

**Sport Supply Group, Inc.**  
**Quarter Ended June 30, 2005**  
**Financial Statements**

The accompanying financial statements were prepared by management and reflect all normal and recurring adjustments that are, in the opinion of management, necessary for a fair presentation. Management has prepared these financial statements to be in conformity with accounting principles generally accepted in the United States of America. The accompanying financial statements have not been audited nor reviewed by the Company's Independent Auditors.

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**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|   | June 30, 2005 | March 31, 2005 |
|---|---------------|----------------|
| <b>CURRENT ASSETS :</b>   |               |                |
| Cash and equivalents  | \$ 863,887    | \$ 1,136,873   |
| Accounts receivable:  |               |                |
| Trade, less allowance for doubtful accounts of \$303,000<br>and \$363,000, respectively                                   | 10,728,854    | 13,715,753     |
| Other   | 98,040        | 76,413         |
| Inventories, net  | 16,299,531    | 15,361,035     |
| Other current assets  | 349,568       | 447,157        |
| Deferred tax assets   | 1,257,052     | 1,257,052      |
| Total current assets  | 29,596,932    | 31,994,283     |
| <br><b>DEFERRED CATALOG EXPENSES, NET</b>   | <br>879,255   | <br>1,597,461  |
| <b>PROPERTY, PLANT AND EQUIPMENT :</b>  |               |                |
| Land  | 8,663         | 8,663          |
| Buildings   | 1,605,102     | 1,605,102      |
| Computer equipment & software   | 11,028,905    | 11,005,833     |
| Machinery and equipment   | 6,513,532     | 6,470,231      |
| Furniture and fixtures  | 1,310,846     | 1,310,846      |
| Leasehold improvements  | 2,452,626     | 2,442,362      |
|   | 22,919,674    | 22,843,037     |
| Less accumulated depreciation and amortization  | (17,401,300)  | (17,073,592)   |
|   | 5,518,374     | 5,769,445      |
| <br><b>DEFERRED TAX ASSETS</b>  | <br>2,129,809 | <br>2,129,809  |
| <b>TRADEMARKS</b>   |               |                |
| Less accumulated amortization of \$1,248,000 and \$1,222,000 respectively   | 2,693,845     | 2,714,753      |
| <br><b>OTHER ASSETS</b>   |               |                |
| Less accumulated amortization of \$783,000 and \$766,000 respectively   | 311,060       | 351,368        |
| Total assets  | \$ 41,129,275 | \$ 44,557,119  |
| <br><b>CURRENT LIABILITIES :</b>  |               |                |
| Accounts payable  | \$ 6,345,241  | \$ 8,937,953   |
| Accrued liabilities   | 1,545,334     | 2,127,930      |
| Customer deposits   | 1,308,122     | 2,039,233      |
| Notes payable and capital lease obligations, current portion  | 25,202        | 25,202         |
| Total current liabilities   | 9,223,899     | 13,130,318     |
| <br><b>NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS, net of current portion</b>  | <br>2,866,901 | <br>3,009,818  |
| <b>COMMITMENTS AND CONTINGENCIES</b>  |               |                |
| <b>STOCKHOLDERS' EQUITY</b>   |               |                |
| Preferred stock, par value \$0.01, 100,000 shares authorized, no shares outstanding                                       | -             | -              |
| Common stock, par value \$0.01, 20,000,000 shares authorized,<br>9,362,364 shares issued and 8,917,211 shares outstanding | 93,624        | 93,624         |
| Additional paid-in capital  | 48,101,331    | 48,101,331     |
| Accumulated deficit   | (15,355,198)  | (15,976,690)   |
| Treasury stock, at cost, 445,153 shares   | (3,801,282)   | (3,801,282)    |
| Total stockholders' equity  | 29,038,475    | 28,416,983     |
| Total liabilities and stockholders' equity  | \$ 41,129,275 | \$ 44,557,119  |

The accompanying notes are an integral part of these financial statements.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

