Support Agreement.

The following is a summary of the Support Agreement only, and does not include a description of all of the terms and conditions of the Support Agreement. This summary is qualified in its entirety by the full text of the Support Agreement, a copy of which was filed on SEDAR on May 10, 2011 and is available under the Company's profile at www.sedar.com. Capitalized terms used in this summary that are not otherwise defined have the meanings given to them in the Support Agreement.

Conditions to Making of the Offer

The obligation of the Offeror to make the Offer shall be subject to the following conditions having been satisfied or waived by the Offeror, in its sole discretion:

- (a) the Support Agreement shall not have been terminated pursuant to the termination provisions provided under the Support Agreement;
- (b) the Lock-Up Agreements shall have been entered into, shall remain in full force and effect and the Locked-Up Shareholders shall not be in material breach of their obligations thereunder;
- (c) the Company shall have complied with all of its covenants in the Support Agreement and such covenants are to be complied with prior to the making of such Offer;
- (d) each of the representations and warranties of the Company provided in the Support Agreement (a) that are qualified by a reference to Material Adverse Effect or materiality shall be true and correct at the date the Offer is made and (b) that are not qualified by a reference to Material Adverse Effect or materiality shall be true and correct unless the failure to be true or correct has neither individually or in the aggregate with any such other untrue or incorrect representations caused or would reasonably be expected to cause, a Material Adverse Effect, at the date the Offer is made;
- (e) the Company shall have delivered the Director's Circular to the Offeror;
- (f) the Offeror shall have received all waivers, rulings or orders necessary from all applicable Securities Authorities for the Offeror to make the Offer and to mail to the Shareholders and the other beneficial and registered holders of any Convertible Securities the Offer and accompanying Bid Circular;

- (g) no Material Adverse Effect shall have occurred since the date of the Support Agreement and no circumstance, fact, change, event or occurrence caused by a Person other than the Offeror, an Affiliate of the Offeror or any Person acting jointly or in concert with the Offeror, having occurred that would render it impossible or impracticable for one or more of the conditions of the Offer to be satisfied; and
- (h) no cease trade order, injunction or other prohibition shall exist and no law shall have been proposed or enacted that would reasonably be expected to impose material limitations or conditions on or frustrate the Offer or the transactions contemplated by the Support Agreement (the "**Contemplated Transactions**").

The foregoing conditions are for the sole benefit of the Offeror and may be waived by it in its sole discretion in whole or in part. Such conditions shall be deemed to be satisfied or waived upon the mailing of the Offer and accompanying Bid Circular.

Conditions of the Offer

Subject to the provisions of the Support Agreement, the Offeror will have the right to withdraw or terminate the Offer, and will not be required to take up the Common Shares and/or may extend the period of time during which the Offer is open, unless all of the following conditions are satisfied or waived at or prior to the Expiry Time:

- (a) there shall have been validly deposited together with any Common Shares owned or controlled by the Offeror and its Affiliates at least 66 2/3% of the outstanding Common Shares (on a Fully-Diluted Basis) (the "**Minimum Tender Condition**");
- (b) all outstanding Options shall have been exercised, terminated or otherwise cancelled or dealt with on terms satisfactory to the Offeror, acting reasonably;
- (c) all regulatory approvals that are required to be obtained by any of the Company or the Offeror to carry out the Contemplated Transactions shall have been obtained by the Effective Time or, in the case of waiting or suspensory periods, expired or been terminated, each on terms and conditions satisfactory to the Offeror, acting reasonably;
- (d) (i) the Commissioner of Competition shall have issued an advance ruling certificate under Section 102 of the Competition Act in respect of the Contemplated Transactions, or (ii) the applicable waiting period(s) under Part IX of the Competition Act, including any timing agreement, shall have expired, been terminated, or have been waived in accordance with the Competition Act and the Commissioner of Competition shall have notified the Parties in writing (which notification shall not have been rescinded or amended) that she does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the Contemplated Transactions (the "**Competition Act Clearance Conditions**");
- (e) the Support Agreement shall not have been terminated in accordance with its terms;
- (f) (i) the representations and warranties of the Company with respect to capitalization shall be true and correct in all respects at the Expiry Time (except to the extent such representations and warranties speak as of an earlier date, in which case such representations and warranties shall be true and correct as of such date, or except as

affected by transactions contemplated or permitted by the Support Agreement); and (ii) each of the other representations and warranties of the Company provided for in the Support Agreement shall be true and correct at the Expiry Time (except to the extent such representations and warranties speak as of an earlier date which shall be true and correct as of such date or except as affected by transactions contemplated or permitted by the Support Agreement) except where the failure to be true or correct would not constitute or reasonably be expected to, individually or in the aggregate and without regard to any qualifications as to materiality or Material Adverse Effect contained in such representations and warranties, have a Material Adverse Effect;

- (g) the Company shall not have breached any of its covenants or obligations, except for breaches that, individually or in the aggregate, do not constitute a Material Adverse Effect or prevent, restrict or materially delay the consummation of the Offer;
- (h) the Company shall have obtained the Required Consents in form and substance satisfactory to the Offeror, acting reasonably;
- (i) no Material Adverse Effect shall have occurred (i) since the date of the Support Agreement or (ii) prior to the date of the Support Agreement that has not previously been disclosed to the Offeror in writing or in the Company Public Disclosure Record, excluding any forward-looking disclosure in such documents;
- (j) the Shareholder Rights Plan shall have been waived by the Board of Directors or otherwise terminated so as to have no effect in respect of the Contemplated Transactions or any acquisition of securities of the Company by the Offer or its Affiliates pursuant to the Contemplated Transactions;
- (k) subject to paragraph (d), which shall govern to the extent of any inconsistency with this paragraph, (x) no act, action, suit, investigation or proceeding shall have been taken or threatened or be pending before or by any Governmental Entity or private person or entity, or group thereof (which, in the case of a private person or entity, or group thereof, the Offeror reasonably believes is likely to succeed) and (y) no law shall have been proposed, enacted, entered, promulgated, amended or applied, in either case, unless the same is acceptable to the Offeror in its sole discretion:
 - (i) challenging the validity of the Offer or the Offeror's ability to maintain the Offer;
 - (ii) which has the effect, directly or indirectly, of cease trading, making illegal, enjoining, prohibiting, preventing, restraining or imposing material limitations or conditions on: (A) the making or consummation of the Offer; (B) the take-up or acquisition by, or the sale to, the Offeror of Common Shares; (C) the ability of the Offeror to acquire, own or hold, or exercise full rights of ownership in respect of the Common Shares; or (D) the ability of the Offeror and its affiliates to complete any Compulsory Acquisition or Subsequent Acquisition Transaction;
 - (iii) which, if the Offer were consummated, would reasonably be expected to result in a Material Adverse Effect;

- (iv) which seeks to compel the Offeror or its Affiliates to dispose of or hold separate any material portion of the business or assets of the Company or any of its Affiliates; or
 - (v) which seeks to obtain from the Offeror or the Company or any of their respective Affiliates any material damages, fees, levies or penalties directly or indirectly in connection with the Offer or any Compulsory Acquisition or Subsequent Acquisition Transaction; and
- (l) the Board of Directors shall not have withdrawn, modified or changed in a manner adverse to the Offeror its approval or recommendation of the Support Agreement or the Offer, or approved or recommended any Acquisition Proposal.

The foregoing conditions are for the sole benefit of the Offeror and may be asserted by the Offeror, at any time.

Subject to the terms of the Support Agreement, the Offeror in its sole discretion may waive any of the foregoing conditions, other than (a) and, to the extent that the applicable waiting periods under Part IX of the Competition Act have not expired or been waived or terminated or any applicable timing agreement has not expired or been terminated, (d) above, in whole or in part at any time and from time to time, both before and after the relevant Expiry Time, without prejudice to any other rights which the Offeror may have.

Canadian Tire Guarantee

Canadian Tire has agreed to cause the Offeror to perform all of its obligations under the Support Agreement and unconditionally and irrevocably guaranteed, covenanted and agreed to be jointly and severally liable with the Offeror for the due and punctual performance of each and every obligation of the Offeror arising under the Support Agreement and in respect of the Contemplated Transactions.