--- For The Three Months Ended ---

|   | June 30, 2005 | June 30, 2004 |
|---|---------------|---------------|
| Net revenues                                | \$ 23,225,901 | \$ 25,104,352 |
| Cost of sales                               | 16,573,741    | 17,624,662    |
| Gross profit                                | 6,652,160     | 7,479,690     |
| <br>  |               |               |
| Selling, general and administrative expense | 5,639,009     | 5,706,234     |
| Depreciation and amortization               | 344,200       | 418,324       |
| <br>  |               |               |
| Operating Income                            | 668,951       | 1,355,132     |
| <br>  |               |               |
| Interest expense                            | (51,464)      | (60,020)      |
| Other income (expense), net                 | 4,005         | 1,312         |
| Income before income taxes                  | 621,492       | 1,296,424     |
| Income taxes                                | -             | -             |
| Net Income                                  | \$ 621,492    | \$ 1,296,424  |
| <br>  |               |               |
| Basic earnings per share                    | \$ 0.070      | \$ 0.145      |
| Diluted earnings per share                  | \$ 0.068      | \$ 0.145      |
| <br>  |               |               |
| Weighted average common shares outstanding: |               |               |
| Basic                                       | 8,917,211     | 8,917,211     |
| Diluted                                     | 9,197,785     | 8,917,509     |

The accompanying notes are an integral part of these financial statements.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

|                         | Common Stock     |                  | Additional<br>Paid in<br>Capital | Accumulated<br>Deficit | Treasury Stock |                       | Total                |
|-------------------------|------------------|------------------|----------------------------------|------------------------|----------------|-----------------------|----------------------|
|                         | Shares           | Amount           |                                  |                        | Shares         | Amount                |                      |
| Balance, March 31, 2005 | 9,362,364        | \$ 93,624        | \$ 48,101,331                    | \$ (15,976,690)        | 445,153        | \$ (3,801,282)        | \$ 28,416,983        |
| Net Income              |                  |                  |                                  | 621,492                |                |                       | 621,492              |
| Balance, June 30, 2005  | <u>9,362,364</u> | <u>\$ 93,624</u> | <u>\$ 48,101,331</u>             | <u>\$ (15,355,198)</u> | <u>445,153</u> | <u>\$ (3,801,282)</u> | <u>\$ 29,038,475</u> |

The accompanying notes are an integral part of these financial statements

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|  | --- For The Three Months Ended --- |                             |
|--|------------------------------------|-----------------------------|
|  | June 30, 2005                      | June 30, 2004               |
|  | <u>                    </u>        | <u>                    </u> |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES :</b>  |                                    |                             |
| Income from continuing operations  | \$ 621,492                         | \$ 1,296,424                |
| Adjustments to reconcile loss from operations<br>to net cash provided by (used in) operating activities: |                                    |                             |
| Depreciation and amortization  | 371,699                            | 442,689                     |
| Provision for doubtful accounts receivable   | 95,950                             | 104,568                     |
| Changes in assets and liabilities (net of discontinued operations):                                      |                                    |                             |
| Decrease in accounts receivable  | 2,869,321                          | 1,715,625                   |
| (Increase) decrease in inventories   | (938,496)                          | 1,221,618                   |
| Decrease in deferred catalog expenses and other current assets   | 815,795                            | 705,900                     |
| Decrease in accounts payable   | (2,592,711)                        | (2,759,714)                 |
| Increase (decrease) in customer deposits   | (731,111)                          | 48,161                      |
| Decrease in accrued liabilities  | (582,596)                          | (592,763)                   |
| Increase in other assets   | 17,538                             | 11,959                      |
| Operating cash flow provided by (used in) continuing operations  | <u>(53,119)</u>                    | <u>2,194,467</u>            |
| Operating cash flow provided by discontinued operations  | -                                  | 30,425                      |
| Net cash provided by (used in) operating activities  | <u>(53,119)</u>                    | <u>2,224,892</u>            |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES :</b>  |                                    |                             |
| Acquisitions of property, plant & equipment  | <u>(76,950)</u>                    | <u>(123,966)</u>            |
| <br><b>CASH FLOWS FROM FINANCING ACTIVITIES :</b>  |                                    |                             |
| Proceeds from issuances of notes payable   | 25,699,290                         | 24,950,277                  |
| Payments of notes payable and capital lease obligations  | <u>(25,842,207)</u>                | <u>(27,770,155)</u>         |
| Net cash used in financing activities  | <u>(142,917)</u>                   | <u>(2,819,878)</u>          |
| <b>NET DECREASE IN CASH AND EQUIVALENTS</b>  | (272,986)                          | (718,952)                   |
| Cash and equivalents, beginning of period  | <u>1,136,873</u>                   | <u>1,156,211</u>            |
| Cash and equivalents, end of period  | <u>\$ 863,887</u>                  | <u>\$ 437,259</u>           |
| <br><b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION :</b>   |                                    |                             |
| Cash paid during the period for interest   | <u>\$ 50,897</u>                   | <u>\$ 89,551</u>            |
| Cash paid during the period for income taxes   | <u>\$ 14,946</u>                   | <u>\$ 3,358</u>             |