Non-Solicitation

Non-Solicitation Covenant

The Support Agreement contains provisions governing the manner in which the Company is permitted to carry on business including, without limitation, requirements that the Company and its subsidiaries shall not, directly or indirectly, or through any of their Representatives:

- solicit, initiate, encourage or facilitate (including by way of furnishing information or entering into any form of agreement, arrangement or understanding) any inquiries or proposals whatsoever that could reasonably be expected to constitute an Acquisition Proposal;
- participate in any discussions or negotiations with any Person (other than the Offeror, Canadian Tire and any of their respective Affiliates or any of their Representatives) regarding an Acquisition Proposal;
- approve, accept, endorse or recommend, or propose publicly to accept, approve, endorse or recommend, any Acquisition Proposal;

- accept or enter into or publicly propose to accept or enter into, any agreement, understanding or arrangement or other contract in respect of an Acquisition Proposal; or
- make a Change in Recommendation.

Except as otherwise provided in the Support Agreement, the Company (including its subsidiaries and its and their Representatives) shall immediately cease and terminate any solicitation, encouragement, discussion or negotiation with any Persons (other than the Offeror, Canadian Tire and their respective Representatives) with respect to any potential Acquisition Proposal and, in connection therewith, the Company will discontinue access to any of its confidential information and request the return or destruction of all material confidential information regarding the Company and its subsidiaries previously provided to any such Person or any other Person. The Company agrees that, except as set out hereinafter, neither it nor any of its subsidiaries shall terminate, waive, amend or modify any provision of any existing confidentiality agreement relating to a potential Acquisition Proposal or any standstill agreement to which it or any of its subsidiaries is a party and the Company undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that it or any of its subsidiaries have entered into prior to the date of the Support Agreement.

Fiduciary Out

Under the Support Agreement, the Company has the ability to respond to unsolicited alternative transactions in certain circumstances. If at any time following the date of the Support Agreement the Company receives a written Acquisition Proposal, provided that the Company is in compliance with the non-solicitation provisions, the Board of Directors may (directly or through its advisors or Representatives):

- (i) if it believes, acting in good faith, that the Acquisition Proposal could reasonably be expected to result in a Superior Proposal, contact the Person(s) making such Acquisition Proposal and its or their Representatives for the purpose of clarifying such Acquisition Proposal and likelihood of consummation so as to determine whether such proposal is, or could reasonably be expected to result in, a Superior Proposal; and
- (ii) if, in the opinion of the Board of Directors, acting in good faith and after receiving advice from its outside financial advisors and outside legal counsel, the Acquisition Proposal constitutes or, if consummated in accordance with its terms, is or could reasonably be expected to result in a Superior Proposal, then, and only in such case, the Company may:
 - (A) furnish information with respect to the Company and its subsidiaries to the Person making such Acquisition Proposal and its Representatives for a period of not more than 20 days; provided that no competitively sensitive information, the disclosure of which would reasonably be considered to be materially prejudicial to the Company or the Offeror, shall be furnished to such Person or any of its Affiliates prior to the 5th last day of the diligence period provided to such Person (in any event not to exceed 20 days) if such Person or any of its Affiliates is a competitor or a potential competitor of the Company and, prior to the disclosure of such competitively sensitive information, the Board of Directors has satisfied itself in the exercise of its fiduciary duties that any such Acquisition Proposal continues to be or, if consummated in accordance with its terms, would reasonably be expected to result in a Superior Proposal; and/or

- (B) participate in discussions or negotiations with the Person making such Acquisition Proposal and its Representatives,

provided that the Company and its Representatives shall not disclose any non-public information with respect to the Company (i) if such non-public information has not been previously provided to, or is not concurrently provided to, the Offeror, Canadian Tire or their respective Representatives; (ii) without entering into a confidentiality and standstill agreement that is customary in such situations and that is no less favourable to the Company and no more favourable to the counterparty than the confidentiality and standstill provisions contained in the Confidentiality Agreement; and (iii) without providing a copy of such confidentiality agreement to the Offeror.

Notification of Acquisition Proposals

The Company shall provide written notice within 24 hours to Canadian Tire and the Offeror of any proposal, inquiry, offer or request received by the Company or its Representatives after the date of the Support Agreement relating to an Acquisition Proposal or potential Acquisition Proposal (including any discussions or negotiations with respect thereto), or a request for non-public or certain sensitive information relating to the Company or its subsidiaries. The Company shall keep the Offeror and Canadian Tire promptly and fully informed of the status of such proposal, inquiry, offer or request, respond to all reasonable inquiries by the Offeror or Canadian Tire with respect thereto and provide copies of any written documents provided to the Company relating to such Acquisition Proposal.

Responding to Acquisition Proposals and Superior Proposals

If the Company is in compliance with their non-solicitation obligations as provided above and the termination provisions in the Support Agreement, the Company may terminate the Support Agreement and enter into a definitive agreement (a "**Proposed Agreement**") with any third party providing for an Acquisition Proposal if

- the Board of Directors determines such Acquisition Proposal is a Superior Proposal;
- the Company has provided the Offeror and Canadian Tire with written notice that the Board of Directors has determined that it has received a Superior Proposal and provides the Offeror and Canadian Tire with a copy of any Proposed Agreement, in each case not less than five Business Days (the "**Response Period**") prior to the proposed execution of such Proposed Agreement by the Company;
- the Response Period has elapsed;
- the Offeror has proposed to amend Offer and the Support Agreement during the Response Period, the Board of Directors determines acting in good faith and in the proper discharge of its fiduciary duties (after consultation with its financial advisor and after receiving advice from its outside legal counsel) that the Acquisition Proposal would nonetheless remain a Superior Proposal; and
- the Company has paid to the Offeror the Termination Payment.

During the Response Period, the Offeror and Canadian Tire shall have the right, but not the obligation, to offer to amend the terms of the Support Agreement and the Offer in order to provide for terms at least equivalent to those provided for in the Superior Proposal. If the Offeror or Canadian Tire does so, then the Board of Directors shall review any such proposal to determine (acting in good faith and in accordance with its fiduciary duties) whether the Acquisition Proposal to which the Offeror or Canadian Tire is responding would continue to be a Superior Proposal when assessed against the amended Support Agreement as proposed by the Offeror or Canadian Tire. Each successive modification of any Acquisition Proposal shall constitute a new Acquisition Proposal that will initiate an additional five Business Day Response Period. If the Board of Directors determines that the Acquisition Proposal would thereby cease to be a Superior Proposal, the Company and the Offeror or Canadian Tire, as the case may be, shall enter into an amendment to the Support Agreement reflecting the offer to amend the terms of the Support Agreement. The Board of Directors shall not enter into the applicable Proposed Agreement or withdraw, modify or change any recommendation regarding the Offer save and except to reaffirm its recommendation of the amended Offer.

Nothing in the Support Agreement shall prevent the Board of Directors from taking any action or from making any disclosure to the Shareholders with respect to an Acquisition Proposal that it determines is not, and could not reasonably be expected to result in, a Superior Proposal, if the failure to take such action or make such disclosure would be inconsistent with its fiduciary duties or such action or disclosure is otherwise required under applicable laws.

Termination Payment

The Support Agreement contains certain termination rights for Canadian Tire and entitles the Offeror to a cash termination payment of \$15 million from the Company (the "**Termination Payment**") if the Support Agreement is terminated under any of the following events (each a "**Termination Payment Event**"):

- Canadian Tire terminates the Support Agreement as a result of an intentional breach or default by the Company or the Company's change in or failure to make a recommendation reaffirming or approving the Offer;
- the Company proposes to terminate the Support Agreement as a result of the acceptance of a Superior Proposal, in which case the Company shall pay the Offeror the Termination Payment prior to accepting, recommending or approving or entering into of any definitive agreement relating to, a Superior Proposal; or
- on or after the date of the Support Agreement and prior to the Expiry Time, (A) an Acquisition Proposal is publicly announced or any Person has publicly announced an intention to make an Acquisition Proposal, and such Acquisition Proposal has not expired, been withdrawn or been publicly abandoned, (B) the Offer is not completed as a result of the Minimum Tender Condition not having been met, and (C) Canadian Tire terminates the Support Agreement, and such Acquisition Proposal is completed within twelve (12) months of such termination, in which case the Termination Payment shall be paid to the Offeror concurrently with the consummation of such Acquisition Proposal.

If the Company does not have sufficient financial resources to make the Termination Payment, in order for the Company to enter into any agreement (other than a confidentiality agreement permitted by the Support Agreement) relating to the acceptance, recommendation or approval of

an Acquisition Proposal or Superior Proposal that would or may give rise to a Termination Payment Event, the Company shall not enter into any such agreement unless the Person making such Acquisition Proposal or Superior Proposal, as applicable, advances or otherwise provides to the Company the cash required for the Company to pay the Termination Payment.