The accompanying notes are an integral part of these financial statements.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 1 - Basis of Presentation**

These consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of management, necessary to fairly present, in accordance with accounting principles generally accepted in the United States, Sport Supply Group, Inc.'s ("SSG") consolidated financial position as of June 30, 2005 and the results of its operations for the three month periods ended June 30, 2005 and June 30, 2004.

The consolidated financial statements include the accounts of SSG and its wholly-owned subsidiary, Sport Supply Group Asia Limited, a Hong Kong corporation. All significant intercompany accounts and transactions have been eliminated in consolidation. Effective March 2001, Sport Supply Group, Inc. became a majority-owned subsidiary of Emerson Radio Corp. On July 1, 2005 Emerson Radio Corp. sold its majority position in SSG to Collegiate Pacific Inc.

The consolidated financial statements also include estimates and assumptions made by management that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses and the provisions for and the disclosure of contingent assets and liabilities. Actual results could materially differ from those estimates. Certain financial information for previous fiscal years has been reclassified to conform to the fiscal 2006 presentation. Please refer to our audited financial statements for the year ended March 31, 2005 for more information.

**Note 2 - Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method. As of June 30, 2005 and March 31, 2005, inventories consisted of the following:

|   | <b>June 30,<br/>2005</b> | <b>March 31,<br/>2005</b> |
|---|--------------------------|---------------------------|
| Raw materials                                   | \$ 1,422,302             | \$ 1,370,457              |
| Work-in-process                                 | 69,207                   | 33,094                    |
| Finished and purchased goods                    | <u>16,489,622</u>        | <u>15,628,891</u>         |
|   | 17,981,131               | 17,032,442                |
| Allowance for obsolete<br>and slow moving items | <u>(1,681,600)</u>       | <u>(1,671,407)</u>        |
| Inventory, net                                  | <u>\$16,299,531</u>      | <u>\$15,361,035</u>       |

The inventory allowance for obsolete and slow moving items is determined based upon our periodic assessment of the net realizable value of our inventory.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 3 - Notes Payable and Capital Lease Obligations**

As of June 30, 2005 and March 31, 2005, notes payable and capital lease obligations consisted of the following:

|  | <b>June 30, 2005</b> | <b>March 31, 2005</b> |
|--|----------------------|-----------------------|
| Note payable under revolving line of credit,<br>Interest ranging from prime (6.25% at June 30, 2005 and 5.50% at<br>March 31, 2005) minus 0.25% to prime plus 1.0% and LIBOR<br>(5.07% at March 31, 2005) due Oct. 31, 2007 and collateralized by<br>substantially all assets. | \$2,866,901          | \$3,009,818           |
| Capital lease obligation, interest at 9%, payable<br>in annual installments of principal and interest<br>through August 2005.  | 25,202               | 25,202                |
| Total  | 2,892,103            | 3,035,020             |
| Less – current portion   | (25,202)             | (25,202)              |
| Long-term debt and capital lease obligations, net  | \$2,866,901          | \$3,009,818           |

Borrowings under our revolving line of credit are subject to the terms of our amended Loan and Security Agreement with Congress Financial Corporation which is available to finance our working capital requirements through October 31, 2007. This agreement provides for revolving loans and letters of credit which, in the aggregate, cannot exceed the lesser of \$20 million or a "Borrowing Base" amount based on specified percentages of eligible accounts receivable and inventories. We are required to maintain certain net worth levels and as of June 30, 2005 we were in compliance with this requirement. As of June 30, 2005, we had total available borrowings under our senior credit facility of approximately \$15.8 million of which approximately \$2.9 million were outstanding. Amounts outstanding under the senior credit facility are secured by substantially all the assets of the Sport Supply Group, Inc. Pursuant to the Loan and Security Agreement, we are restricted from, among other things, paying cash dividends and entering into certain transactions without the lender's prior consent.