Compulsory Acquisition and Subsequent Acquisition Transaction

If, within 120 days after the date of the Offer, the Offer has been accepted by holders of not less than 90% of the Common Shares (other than Common Shares currently held by or on behalf of the Offeror or its "affiliates" or "associates" as those terms are defined in the ABCA), the Offeror shall, to the extent the Offeror determines it is more beneficial than a Subsequent Acquisition Transaction, pursue and use its commercially reasonable efforts to complete a Compulsory Acquisition as soon as practicable to acquire the remainder of the Common Shares not tendered to the Offer for cash consideration at least equal to the amount paid per Common Share under the Offer.

If a Compulsory Acquisition is not available to the Offeror or is determined by the Offeror to be less beneficial than a Subsequent Acquisition Transaction, but the Minimum Tender Condition has been satisfied, the Offeror shall use its commercially reasonable efforts to complete a Subsequent Acquisition Transaction as soon as practicable but in any event within a period not exceeding 120 days after the date of completion of the Offer for cash consideration at least equal to the amount paid per Common Share under the Offer.

The Company agrees with the Offeror that in the event the Offeror takes up and pays for Common Shares under the Offer it will use commercially reasonable efforts to assist the Offeror in completing any Compulsory Acquisition or Subsequent Acquisition Transaction, provided that the consideration per Common Share offered in connection with the Compulsory Acquisition or Subsequent Acquisition Transaction is cash at least equal to the amount paid per Common Share under the Offer.

Outstanding Options and RSUs

Options

Under the Support Agreement, the Company may take such actions as may be necessary or desirable, including amending the terms of any Options and the Company's Stock Option Plan, to provide that all Options vest no later than immediately prior to the Take-Up Date and that each holder of the vested Options shall be entitled to exercise such Options, in accordance with their terms. The Company shall resolve prior to the Effective Time that all Options remaining and not exercised at the Effective Time shall be terminated for no consideration, which termination shall not require the consent of any holders of Options.

The Company agrees that it will use commercially reasonable efforts to allow all outstanding Options to be either exercised, terminated, surrendered, cancelled or to expire prior to the Take-Up Date, provided that, except in compliance with the Support Agreement, the Company shall not pay the holders any amount in consideration therefor in excess of \$0.05 per Common Share issuable on exercise of Options having an exercise price in excess of the Offer Price without the prior approval of the Offeror, and the Company shall not grant any additional Options or other rights to purchase or acquire Common Shares, or make any amendments to outstanding Options without the prior written consent of the Offeror.

RSUs

The Company may take such actions as may be necessary or desirable, including amending the terms of any RSUs and the Company's Stock Unit Plan, to provide that all RSUs vest no later than immediately prior to the Take-Up Date and that each holder of vested RSUs shall be entitled to a payout in respect of such RSUs, in accordance with their terms. Immediately prior to the Effective Time, the Company shall pay the holders of all RSUs remaining and not exercised at the Effective Time all amounts owing in accordance with the terms thereof.

DSUs

Following the Effective Time no amendment, modification or termination of the Company's Directors' Share Unit Plan shall be made which would have the effect of adversely altering or modifying the benefits accrued under such plan of any participant. The value of DSUs outstanding under the plan following the resignation of participating individuals shall be calculated in accordance with the terms of such plan and shall be paid within two Business Days of the Effective Time, notwithstanding any term of the plan which might extend payment beyond such date.

Consents

The Company shall use its commercially reasonable efforts to obtain all consents, waivers and approvals required in respect of the Offer, and the Company shall provide the Offeror and Canadian Tire, at the Offeror's sole discretion, the right to be made aware of, participate in and assist with any negotiations or discussions related to such efforts. Certain such consents must be obtained as a condition to the take-up of the Common Shares (the "**Required Consents**").

Competition Approval

The Offeror, Canadian Tire and the Company shall submit the Competition Act Filing within three (3) Business Days, or such longer period as is advisable in the Offeror's sole discretion, but in no event later than 14 days, and provide each other with final copies thereof (excluding competitively sensitive information therein, which will be provided only to the external legal counsel or external expert of the other). The Offeror and Canadian Tire also shall, as soon as reasonably possible following the execution of the Support Agreement, submit to the Commissioner of Competition a competitive impact analysis in which the Offeror or Canadian Tire, as the case may be, will request that the Commissioner of Competition issue an advance ruling certificate pursuant to Subsection 102(1) of the Competition Act or, in the alternative, a "no-action" letter pursuant to Subsection 123(2) of the Competition Act in respect of the Contemplated Transactions, and provide to the Company a final copy thereof (excluding competitively sensitive information therein, which will be provided only to the external legal counsel or external expert of the other).

In connection with satisfying the Competition Act Clearance Conditions, the following provisions shall apply:

- (i) Unless the Company, the Offeror and Canadian Tire have already done so, immediately following execution of the Support Agreement, counsel for the Offeror, Canadian Tire and the Company shall contact the Competition Bureau to provide it with verbal notice of the Contemplated Transactions.

- (ii) The Company, the Offeror and Canadian Tire shall furnish to each other such information and assistance as the other may reasonably request in order to prepare any notification, application, filing or request to, or response to a request from, a Governmental Entity (excluding competitively sensitive information, which will be provided only to the external legal counsel or external expert of the other).
- (iii) The Company, the Offeror and Canadian Tire shall promptly furnish a Governmental Entity with any information requested by the Governmental Entity under the Competition Act or any other law. All requests and enquiries from a Governmental Entity shall be dealt with by the Offeror, Canadian Tire and the Company in consultation with each other. The Company, the Offeror and Canadian Tire shall (A) promptly notify the other of such written communications and provide the other with copies thereof (excluding competitively sensitive information, which will be provided only to the external legal counsel or external expert of the other); (B) permit the other an advance opportunity to review and comment upon any such proposed communications and provide the other with final copies thereof (excluding competitively sensitive information, which will be provided only to the external legal counsel or external expert of the other); and (C) the Company, the Offeror and Canadian Tire shall not participate in any substantive meeting or discussion with a Governmental Entity in respect of any filing, unless it consults with the other parties in advance and gives the other parties the opportunity to attend and participate (except where the Governmental Entity expressly requests that a party should not be present, and except where competitively sensitive information may be discussed, in which case reasonable efforts will be made to allow external legal counsel for that party to participate).
- (iv) The Offeror and Canadian Tire may, with the agreement of the Company, which shall not be unreasonably withheld, enter into a timing agreement with the Commissioner of Competition which would have the effect of delaying the taking up of and paying for the Common Shares tendered under the Offer and the Company shall be required to agree to the terms and conditions of any such timing agreement.

All filing fees required in connection with the notification shall be borne by the Offeror.

The Offeror, Canadian Tire and the Company shall use their "best efforts" to ensure that the Competition Act Clearance Conditions are satisfied prior to the Outside Date. The "best efforts" of the Offeror and Canadian Tire shall include an obligation of the Offeror and Canadian Tire to license, franchise, divest or hold separate any business locations or business lines of the Company or to take any other measure or agree to any other behavioural remedy necessary to secure the satisfaction of the Competition Act Clearance Conditions (a "**Remedial Action**"). Notwithstanding the immediately preceding sentence, "best efforts" shall not require the Offeror or Canadian Tire to undertake a Remedial Action (A) the result of which would be to directly reduce EBITA by 7% or more, (B) involving 30 or more business locations of the Company or any of its Affiliates, or (C) involving any remedy that would be reasonably likely to materially adversely affect (i) the existing sporting goods business of Canadian Tire and its Affiliates in any census metropolitan area with a population in 2010 exceeding 350,000 and/or (ii) the existing sporting goods business of Canadian Tire and its Affiliates in all other areas of Canada, considered as a whole.

Representations and Warranties

Under the Support Agreement, the Company has made certain representations and warranties to the Offeror and Canadian Tire with respect to, among other matters: organization and qualification; authority; no violation; capitalization; ownership of subsidiaries; reporting status and securities law matters; public filings; financial statements; internal controls and financial reporting; books and records; minute books; consents and approvals; no undisclosed liabilities; no material change; litigation; taxes; assets and property; material contracts; permits; environmental matters; compliance with laws; employment matters; related party transactions; restrictions on business activities; brokers; insurance; intellectual property; and suppliers and relationships.

The Offeror and Canadian Tire have made certain representations to the Company, on a joint and several basis, with respect to: authority; organization; no violations; ownership of shares; residency; Canadian status; sufficient funds; litigation; other agreements; no agreement with Shareholders; and no collateral benefit.