Maturities of our capital lease obligations and borrowings under the senior credit facility as of June 30, 2005, by fiscal year and in the aggregate, are as follows:

|       |             |
|-------|-------------|
| 2006  | \$ 25,202   |
| 2007  | --          |
| 2008  | 2,866,901   |
| Total | \$2,892,103 |

As of June 30, 2005 and March 31, 2005 the carrying value of our long-term debt approximates its fair value due to the variable nature of interest rates charged.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 4 - Stock-based Compensation**

We have stock option plans under which certain officers and employees have been granted options. All the options have been granted at prices equal to the market value of the shares at the time of the grant and expire on the tenth anniversary of the grant date. Our stock-based compensation is measured in accordance with the provisions of Accounting Principles Board Opinion No. 25 (APB 25), "Accounting for Stock Issued to Employees" and related interpretations. Accordingly, no compensation expense is recognized for fixed option plans because the exercise prices of Employee stock options equal or exceed the market prices of the underlying stock on the dates of grant.

The following table represents the effect on net income if we had applied the fair value based method and recognition provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," to stock based employee compensation.

|   | For the Three Months Ended  |                             |
|---|-----------------------------|-----------------------------|
|   | <b><u>June 30, 2005</u></b> | <b><u>June 30, 2004</u></b> |
| Net income, as reported   | \$621,492                   | \$1,296,424                 |
| Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards | <u>(3,850)</u>              | <u>(1,156)</u>              |
| Proforma net income   | <u>\$617,642</u>            | <u>\$1,295,268</u>          |

**Note 5 - Income Taxes**

We have a net operating loss carryforward that can be used to offset future taxable income and can be carried forward for 15 to 20 years. As of June 30, 2005 we have deferred tax assets of approximately \$3.4 million, net of a \$5.4 million valuation allowance. As a result of the sale of Emerson's 53.2% interest in SSG on July 1, 2005, and the related change in control, the use of the company's net operating loss carryforwards will be restricted in future periods. Management will continue to evaluate the company's ability to realize the recorded net deferred tax through tax planning strategies now available in future periods and future profitable operating results. The amount of the deferred tax asset considered realizable, however, could be reduced or eliminated in the near term if certain tax planning strategies are not successfully executed or estimates of future taxable income during the carryforward period are reduced.

**SPORT SUPPLY GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2005**

**Note 6 – Commitments and Contingencies**

**Leases**

We lease a significant portion of our office, warehouse, distribution, fulfillment, computer equipment and manufacturing locations under noncancelable operating leases with terms ranging from one to three years. The majority of our leases contain renewal options that extend the leases beyond the current lease terms.

Future minimum lease payments under noncancelable operating leases for office, warehouse, computer equipment and manufacturing locations, with remaining terms in excess of one year are as follows:

|       |                    |
|-------|--------------------|
| 2006  | 1,556,059          |
| 2007  | 1,124,038          |
| 2008  | 797,669            |
| Total | <u>\$3,477,766</u> |

**Note 7 - Product Liability and Other Claims**

Because of the nature of our products and industry, we are periodically subject to product liability claims resulting from personal injuries. From time to time we may become involved in various lawsuits incidental to our business, some of which may relate to injuries allegedly resulting in substantial permanent paralysis. Significantly increased product liability claims continue to be asserted successfully against manufacturers throughout the United States resulting in general uncertainty as to the nature and extent of manufacturers' and distributors' liability for personal injuries.

There can be no assurance that our general product liability insurance will be sufficient to cover any successful claim made against us. In our opinion, any ultimate liability arising out of currently pending product liability and other claims will not have a material adverse effect on our financial condition or results of operations. However, any claims substantially in excess of our insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on our results of operations and financial condition.

**Note 8 – Subsequent Event**

On July 1, 2005 Emerson Radio Corp. sold all of its 53.2% position in SSG (4,746,023 shares of common stock) to Collegiate Pacific Inc. Collegiate Pacific Inc is traded on the American Stock Exchange under the symbol BOO. This transaction has caused a change of control that obligates SSG to a payment of approximately \$1.1 million in the quarter ended September 2005.