Conduct of Business

The Company covenants and agrees that, during the period from the date of the Support Agreement until the earlier of the Effective Time and the time that the Support Agreement is terminated in accordance with its terms, except as otherwise expressly contemplated or permitted by the Support Agreement or identified by the Company to the Offeror in writing or to the extent otherwise expressly consented to by the Offeror or Canadian Tire in writing (which consent shall not be unreasonably withheld or delayed), the Company shall, and shall cause each of its subsidiaries to, conduct its business in the ordinary course of business consistent with past practice, and use commercially reasonable efforts to maintain and preserve their business organization, assets, employees, goodwill and business relationships. Specifically, the Company shall not, without the prior consent of the Offeror or Canadian Tire, among other things:

- (a) take any action except in the ordinary course of business consistent with past practice of the Company and its subsidiaries;
- (b) amend its organizational documents, reorganize, issue, repurchase or amend the terms of its securities;
- (c) (i) acquire or invest in any assets (excluding inventory purchased in the ordinary course), securities, properties or businesses; (ii) incur any indebtedness except under the Company Credit Agreement or for the renewal or replacement of such credit facilities or any other liability or obligation or issue any debt securities or assume the obligations of any other Person, or, except as disclosed, make any loans, or investments except to wholly-owned subsidiaries or in the ordinary course of business; (iii) waive any rights of material value; (iv) open any new corporate or franchise stores under any banner that the Company or any of its Affiliates has not carried on business under prior to the date of the Support Agreement; (v) close any corporate or franchise stores except in the ordinary course of business consistent with past practice, following the expiry of related store leases; or (vi) authorize or propose any of the foregoing;
- (d) except in the ordinary course of business consistent with past practice (i) sell, pledge, lease, license or otherwise transfer any assets, securities, properties or businesses of the Company or any of its subsidiaries; (ii) satisfy any material liabilities or obligations; or (iii) authorize or propose any of the foregoing;

- (e) other than as is necessary to comply with applicable laws or as expressly permitted by the Support Agreement: (i) grant to any director, officer or employee an increase in compensation; (ii) make any loan to any director, officer, employee or consultant; (iii) take any action with respect to the grant of any severance, change of control, bonus or termination payment to, or enter into any employment agreement, deferred compensation or other similar agreement (or amend any such existing agreement) with, or terminate employment (except for just cause) of any director, officer, employee or consultant of the Company that, individually or in the aggregate, would result in severance payments in excess of \$500,000, or hire any Person to a level of seniority of at least vice-president or higher, of the Company or any of its subsidiaries; (iv) increase any benefits, or adopt or materially amend any benefit plan or arrangement for the benefit of current or former directors, officers, employees, consultants; (v) increase bonus levels or other benefits to any director, officer, employee or consultant; (vi) provide for accelerated vesting, removal of restrictions or an exercise of any stock based or stock related awards upon a change of control occurring on or prior to the Effective Time except in connection with a Superior Proposal; or (vii) establish, adopt or amend (except as required by applicable law) any collective bargaining agreement or similar agreement, except as disclosed;
- (f) except as disclosed, settle, pay or otherwise satisfy (i) any material action, claim or proceeding; or (ii) any action, claim or proceeding brought by any present, former or purported holder of its securities in connection with the Offer or the Contemplated Transactions;
- (g) enter into any arrangement that restricts or would after the Effective Time restrict, in any material respect the Company from carrying on business in any manner;
- (h) expend any amounts with respect to capital expenditures except in the ordinary course of business consistent with past practice and consistent with budgets presented to the Offeror or Canadian Tire;
- (i) (i) enter into any agreement that if entered into prior to the date of the Support Agreement would be a Material Contract except in respect of store leases previously budgeted for in an approved budget of the Company, and disclosed, franchise agreements, supplier agreements or vendor supply agreements, all as entered into in the ordinary course of business consistent with past practice and on terms not materially less advantageous to the Company or any of its subsidiaries than terms generally provided for in similar agreements, provided that any such agreement, other than any franchise agreement, is not for a term longer than one year and is not for consideration greater than \$150,000 (except with respect to vendor supply agreements which may not be for a term longer than two years, and may be for consideration to the vendor greater than \$150,000, each as disclosed), or except as disclosed; or (ii) materially amend, transfer or terminate any Material Contract, or waive or assign any material rights thereunder, except for the renewal of Leases (as disclosed), franchise agreements, supplier agreements and vendor supply agreements in the ordinary course of business consistent with past practice and on terms not materially less advantageous to the Company or any of its subsidiaries than the agreement being renewed); or (iii) enter into or modify any existing Contract or series of related existing Contracts resulting in a new Contract or series of related new Contracts or enter into any modifications to an existing Contract or series of related existing Contracts, in either case outside of the ordinary course of business consistent with past practice.

Termination Events

The Support Agreement may be terminated by mutual consent of Canadian Tire and the Company, or

- by Canadian Tire, if (a) the Offer and accompanying Bid Circular has not been mailed by the Offeror by 11:59 p.m. (Toronto time) on May 27, 2011 (subject to extensions pursuant to the terms of the Support Agreement), except where the failure to satisfy such condition is solely as a result of a default by the Offeror of its obligations; (b) the Company is in default of any non-solicitation covenant or obligation, the Company has intentionally breached any other covenant or obligation and such breach would reasonably be expected to result in a Material Adverse Effect, or any representation or warranty of the Company shall be untrue causing a Material Adverse Effect; (c) the Board of Directors makes a Change in Recommendation; (d) there is an injunction, order, legal restraint or prohibition by a Governmental Entity that would require the Company or any Affiliate or Representative thereof to act or fail to act in a manner that would constitute a material violation of the Company's covenants under the Support Agreement, or would limit the rights of Canadian Tire or the Offer in relation to such covenants;
- by the Company, if (a) any representation or warranty of Canadian Tire or the Offeror shall be untrue or incorrect in any respect, if not cured within five Business Days; (b) the Offeror has not mailed the Offer, Bid Circular and related letter of transmittal and notice(s) of guaranteed delivery by 11:59 p.m. (Toronto time) on May 27, 2011 (subject to extensions pursuant to the terms of the Support Agreement), except where such failure is attributable to a default by the Company; (c) the Offer does not conform in all material respects with the Support Agreement, if such non-conformity is not cured within five Business Days; or (d) the Company terminates the Support Agreement in order to accept a Superior Proposal;
- by either Canadian Tire or the Company, if (a) the Expiry Date (the date on which the Expiry Time occurs) does not occur on or prior to 150 days after the date of the Offer (subject to extension in certain circumstances, but not to exceed 270 days from the date of the Support Agreement), provided that such failure is not the result of a breach of the terminating party and provided further that the Company may only terminate in such circumstances if the Offeror has not waived the unsatisfied conditions and publicly announced its intention to take up and pay for the deposited Common Shares; (b) the Offer terminates, expires or is withdrawn at the Expiry Time without the Offeror taking up any Common Shares as a result of the failure of any condition to the Offer to be satisfied or waived, unless the failure of such condition shall be due to the terminating party failing to perform their respective obligations; or (c) if any law, subject to certain exceptions, makes the completion of the Offer or the Contemplated Transactions illegal or otherwise prohibited.

In the event of the termination as provided by the termination events above, the Support Agreement shall have no further force or effect and there shall be no obligation on the part of the Offeror or the Company, except as set forth under Section 6.4, Section 6.5, Section 6.6, Article 8 and Article 9 of the Support Agreement, which provisions shall survive upon termination.

Amendment of the Offer

The Offeror may, in its sole discretion, modify or waive any term or condition of the Offer and transfer or assign to one or more of its Affiliates the right to purchase all or any portion of the Common Shares deposited pursuant to the Offer; provided, however, that the Offeror shall not, without the prior written consent of the Company: (i) increase the Minimum Tender Condition; (ii) decrease the consideration per Common Share under the Offer; (iii) decrease the number of Common Shares in respect of which the Offer is made; (iv) change the form of consideration payable under the Offer (other than to add additional consideration); or (v) add any condition to the Offer or otherwise vary the Offer (or any terms or conditions thereof) in a manner which is adverse to the Shareholders; provided that, for certainty, the Offeror may, in its sole discretion, increase the total consideration per Common Share and/or add additional consideration to the Offer.

6. Reliance on Subsection 7.1(2) of National Instrument 51-102.

Not applicable.

7. Omitted Information:

No information has been omitted in the material change report on the basis that it is confidential information.

8. Executive Officer:

Evan T. Johnston
Vice-President and General Counsel
Telephone: (403) 717-1453

9. Date of Report:

May 13, 2011